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Has AI Art Generated the Next Napster? Analyzing Civil and Criminal Liability for Prompt Marketplace Participants

Tyler Larson

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HAS AI ART GENERATED THE NEXT NAPSTER? ANALYZING CIVIL AND CRIMINAL LIABILITY FOR PROMPT MARKETPLACE PARTICIPANTS

BY TYLER LARSON*

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I. INTRODUCTION

The first publicly accessible text-to-image artificial intelligence (“AI”) art generator went live in July 2021.¹ Almost overnight, it became wildly popular, and new works of visual art created entirely by machine flooded social media.² Users began deploying generative AI art engines for everything from creating memes and graphic novels, to integrating generative AI into photo-editing apps. Today, there are many commercially available AI art generators, the most used being Stable Diffusion, Midjourney, and DALL-E.³

These engines all operate in the same way: a user provides a textual input, called a “prompt,” to the engine, which returns an image or series of images based on that input.⁴ The text of a prompt could be a paragraph that looks like natural language, a string of seemingly unconnected words and

1. Rahul Rao, *How the Author of DALL-E Mini Created the Ultimate Meme Maker — and a New Era for AI*, INVERSE (Nov. 10, 2022), <https://www.inverse.com/innovation/dall-e-mini-creator>.

2. *Id.*

3. See, e.g., Harry Guinness, *The Best AI Art Generators in 2024*, ZAPIER (Feb. 22, 2024), <https://zapier.com/blog/best-ai-image-generator/>.

4. Charlie Warzel, *The Most Important Job Skill of the Century*, THE ATLANTIC (Feb. 8, 2023), <https://www.theatlantic.com/technology/archive/2023/02/openai-text-models-google-search-engine-bard-chatbot-chatgpt-prompt-writing/672991/>.

equations, or anything in between.⁵ However, not all AI art is created equal.⁶ The words used in the prompt can determine the look and feel of the final image, altering lighting, coloration, or style—even convincing the engine to emulate a particular human artist.⁷

Therefore, the right prompt can significantly improve the output of the AI “artist” and enhance the value of that output aesthetically, and potentially, financially.⁸ Although the prompt “language” is plain text (as opposed to a coding or machine language), creating good prompts requires a language of its own.⁹ It is both an art and a skill.¹⁰ Variables such as the ordering of the words, or use of emphasizees all play a role in determining how the AI will interpret the prompt.¹¹ “Prompt engineers” are those skilled in creating prompts and the most optimal prompts require an understanding of the nuances of how different AI engines respond to the input language.¹²

Much like anything that requires skill and knowledge to create, prompts have been commodified and are now bought and sold on websites called prompt marketplaces.¹³ The first and largest of these marketplaces is called PromptBase.¹⁴ The scale of business is already relatively large, and growing, with PromptBase alone seeing 25,000 accounts that have bought or sold a prompt as of February 2023.¹⁵ Many competitors have sprung up as AI art continues to proliferate through the Internet’s consciousness.¹⁶

While all this growth presents undeniable economic opportunities for prompt marketplace operators and prompt engineers, it also presents legal challenges. The increase in these sites’ user bases has led directly to the proliferation of prompts that are used to infringe third party copyrights and trademarks.¹⁷ The reasons people buy prompts vary, but most people seem

5. *Id.*

6. *Id.*

7. Kyle Wiggers, *A Startup is Charging \$1.99 for a String of Text to Feed to DALL-E*, TECHCRUNCH (July 29, 2022, 9:31 AM), <https://techcrunch.com/2022/07/29/a-startup-is-charging-1-99-for-strings-of-text-to-feed-to-dall-e-2/> (“[Prompts] can also act as ‘filters’ of sorts, creating images with the characteristics of a sketch, painting, texture, animation or even a particular illustrator (e.g., Maurice Sendak).”).

8. Warzel, *supra* note 4.

9. *Id.*

10. *Id.*

11. *Id.*

12. *Id.*

13. Wiggers, *supra* note 7.

14. *Id.*

15. Drew Harwell, *Tech’s Hottest New Job: AI Whisperer. No Coding Required.*, WASH. POST (Feb. 25, 2023, 7:00 AM), <https://www.washingtonpost.com/technology/2023/02/25/prompt-engineers-techs-next-big-job/>.

16. *Id.*

17. Luke Plunkett, *AI Creating ‘Art’ is an Ethical and Copyright Nightmare*, KOTAKU (Aug. 25, 2022, 7:30 PM), <https://kotaku.com/ai-art-dall-e-midjourney-stable-diffusion-copyright-1849388060>.

to purchase them for personal use.¹⁸ Therefore, it is common for prompt engineers to highlight these infringing characteristics, portraying characters and settings from popular culture, as selling points.¹⁹

Consider a listing for a prompt that generates 3D images of popular superheroes as Lego figurines.²⁰ Presuming the prompt engineer is not a licensee of Marvel or D.C., there are multiple intellectual property rights implicated by the listing. The generated images would likely violate the rights holders' (Marvel or D.C. in this example) rights to reproduction, distribution, and creation of derivative works.²¹ The generated images would also implicate the trademark rights for any of the superhero logos, as well as the base design and appearance of the Lego figure.²²

Overall, this Note examines potential trademark and copyright infringement issues involved in the creation and sale of prompts for generative AI art. This Note also makes the case for liability for prompt engineers and operators of websites, like PromptBase, under theories of (1) direct and indirect infringement of copyright and (2) trademark infringement. Part II of this Note provides background on the operation of prompt marketplaces and examines the way courts have treated intellectual property infringement involving AI. Part III explores frameworks for determining liability for prompt engineers and marketplace operators, including consideration of the Supreme Court's decisions in *MGM Studios Inc. v. Grokster, Ltd.*²³ and *Bowman v. Monsanto Co.*²⁴ Part IV applies the established legal frameworks to the current state of play for prompt marketplace participants to evaluate potential legal claims. Part V examines potential defenses against infringement claims for prompt engineers and for prompt marketplace operators under 47 U.S.C. § 230 and 17 U.S.C. § 512. Finally, Part VI concludes that enforcement of existing intellectual property rights against prompt marketplace sellers and operators serves the broader objectives of intellectual property law.

18. See Adi Robertson, *Professional AI Whisperers Have Launched a Marketplace for DALL-E Prompts*, THE VERGE (Sept. 2, 2022, 7:30 AM), <https://www.theverge.com/2022/9/2/23326868/dalle-midjourney-ai-promptbase-prompt-market-sales-artist-interview>.

19. *Id.*

20. In fact, one need not imagine the scenario, but simply search PromptBase for it. See, e.g., MinhQuan, *Anime Style Ghost Rider* (illustration), in NEUTRON FIELD, <https://archive.ph/8f8EC> (last visited Apr. 10, 2023).

21. *DC Comics v. Towle*, 802 F.3d 1012, 1027 (9th Cir. 2015), *cert. denied*, 577 U.S. 1194 (2016) (creation, advertisement, and sale of working replicas of the Batmobile found to infringe on plaintiff's copyright).

22. See Jordan Paxton, *Protecting the LEGO Minifigure Trademark*, LEGO (Nov. 8, 2022), <https://lan.lego.com/news/overview/protecting-the-lego-minifigure-trademark-r315/>.

23. *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).

24. *Bowman v. Monsanto Co.*, 569 U.S. 278 (2013).

II. BACKGROUND

A. THE OPERATION OF PROMPT MARKETPLACES

In June 2022, a developer named Ben Stokes launched a new website: PromptBase.²⁵ The first of its kind, PromptBase's purpose was to serve as a "prompt marketplace," an online platform for buying and selling prompts for generative AI art engines.²⁶ As demand for prompt-driven AI art grew, other prompt-specific marketplaces emerged.²⁷ On a prompt marketplace, users browse listings where sellers describe the output itself in detail and provide images of sample outputs to entice purchasers.²⁸ AI prompts have also made their way to more mainstream marketplaces like eBay and Etsy.²⁹

The operational approaches of each prompt marketplace vary significantly. For example, PromptBase representatives perform quality control on all submitted prompts, testing them for efficacy.³⁰ PromptBase reviewers reject some prompts for technical reasons, but as a point of policy do not reject prompts for content-related reasons.³¹ This includes the fact that outputs generated by prompts that may violate a third party's intellectual property.³² Other prompt marketplaces have taken a different approach and claim to filter for potentially infringing material.³³

There is a demonstrated, and rapidly increasing market for prompts.³⁴ Their importance to various industries has ascended to the point that many analysts predict that prompt engineering will be one of the fastest growing new fields of employment.³⁵ Despite their popularity, it is hard to dispute that some, if not all, of the prompts sold by PromptBase and other marketplaces could at least theoretically be used to produce content that

25. Wiggers, *supra* note 7.

26. *Id.*

27. *Id.*

28. *See, e.g., Cute 3D Star Wars Characters*, PROMPTBASE, <https://archive.fo/MVZX7>. Note that the listings page contains some basic information about the prompt such as length, and whether tips for use are included, as well as some sample output images, but no part of the prompt itself is revealed to the consumer until purchase.

29. *See, e.g., AI Art Prompts*, ETSY (Mar. 8, 2024), <https://archive.ph/qDAHR>; *AI Art Prompts*, EBAY, <https://archive.ph/QxSIt>.

30. Ryan Broderick, *The Wild World of PromptBase, the eBay for Generative AI Prompts*, FAST COMPANY (Dec. 18, 2022, 6:10 PM), <https://www.fastcompany.com/90825418/promptbase-generative-ai-prompt-marketplace>.

31. *Id.*

32. *See, e.g., Kyle Wiggers, A Look at the Budding Market for the Text that Prompts AI Systems*, TECHCRUNCH (Mar. 09, 2023, 5:30 AM), <https://techcrunch.com/2023/03/09/a-look-at-the-budding-market-for-the-text-that-prompts-ai-systems/> (noting an approach to review that blocks "prompts that can be used to generate celebrity deepfakes, depictions of graphic violence or clones of copyrighted characters.").

33. *See id.*

34. *See, e.g., Warzel, supra* note 4; Wiggers, *supra* note 7.

35. *See, e.g., Harwell, supra* note 15.

infringes third-party copyrights and trademarks.³⁶ It is not uncommon for the infringing output of the prompt to be used for advertisement of the prompt on the prompt marketplace itself, with the prompt engineer's description or promotional images hosted by the site.³⁷

Inevitably, as the number of prompts being used and sold grows due to increasing integration of generative AI into existing industries, the amount of infringing content is likely to grow as well.³⁸ An active and interpretive response from courts and administrative agencies is therefore required to provide clarity and avoid litigation-driven gridlock in the systems for intellectual property protection.

B. INTELLECTUAL PROPERTY LAW'S APPLICATION TO AI NEEDS CLARITY

When new technology is introduced that complicates existing intellectual property law, courts will attempt to apply existing laws to that new technology in a spiritually consistent manner.³⁹ However, the current state of intellectual property law, as it applies to AI, is contentious, as recent administrative decisions have struggled to find consistency or finality in handling this nascent industry.⁴⁰ For example, the U.S. Copyright Office first granted, then later rescinded, registration to a graphic novel illustrated predominantly by generative AI art.⁴¹ The U.S. Federal Circuit Court of Appeals recently affirmed a U.S. Patent and Trademark Office ruling that barred AI entities from being listed as inventors on a patent registration.⁴² The court determined through statutory analysis that an inventor must be a

36. Gary Marcus & Reid Southern, *Generative AI Has a Visual Plagiarism Problem*, IEEE (Jan. 6, 2024), <https://spectrum.ieee.org/midjourney-copyright>.

37. See, e.g., *Super Hero Lego Characters*, PROMPTBASE (Mar. 15, 2023), <https://archive.fo/69jut>; *Cute 3D Star Wars Characters*, PROMPTBASE (Mar. 15, 2023), <https://archive.fo/MVZX7>; *Anime-Style Ghost Rider*, NEUTRON FIELD (Apr. 10, 2023), <https://archive.ph/8f8EC>.

38. See, e.g., Warzel, *supra* note 4; Wiggers, *supra* note 7.

39. *United States v. Am. Trucking Ass'ns*, 310 U.S. 534, 542 (1940) ("In the interpretation of statutes, the function of the courts is easily stated. It is to construe the language so as to give effect to the intent of Congress."); see also *AT&T Corp. v. City of Portland*, 216 F.3d 871, 876 (9th Cir. 2000) ("Like Heraclitus at the river, we address the Internet aware that courts are ill-suited to fix its flow; instead, we draw our bearings from the legal landscape, and chart a course by the law's words.").

40. See, e.g., Jacob Alhadeff et al., *Limits of Algorithmic Fair Use*, 19 WASH. J.L. TECH. & ARTS 1, 13 (2024); Blake Brittain, *AI-Created Images Lose U.S. Copyrights in Test for New Technology*, REUTERS (Feb. 22, 2023, 5:41 PM), <https://www.reuters.com/legal/ai-created-images-lose-us-copyrights-test-new-technology-2023-02-22/>.

41. Benj Edwards, *AI-Generated Comic Artwork Loses US Copyright Protection*, ARS TECHNICA (Feb. 23, 2023, 10:19 AM), <https://arstechnica.com/information-technology/2023/02/us-copyright-office-withdraws-copyright-for-ai-generated-comic-artwork/>.

42. *Thaler v. Vidal*, 43 F.4th 1207, 1213 (Fed. Cir. 2022) ("Congress has determined that only a natural person can be an inventor, so AI cannot be."); see also *Beech Aircraft Corp. v. Edo Corp.*, 990 F.2d 1237, 1248 (Fed. Cir. 1993) (clarifying that a corporate entity cannot be an inventor because it is not a "natural person").

“natural person,” which would categorically exclude AI.⁴³ However, activist organizations are currently filing lawsuits around the world, including in the United States, arguing that “AI should be listed as an inventor when it is functionally inventing.”⁴⁴ These arguments are premised on the reasoning that (1) to deny patent registration on inventions generally is to stifle innovation; (2) it is unfair to assign ownership to a human inventor in a situation where they have not done the work being protected; and, (3) because ownership of patents today almost always rests with a company or institution rather than the inventor, the economic status quo would not be disrupted by crediting an AI entity.⁴⁵

Private actions against AI companies are also gathering steam. Artists are challenging the legality of training generative AI art engines on datasets containing copyrighted images.⁴⁶ Content owners and rights aggregators are launching similar suits, claiming widespread unlicensed use of their images for the same purposes.⁴⁷ Programmers are preparing a class action suit against the code repository GitHub, claiming that GitHub’s AI-powered coding assistant, Copilot, violated the rights of open source code providers when it reproduced their code without also providing the requisite licenses.⁴⁸ The New York Times has sued the predominate artificial intelligence company, OpenAI, alleging that the company’s large language learning model has trained its product on the Times’ content to such a degree that OpenAI’s chat bot will reproduce extensive passages of copyright protected material when queried, an effect dubbed “regurgitation.”⁴⁹

The intensity of the legal activity in this space means that courts will soon be called on to both interpret our aging intellectual property laws, in light of the issues raised by the broad increase in use of AI, and apply those laws to scenarios that could not have been contemplated at the time of their creation.

43. *Thaler*, 43 F.4th at 1213.

44. Ryan Abbott, *The Artificial Inventor Project*, WIPO MAG. (Dec. 2019), https://www.wipo.int/wipo_magazine/en/2019/06/article_0002.html.

45. *Id.*

46. James Vincent, *AI Art Tools Stable Diffusion and Midjourney Targeted with Copyright Lawsuit*, THE VERGE (Jan. 16, 2023, 3:28 AM), <https://www.theverge.com/2023/1/16/23557098/generative-ai-art-copyright-legal-lawsuit-stable-diffusion-midjourney-deviantart>.

47. James Vincent, *Getty Images Sues AI Art Generator Stable Diffusion in the US for Copyright Infringement*, THE VERGE (Feb. 6, 2023, 8:56 AM), <https://www.theverge.com/2023/2/6/23587393/ai-art-copyright-lawsuit-getty-images-stable-diffusion>.

48. James Vincent, *The Lawsuit That Could Rewrite the Rules of AI Copyright*, THE VERGE (Nov. 8, 2022, 8:09 AM), <https://www.theverge.com/2022/11/8/23446821/microsoft-openai-github-copilot-class-action-lawsuit-ai-copyright-violation-training-data>.

49. Adam Clark Estes, *How Copyright Lawsuits Could Kill OpenAI*, VOX (Jan. 18, 2024, 7:00 AM), <https://www.vox.com/technology/2024/1/18/24041598/openai-new-york-times-copyright-lawsuit-napster-google-sony>.

C. KEY INTELLECTUAL PROPERTY DECISIONS FOR THE AI AGE

The recency of artificial intelligence complicates a comprehensive understanding of liability and protection. However, as discussed below, American courts have made several decisions that are particularly helpful in addressing the collision of old laws and new technology found in prompt marketplaces.

1. Early Platform Operator Liability Under A&M Records v. Napster, Inc.

The Ninth Circuit first considered questions of copyright infringement and liability raised by rights holders who identified mass sharing of protected works in *Napster*.⁵⁰ There, the plaintiffs successfully argued that Napster was guilty of contributory infringement of their works because Napster (1) had actual knowledge that the infringing content was on their platform, and (2) provided the means for the infringing content to be distributed.⁵¹

The plaintiffs' success on the contributory infringement claim was significant because the Supreme Court, in *Sony Corp. of Am. v. Universal City Studios, Inc.*, had previously offered fairly sweeping protection for distributors of products that could be used to contribute to infringement, so long as the product also had a "substantial noninfringing use."⁵² Indeed, under that Supreme Court's decision, a product needed to "merely be capable of" substantial noninfringing use,⁵³ establishing a threshold so low as to be potentially meaningless.⁵⁴ Arguably, this was where the protection afforded to defendants by *Sony* really lay: in the ruling that the presence of a substantial non-infringing use was a means to defeat the knowledge requirement for contributory infringement.⁵⁵

Consequently, the Ninth Circuit in *Napster* focused particularly on that knowledge component to distinguish *Napster* from *Sony*.⁵⁶ The *Napster*

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

51. *Id.* at 1022 ("Napster provides the site and facilities for direct infringement.") (internal quotations removed).

52. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984) ("[T]he sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes.>").

53. *Id.* (emphasis added).

54. *Id.* at 498 (Blackmun, J., dissenting) ("Only the most unimaginative manufacturer would be unable to demonstrate that a image-duplicating product is "capable" of substantial noninfringing uses.>").

55. *Id.* at 442 ("[T]he sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes.>").

56. *A&M Records v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir. 2001) ("It is apparent from the record that Napster has knowledge, both actual and constructive, of direct infringement.>").

court accepted that, in following *Sony*, they could not find constructive knowledge for the defendants through the fact that Napster's platform could theoretically be used to infringe, or was even primarily being used for that purpose.⁵⁷ But, the court could find the knowledge required to support a claim of contributory infringement in actual knowledge, or evidence of constructive knowledge from other sources.⁵⁸ Apparently, there were limits to the protections offered to manufacturers by the *Sony* decision, even in the Wild West of the Internet.

Napster also introduced the application of vicarious liability for infringement to digital platforms. The standard for vicarious liability in copyright is discussed in more detail below, but in short, it is predicated on the defendant's ability to control the forum where the third party infringement occurs, and the financial benefit resulting from that infringement.⁵⁹ The Ninth Circuit noted that Napster's value and popularity was unquestionably increased by the presence of desirable, infringing material and that driving this increase in users provided a financial benefit.⁶⁰

The *Napster* decision also laid out a standard for digital platforms based around the "right and ability" to police their systems.⁶¹ Napster's terms of service reserved to Napster the ability to terminate a user's account or access for essentially any reason, granting the company the necessary rights to police.⁶² The question of ability was sketched in through the court's observation that, while Napster could not view the data on every file on their system, the presence of an operational search function gave them the power to locate and remove infringing content.⁶³ Taken together, Napster failed to sufficiently use the contractual and practical powers at their disposal to enforce the plaintiff's copyrights because "[t]o escape imposition of vicarious liability, the reserved right to police must be exercised to its fullest extent."⁶⁴

57. *Id.* at 1020-21 ("We are bound to follow *Sony*, and will not impute the requisite level of knowledge to Napster merely because peer-to-peer file sharing technology may be used to infringe plaintiffs' copyrights.").

58. *Id.* at 1020.

59. *Shapiro v. H. L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963) ("When the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials—even in the absence of actual knowledge that the copyright monopoly is being impaired...the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of that exploitation.").

60. *Napster*, 239 F.3d at 1023.

61. *Id.*

62. *Id.*

63. *Id.* at 1024.

64. *Id.*

2. *MGM Studios Inc. v. Grokster, Ltd. Expands the Liability Paths for Platforms*

The central question in *Grokster* was whether the operators of a digital file sharing platform could be held liable under theories of vicarious and contributory infringement, as introduced in *Napster*, or under the common law “inducement to infringe” theory for the users’ sharing of copyrighted files on the platforms.⁶⁵ The defendants in *Grokster* operated a peer-to-peer file-sharing system, meaning their software connected two (or more) computers directly to facilitate the sharing of media.⁶⁶ There was no central server where infringing content was stored, as there had been in the case that effectively shut down Napster a few years earlier.⁶⁷

The decentralized nature of the peer-to-peer networks provided a potential defense for the producers of the Grokster software since the nature of the client networks made it very difficult to establish actual knowledge of infringement.⁶⁸ Like the defendants in *Napster*, the defendants in *Grokster* further attempted to argue that they were not liable, based on Sony’s “substantial noninfringing use” standard.⁶⁹

The Supreme Court overruled the Ninth Circuit’s findings for the defendants based on Sony, and narrowed the protection described in Sony to exclude products that were distributed “with the object of promoting its use to infringe copyright.”⁷⁰ It was on these facts that the inducement charge was mapped.⁷¹ In such cases, the Court said, the distributor was liable for infringing actions that occur due to that distribution.⁷² The *Grokster* defendants were therefore unable to avail themselves of the Sony defense because, in the Court’s opinion, they had demonstrated their intention for the product to be used to infringe copyright through internal communications and explicit advertising.⁷³

65. *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 934-35 (2005).

66. *Id.* at 919-20.

67. See James V. Grimaldi, *Napster Ordered to Shut Down*, WASH. POST (July 26, 2000, 8:00 PM), <https://www.washingtonpost.com/archive/politics/2000/07/27/napster-ordered-to-shut-down/c13bde0f-7710-4d85-9fcb-6767ed2f2f84/>.

68. *Grokster*, 545 U.S. at 923 (“[T]he decentralized FastTrack and Gnutella networks fail to reveal which files are being copied, and when.”).

69. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984) (“[T]he sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.”).

70. *Grokster*, 545 U.S. at 933 (“[T]he Court of Appeals misapplied Sony, which it read as limiting secondary liability quite beyond the circumstances to which the case applied.”).

71. *Id.* at 936.

72. *Id.* at 938.

73. *Id.*

The Court also explicitly identified three categories of conduct that it found “particularly notable.”⁷⁴ First, the defendants targeted their advertising towards former customers of Napster, an adjudged infringer, to “satisfy a known source of demand for copyright infringement.”⁷⁵ Second, the defendants failed to create or deploy any sort of technical solution that could lessen the infringement on their platform.⁷⁶ Third, the defendant’s business profits were directly tied to the number of users on their platforms, and they were aware that the presence of infringing content was attractive to their user base, which together tied the infringement to a financial incentive.⁷⁷

3. *Bowman v. Monsanto Co. and Liability Stemming from Self-Replicating Technologies*

In the 2013 *Bowman* decision, the Supreme Court provided some useful guidance on how to apply existing law to new technologies, particularly artificial intelligence. But how could a decision about the propagation of seeds, one of the oldest human uses of technology, help inform the way that current law should apply to AI?

Patent law generally reserves to the patent holder the exclusive rights to make, use, offer to sell, or sell their patented invention.⁷⁸ The core legal issue in *Bowman* was a novel consideration of the interaction of patent law and the first sale doctrine.⁷⁹ The first sale doctrine is the well-codified principle under United States patent law that any sale of a patented invention extinguishes the patent rights in that individual copy of the invention.⁸⁰ However, the first sale doctrine does not provide the purchaser of that invention with the broader right of reproduction as to their purchased copy.⁸¹

A central question in *Bowman* concerned how the law applies when the physical reproduction of the patented invention takes place without direct manipulation by the alleged infringer.⁸² The lawsuit arose when a farmer reproduced Monsanto’s patent-protected soybean seeds using normal

74. *Id.* at 939.

75. *Id.*

76. *Id.*

77. *Id.*

78. 35 U.S.C. § 271.

79. *Bowman v. Monsanto Co.*, 569 U.S. 278, 280 (2013).

80. *Impression Prods. v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523, 1529 (2017) (“[A] patentee’s decision to sell a product exhausts all of its patent rights in that item, regardless of any restrictions the patentee purports to impose or the location of the sale.”).

81. *Bowman*, 569 U.S. at 280 (“Such a sale, however, does not allow the purchaser to make new copies of the patented invention.”).

82. *Id.* at 288. (“Bowman has [a] seeds-are-special argument: that soybeans naturally self-replicate or sprout unless stored in a controlled manner, and thus it was the planted soybean, not Bowman himself, that made replicas of Monsanto’s patented invention. But we think that blame-the-bean defense tough to credit.”) (internal quotations and citation omitted).

methods of propagation, and then used those reproductions to plant additional crops.⁸³

The farmer argued that by purchasing the seeds initially, anything that followed from the planting of those specific seeds was by definition the function of that patented invention which had been purchased, used as intended, and therefore the seeds were not subject to any protection.⁸⁴ To allow interference by Monsanto in this process, he argued, would create an “impermissible exception” to the first sale doctrine for any self-replicating products.⁸⁵

In reaching a unanimous decision, the Court determined that the right to control reproduction of a patented invention remained with the rights holder, even when that reproduction was a function of the patented invention merely being used as intended.⁸⁶

The Court also considered and rejected the argument that no infringement occurred because the soybeans were “self-replicating.”⁸⁷ Although the farmer himself was not the one reproducing the patented invention, he contributed directly to the process by which the replication took place because he “tended and treated them.”⁸⁸ The Court characterized this as an exercise of “control” over the reproduction of the seeds.⁸⁹

While the opinion in *Bowman* is a “limited” one not intended to apply to every decision regarding self-replicating technology, it also provides two examples of distinguishing factors that the Court could evaluate in future cases.⁹⁰ First, whether the self-reproduction takes place “outside the purchaser’s control.”⁹¹ And second, whether that self-reproduction is a “necessary but incidental step” in using the technology for another purpose.⁹²

In a broader sense, the takeaway from these cases is the Court’s ability to take a functionalist, rather than a literalist, approach to applying existing law to new technology. A strict textualist reading of the law would have argued that the farmer in *Bowman* did not reproduce the invention directly himself; that process all took place automatically through the seeds’ natural processes.⁹³ However, the Court followed their own previous mandate that “[t]n the interpretation of statutes, the function of the courts is easily stated ... [i]t is to construe the language so as to give effect to the intent of

83. *Id.* at 282.

84. *Id.* at 287.

85. *Id.*

86. *Id.*

87. *Id.* at 288.

88. *Id.* at 289.

89. *Id.* (“[I]t was *Bowman*, and not the bean, who controlled the reproduction ... of Monsanto’s patented invention.”).

90. *Id.*

91. *Id.*

92. *Id.*

93. *Id.*

Congress.”⁹⁴ Here, that intent was clearly to prevent unauthorized reproduction of patented inventions, regardless of who created or reproduced the invention. Therefore, the farmer was still found to have infringed even though he did not himself take the direct affirmative step to reproduce the invention, other than cultivating the plants.⁹⁵

III. STATUTORY ANALYSIS

Part III of this Note explores the theories of liability that could apply to the participants in a prompt marketplace. Section A explains the potentially infringing characteristics inherent in prompts for generative AI art platforms. Section B surveys the various types of criminal and civil copyright infringement and analyzes how the various characteristics and mechanics of prompts and prompt marketplaces can lead to legal liability for infringement.

A. PROMPTS ARE NOT INNOCENT ARTICLES

When discussing copyright or trademark infringement on prompt marketplaces, there are arguably two broad categories to consider. The first of these categories involves what could be thought of as “static content.” Static content is content that is capable of being judged infringing or non-infringing based on its appearance on the marketplace itself. This concept encompasses content such as the still images that are attached to listings or viewable on marketplace pages.⁹⁶ These instances largely fall under the ambit of existing case law, as digital infringement has been present in some form or another essentially since the dawn of the internet.⁹⁷

The novel issue in assessing liability for prompt marketplaces lies in the second category: use of the prompts themselves. Prompts are strings of descriptive, sometimes nonsensical text.⁹⁸ On their face, prompts themselves do not seem to be mechanisms of infringement, except in the unlikely case where the prompt’s text happens to be comprised of an existing protected work. Though ripe for discussion, a comprehensive analysis of whether the

94. *United States v. Am. Trucking Ass’n*, 310 U.S. 534, 542 (1940).

95. *Bowman*, 569 U.S. at 289.

96. 17 U.S.C. § 101.

97. See, e.g., Lena Groeger, *Kevin Kelly’s 6 Words for the Modern Internet*, WIRED (June 22, 2011, 3:17 PM), <https://www.wired.com/2011/06/kevin-kellys-internet-words/> (“The internet is the world’s largest copymachine.”); Brad Greenberg, *Copyright Law and New Technologies: A Long and Complex Relationship*, LIBRARY OF CONGRESS BLOGS (May 22, 2017), <https://blogs.loc.gov/copyright/2017/05/copyright-law-and-new-technologies-a-long-and-complex-relationship/>.

98. Warzel, *supra* note 4.

actual text of a prompt itself is legally protectable from reproduction is outside the scope of this Note.

To briefly address this question for context, many prompts likely fall under the Copyright Office's established stance that "short phrases" are not copyrightable because they demonstrate "an insufficient amount of authorship."⁹⁹ However, some prompts might be long and complex enough to be considered sufficiently "authored."¹⁰⁰ Alternatively, one might make the argument that any prompt could push up against these established norms, because given their demonstrated functionality, the prompts could be protected in much the same way as computer code.¹⁰¹ Whether the prompts themselves are infringing or protectable works or not, the question of legal liability for their use and sale is the fertile ground for the next section of this Note.

B. AN OVERVIEW OF THE PATHS TO LIABILITY FOR INFRINGEMENT

This section argues that there are three types of liability that prompt marketplace operators and users could be found liable for: criminal, direct civil liability, and indirect civil liability. The legal elements and current jurisprudence surrounding these types of liability are discussed in this section and later applied to the prompt marketplace scenario in the following section.

1. *Criminal Liability in Copyright*

While copyright infringement is most commonly thought of as a civil offense, it is a federal crime for any person to willfully infringe a copyright provided that: (1) the infringement is done for the purposes of financial gain; (2) the infringement concerns more than \$1,000 worth of works in a 180-day period; or (3) the infringed work is a "work being prepared for commercial distribution" which is shared on a public computer network, and the person sharing it knew or should have known that it was such a work.¹⁰² The final provision obliquely refers to scenarios like unreleased movies, albums, or leaked software that is made available to the public without authorization by the rights holder.¹⁰³ This discussion primarily leaves aside the final provision

99. WORKS NOT PROTECTED BY COPYRIGHT, U.S. COPYRIGHT OFF. CIRCULAR 33 (2021).

100. *Id.*

101. COPYRIGHT REGISTRATION OF COMPUTER PROGRAMS, U.S. COPYRIGHT OFF. CIRCULAR 61 (2021).

102. 17 U.S.C. § 506(a)(1).

103. H.R. REP. NO. 109-33, pt. 1, at 4 (2005).

as irrelevant to the core question surrounding liability for prompt marketplace operators and prompt engineers.

While civil copyright violations are a strict liability offense, criminal copyright infringement requires that an infringer act “willfully” to be liable.¹⁰⁴ Congress provided some limited statutory context as to what constitutes willfulness in the process of passing the No Online Theft Act (“NET Act”) in 1997.¹⁰⁵ The NET Act established that, for the purposes of criminal copyright violations, “evidence of reproduction or distribution of a copyrighted work, by itself, shall not be sufficient to establish willful infringement.”¹⁰⁶

However, much legal ink has been spilled to reach a more definite construction of willful copyright infringement in the criminal context.¹⁰⁷ The current majority view favors application of the standard set out in the Supreme Court’s 1991 case, *Cheek v. United States*.¹⁰⁸ The Court in *Cheek* laid out that while “ignorance of the law is no excuse,” a certain amount of leeway must be granted to defendants when it comes to complex laws.¹⁰⁹ The government’s burden of proof in these cases is to show that the defendant “voluntarily and intentionally” violated a known legal duty.¹¹⁰

Copyright law involves long, complicated splits between multiple statutes, and the specifics are generally beyond the understanding of most lay people.¹¹¹ This very discussion of a single requirement of a finding of infringement is a prime example of that complexity. It certainly seems appropriate, then, that a majority of courts have applied the *Cheek* standard to questions of criminal copyright infringement.¹¹²

Regardless of the standard applied, when evaluating an action for criminal liability, the key question is whether the infringing actions were undertaken knowingly. Evidence of this knowledge has been shown in several ways: previous warnings from the legal system,¹¹³ informal advice

104. 17 U.S.C. § 506(a)(1).

105. No Electronic Theft (NET) Act, Pub. L. No. 105-147, 111 Stat. 2678 (1997).

106. 17 U.S.C. § 506(a)(2).

107. See, e.g., Lydian Pallas Loren, *Digitization, Commodification, Criminalization: The Evolution of Criminal Copyright Infringement and the Importance of the Willfulness Requirement*, 77 WASH. U. L. Q. 835, 879 (“[C]ourts and commentators continue to offer different formulations of the proof required to show criminal willfulness.”).

108. *Id.* at 878.

109. *Cheek v. United States*, 498 U.S. 192, 200 (1991) (“This special treatment of criminal tax offenses is largely due to the complexity of the tax laws.”); See also, *Bryan v. United States*, 524 U.S. 184, 194-95 (1998).

110. *Id.* at 201 (“Willfulness, as construed by our prior decisions in criminal tax cases, requires the Government to prove that the law imposed a duty on the defendant, that the defendant knew of this duty, and that he voluntarily and intentionally violated that duty.”).

¹¹¹ See Loren, *supra* note 107, at 885.

112. *Id.* at 877 (showing the application of the *Cheek* standard across several cases).

113. *United States v. Beltran*, 503 F.3d 1, 2 (1st Cir. 2007) (finding that the defendant had previously been served with an injunction to stop making unauthorized copies of videos and had been advised by a relative who was a police officer that his actions were illegal).

from law enforcement,¹¹⁴ specific knowledge of copyright law by the defendant,¹¹⁵ attempting and failing to acquire legitimate rights to distribution prior to unauthorized distribution,¹¹⁶ a defendant's failure to appear to defend themselves,¹¹⁷ and in the distribution of recorded media prior to its publicly available release date.¹¹⁸

The final point to take away from the issue of willfulness, and from *Cheek* in particular, is the notion that a good faith belief that the conduct in question was innocent need not be "objectively reasonable" to defeat the willfulness prong.¹¹⁹ However, the defendant must still prove that their actions were taken in good faith.¹²⁰ In *Cheek*, the defendant's argument failed because of evidence that he had substantially educated himself on the tax law he was accused of violating.¹²¹ While infringing action made in good faith may defeat willfulness, disagreement as to the validity of a legal duty imposed does not.¹²²

This willfulness factor will likely be the central question for any criminal action involving prompt marketplace participants. Prompt engineers could have exposure through their use of advertising that features infringing outputs.¹²³ Intentionally leveraging the illicit functions of their prompts could make that willfulness component more difficult to dodge.¹²⁴ For prompt marketplace operators, because they are not creating the prompts or the listings, their criminal exposure likely comes from aiding or abetting the direct infringers.¹²⁵ The application of the framework for criminal liability to the participants in prompt marketplaces is discussed in more detail in Part IV.

2. Civil Liability for Direct Infringement

Direct infringement of copyright comes straight out of 17 U.S.C. § 501, and the standard is broad: anyone who violates the rights reserved to the copyright holder by statute is guilty of infringement.¹²⁶ Direct infringement

114. *Id.*

115. *United States v. Drebin*, 557 F.2d 1316, 1323 (9th Cir. 1977) (finding the defendant to be "completely familiar" with U.S. copyright law including, specifically, criminal statutes).

116. *United States v. Anderson*, 741 F.3d 938, 948-49 (9th Cir. 2013).

117. *Disney Enters. v. Merchant*, No. 6:05-CV-1489, 2007 U.S. Dist. LEXIS 104631, at *9 (N.D.N.Y. Mar. 20, 2007).

118. *Id.*

119. *Cheek*, 498 U.S. at 203.

120. *See id.* at 201.

121. *Id.* at 206.

122. *Id.*

123. *See MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 938 (2005).

124. *Id.*

125. 18 U.S.C. § 2.

126. 17 U.S.C. § 501(a).

has no intent or knowledge requirement.¹²⁷ However, the question of whether the infringer knew they were infringing or not can moderate the penalties involved.¹²⁸

The potential implications for prompt marketplaces are two-fold. First, marketplace operators may be liable if they commit any infringement through the operation of their platform. These scenarios are fairly straightforward. For example, if a platform hosts an infringing image, and shows that image to visitors, it is likely reproducing and distributing that image in violation of the law.

On the other hand, for the prompt engineers, direct infringement is more attenuated. It is unlikely that their prompts are going to contain directly infringing content. If the prompts were protected song lyrics or poems, reproduced more or less in their entirety, that could be infringement. However, if a prompt engineer creates an infringing image with their prompts, and then uploads that image, they could be liable for direct infringement for reproducing the infringing work, or for creating a derivative work. For example, if a prompt engineer created a prompt that returned images of copyrighted or trademarked superheroes in the style of ancient Japanese woodblock prints, and then uploaded those images to their prompt entry, they would be directly infringing the superhero owner's exclusive right to create derivative works as provided by the copyright statute.¹²⁹

3. Civil Liability for Indirect Infringement

Common law provides a long-standing cause of action against indirect infringement of copyright.¹³⁰ However, a finding of indirect infringement first requires a finding of direct infringement.¹³¹ Indirect infringement comes in three flavors: two classics in contributory infringement, and vicarious infringement, and the more recently developed inducement to infringe, as established in the *Grokster* decision discussed earlier.¹³²

127. 4 Nimmer on Copyright § 13.08 (“[T]he innocent intent of the defendant constitutes no defense to liability.”).

128. 17 U.S.C. § 504(c)(2) (“In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than \$200.”).

129. A derivative work is a work that incorporates elements of a previously copyrighted work into a new work. The creation of such works is the exclusive right of the copyright holder. See 17 U.S.C. § 106; U.S. COPYRIGHT OFF., *Copyright in Derivative Works and Compilations*, CIRCULAR 14 (July 2020), <https://www.copyright.gov/circs/circ14.pdf>.

130. 3 Nimmer on Copyright § 12.04 (“[A] long series of cases under both the 1909 Act and the current Act imposes liability, under appropriate circumstances, for acts of infringement committed by others.”).

131. *Id.* at 50 (“The absence of direct infringement dooms any theory of secondary liability.”).

132. *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936 (2005).

When a party controls and supervises the infringing content and stands to gain a direct financial benefit from it, that party may be liable for vicarious infringement.¹³³ This liability may accrue even if the party lacks actual knowledge of the copyright they are exploiting.¹³⁴ However, both a direct benefit from the infringement must be present, and the control or supervision component must contain an active part played by the vicarious infringer.¹³⁵ It is not enough simply to furnish the opportunity for the infringement to occur.¹³⁶ Vicarious infringement has been found in the following scenarios: where the owners of an establishment allowed the unauthorized live performance of protected music there to attract customers;¹³⁷ where the agent of the owners of a race track caused, against direct orders, the unauthorized broadcast of copyrighted music over the race track's public address system;¹³⁸ and where a department store contracted with a third party to sell records, of which a number of those records turned out to be bootlegs.¹³⁹

Contributory infringement occurs when a person engages in "conduct that encourages or assists" a direct infringement, or provides the means by which the infringement is committed.¹⁴⁰ Contributory infringement differs from vicarious infringement because the party being held liable need not have "supervision of the infringing activities or . . . a direct financial interest in the infringing activities."¹⁴¹ Courts have found contributory infringement in cases including but not limited to instances: where a defendant provided tape duplication equipment and blank tapes of the exact length needed to reproduce copyrighted albums to infringers;¹⁴² where a website aggregated copyrighted adult images and provided them to users to access without permission;¹⁴³ and where a swap meet provided "space, utilities, parking, advertising, plumbing, and customers" to vendors selling counterfeit cassette tapes.¹⁴⁴

Finally, as previously noted, the *Grokster* court brought inducement to infringe into copyright law from patent law.¹⁴⁵ This flavor (or type) of

133. *Shapiro v. H. L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963).

134. *Id.*

135. *Id.*

136. *See, e.g., Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984); *Deutsch v. Arnold*, 98 F.2d 686, 688 (2d Cir. 1938) ("Something more than the mere relation of landlord and tenant must exist to give rise to a cause of action by plaintiffs against these defendants for infringement of their copyright on the demised premises.").

137. *Harm's, Inc. v. Theodosiades*, 246 F. Supp. 799 (E.D. Pa. 1965).

138. *Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Ass'n*, 554 F.2d 1213 (1st Cir. 1977).

139. *Shapiro v. H. L. Green Co.*, 316 F.2d 304 (2d Cir. 1963).

140. *Matthew Bender & Co. v. West Publ'g Co.*, 158 F.3d 693, 706 (2d Cir. 1998).

141. 3 Nimmer on Copyright § 12.04.

142. *A&M Records, Inc. v. Gen. Audio Video Cassettes, Inc.*, 948 F. Supp. 1449 (C.D. Cal. 1996).

143. *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146 (C.D. Cal. 2002).

144. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996).

145. *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 932 (2005).

infringement requires evidence that a product or service is made available “with the object of promoting its use to infringe copyright.”¹⁴⁶ In *Grokster*, this evidence came in the form of internal communications which were effectively explicit on the matter, a failure by the defendants to take action or develop tools to help combat infringement, and the presence of a substantial financial incentive for the defendants in allowing the infringement to continue.¹⁴⁷

When Congress updated United States copyright law through the Digital Millennium Copyright Act (“DMCA”)¹⁴⁸ in 1996, the language of the law effectively described that there was no general burden on an online service provider to police its platform for infringement.¹⁴⁹ Therefore, paradoxically, taking no action to police an owned and operated platform can contribute to the evidence determining whether a defendant had an intent to permit infringement or not.

IV. LIABILITY ANALYSIS

Part IV of this Note applies the liability frameworks discussed above to scenarios specific to both prompt engineers and prompt marketplace operators in turn. Part IV then briefly highlights the unique issues inherent in trademark concerns in this arena.

Before analyzing the applications of the various theories of liability, a brief word on defenses is appropriate. Congress has provided two sets of statutory defenses generally deployed to protect platform operators on the internet from content posted to their platforms by users: Section 512 of the DMCA and Section 230 of the Communications Decency Act (“CDA”).¹⁵⁰ These two laws have been deployed to cure liability issues for online service providers with enough frequency that they have become perhaps the most infamous portions of the entire U.S. Code.¹⁵¹ This Note discusses these defenses and their applicability to prompt marketplaces in Part V.

A. PROMPT ENGINEER INFRINGEMENT LIABILITY

Prompt engineers who advertise their prompt’s infringing outputs through their listing titles and static content—such as example screenshots

146. *Id.* at 936.

147. *Id.* at 939-40.

148. Pub. L. No. 105-304, 112 Stat. 2860 (Oct. 28, 1998).

149. KEVIN J. HICKEY, CONG. RSCH. SERV., IF11478, DIGITAL MILLENNIUM COPYRIGHT ACT (DMCA) SAFE HARBOR PROVISIONS FOR ONLINE SERVICE PROVIDERS: A LEGAL OVERVIEW 1 (2020).

150. Pub. L. No. 104-104, 110 Stat. 138 (Feb. 8, 1996).

151. *See* 4 Nimmer on Copyright § 12B.01.

and text descriptions—run afoul of copyright law in a similar manner to the defendants in *Grokster*. *Grokster*'s central thesis was that intent to infringe must be shown in a way other than through the design of the product central to the alleged infringement.¹⁵² To that end, the *Grokster* plaintiffs introduced evidence, in the form of the defendants' internal communications, showing the myriad ways that the defendants intended to both induce infringement and profit from it.¹⁵³ The Court in *Grokster* observed that "[t]he classic case of direct evidence of unlawful purpose occurs when one induces commission of infringement by another . . . as by advertising."¹⁵⁴ When prompt engineers craft their entire listing around the concept of selling their product for an infringing use, there can be little doubt that the ensuing infringement represents their intent.¹⁵⁵ Further, the *Grokster* court found the presence of a distinct financial incentive to the inducing party to be compelling supporting evidence to the case for infringement.¹⁵⁶ Here, the prompt engineer's financial concern is straightforward: the more prompts they sell, the more money they make. The sum picture presents a strong case for induced or contributory infringement.

Prompt engineers looking to avoid this sort of liability would have to take care not to present evidence of an intent to infringe in the course of business. This means taking some commonsense steps, such as not trafficking copyrighted content or trademarked words or images when trying to sell their prompts. Without this intent evidence, a case for induced or contributory infringement becomes much harder to make as a threshold matter.

While this may satisfy questions of third-party liability, the question remains whether a prompt could present a direct infringement liability for a prompt engineer. In light of the Court's *Monsanto* decision, the answer is, perhaps surprisingly, yes. On a basic level, the process by which an innocuous prompt becomes an infringing work is markedly like the process by which a legally purchased and licensed soybean becomes an infringing invention.

The key component that ties the actor putting the process in motion to the infringement is their control of that process.¹⁵⁷ Just as the farmer in *Monsanto* planted and cultivated for a desired illicit outcome, so too do

152. *Grokster*, 545 U.S. at 934.

153. *Id.* at 939.

154. *Id.* at 935.

155. See *Kart Nintendo Midjourney Prompt*, PROMPTBASE, <https://web.archive.org/web/20240222015859/https://promptbase.com/prompt/kart-nintendo> (offering a prompt for purchase that purportedly generates art of Nintendo, Sony, and Disney characters on vehicles in the style of the Nintendo video game, "Mario Kart").

156. *Grokster*, 545 U.S. at 939–40.

157. *Bowman v. Monsanto Co.*, 569 U.S. 278, 288–289 (2013).

prompt engineers shape and construct their prompts for a specific purpose.¹⁵⁸ The economics of the marketplace dictate that purpose will often be deliberately infringing. But, in the civil context, where infringement does not require knowledge or intent to establish a *prima facie* case, even an *accidentally* infringing outcome triggers liability.¹⁵⁹

Combining this direct infringement argument with the intent evidence (in the form of advertising) crafts a compelling criminal infringement case for prompt engineers as well. The largest hurdle in a successful criminal copyright infringement prosecution is satisfying the “willful” component of the statute.¹⁶⁰ In the case of the prompt engineer advertising their work as something infringing, this makes a compelling case for actual knowledge for the simple fact that it is very challenging to prove to a jury that you have a good faith belief that you created Superman if you are not Jerry Siegel or Joe Schuster.¹⁶¹

While compelling, there is no guarantee that such a case would be interpreted using *Monsanto* - as observed above, the decision’s dicta declares it to be “limited” in scope to the facts before the Court.¹⁶² However, there is no question that those facts, and the stated policy objective of denying an infringer the right to “make and market replicas” of the infringed work, map closely onto the scenario here.¹⁶³

B. PROMPT MARKETPLACE OPERATOR LIABILITY

To begin, prompt marketplace operators are likely not criminally liable for infringing activity on their platform unless they have been given notice of that activity and acted to support it in some way.¹⁶⁴ In this case, because the infringing action originated from a third party, the marketplace operator would have to be charged as an aider and abettor of the infringement.¹⁶⁵ The willfulness standard would then be one of willful participation in the

158. *Id.* at 289.

159. *Buck v. Jewell-La Salle Realty Co.*, 283 U.S. 191, 198 (1931) (“Intention to infringe is not essential under the [Copyright] Act.”).

160. 5 Nimmer on Copyright § 15.01 (“Nonetheless, the only bar against an overzealous prosecutor criminalizing nearly every copyright infringement case lies in the other prerequisite to criminal liability: willfulness.”).

161. Michael Eury and Peter Sanderson, *Superman*, BRITANNICA, <https://www.britannica.com/topic/Superman-fictional-character> (last updated Mar. 7, 2024).

162. *Bowman*, 560 U.S. at 289.

163. *Id.* (“In the case at hand, *Bowman* planted *Monsanto*’s patented soybeans solely to make and market replicas of them, thus depriving the company of the reward patent law provides for the sale of each article.”).

164. *See* 18 U.S.C. § 2.

165. *Id.*

infringement, which has historically required something beyond simple knowledge that infringement is occurring.¹⁶⁶

For example, in *United States v. Frison*, criminal aiding and abetting was found when a flea market operator charged vendors “fines” for selling counterfeit goods but took no steps to police or remove offending vendors.¹⁶⁷ Rather, the operator communicated to vendors that “I’m protecting you guys. Do you see the police walking around here and you’re not being arrested? That’s why you have to pay this fine, because [I] take . . . care of the police.”¹⁶⁸ In that case, the Eighth Circuit found that the defendant crossed the line into aiding and abetting at the point where he both benefitted from the infringement (from the fines) and refused to expel infringing vendors.¹⁶⁹

As prompt marketplace operators directly financially benefit from the volume of sales on their platforms through their sales fees, they could incur criminal liability for that infringement. Such liability would hinge on the existence of evidence (rising to the criminal standard of beyond a reasonable doubt) that they also knew of infringing content on their platforms and did nothing to address it.

To avoid criminal liability, prompt marketplace operators should be responsive to any information regarding infringement on their platforms, regardless of source. Especially if an operator’s level of awareness of infringement starts to increase through actual knowledge, the risks of being successfully charged with criminal infringement rises exponentially if no actions are taken to cure their association with the infringement.¹⁷⁰

When it comes to civil copyright liability, it is much harder to calculate a path to direct infringement for the platform operators than for prompt engineers. Because operators are distributing the prompts—but the prompts themselves are only the mechanisms by which an infringing copy or derivative work is created—they lack the same level of liability that the prompt engineers appear to have under the *Monsanto* decision. However, if a prompt operator were to reproduce infringing content on their home page or in a featured gallery, it could create a scenario for liability.

Moreover, if an instance of direct infringement is implicated, either through the prompt engineer’s direct liability under a *Monsanto* analysis, or a separate party’s infringing use of the prompt, the path to indirect liability for the prompt marketplace operators is open.¹⁷¹ Specifically, operators could

166. See *Rosemond v. United States*, 572 U.S. 65, 75–76 (2014) (“[A]n aiding and abetting conviction requires not just an act facilitating one or another element, but also a state of mind extending to the entire crime.”).

167. *United States v. Frison*, 825 F.3d 437, 439–40 (8th Cir. 2016).

168. *Id.* at 441.

169. *Id.* at 443.

170. *Id.* at 440.

171. *A&M Records v. Napster, Inc.*, 239 F.3d 1004, 1013 n.2 (9th Cir. 2001).

face claims of vicarious infringement, contributory infringement, and inducement to infringe.¹⁷²

Inducement requires that the product or service in question is distributed and marketed for its infringing capabilities.¹⁷³ Here, the question is whether the prompt marketplace as a product or platform is used in an infringing manner, and not whether the prompts themselves are advertised to be used in that way. This is a more difficult case to make than for the prompt engineers. In *Grokster*, the Court looked for “clear expression or other affirmative steps taken to foster infringement” to establish liability.¹⁷⁴ The “classic instance,” according to the Court, being the advertisement directly of that platforms capabilities to infringe.¹⁷⁵

If a prompt marketplace operator is to avoid liability, they should, at minimum, ensure that the indicia of such advertisements are substantially less clear than in *Grokster*. For example, conduct like displaying a prompt that itself is explicitly advertising an infringing use on the marketplace’s home page, or including them in a newsletter sent to users could be seen as one of those affirmative steps.

A finding of vicarious infringement requires that the defendant be able to both exercise control over and benefit financially from the infringing conduct.¹⁷⁶ Prompt marketplace operators, whose revenue depends on sales of the prompts, benefit in a way that courts have previously found to meet the financial benefit standard.¹⁷⁷ The question then for vicarious liability is whether the threshold for control is met.

In *Grokster*, the Court declined to evaluate the case on the basis of vicarious liability, but favorably cited to the standards discussed by the Second Circuit in *Shapiro v. H. L. Green Co.*¹⁷⁸ There, vicarious liability was found for the owner of a department store who contracted with a third party to run their record department.¹⁷⁹ Unbeknownst to the owner, the record seller was selling bootleg records alongside authorized offerings.¹⁸⁰ Despite that lack of knowledge, liability was assessed based on the store owner’s “power to police” and failure to use that power.¹⁸¹

If the standard from *Shapiro* is the threshold for enforcement actions, then prompt marketplace operators are at high risk of a charge of vicarious

172. See Nimmer on Copyright § 12.04(a)(1).

173. *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 932 (2005).

174. *Id.* at 937.

175. *Id.*

176. *Id.* at 930 (“[A party] infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it.”).

177. See *Shapiro v. H. L. Green Co.*, 316 F.2d 304 (2d Cir. 1963).

178. *Grokster*, 545 U.S. at 930 n.9.

179. *Shapiro*, 316 F.2d at 306.

180. *Id.* (“Green did not actively participate in the sale of the records and...had no knowledge of the unauthorized manufacture of the records.”).

181. *Id.* at 308.

infringement. The owners and operators of the prompt marketplaces are closely analogous to the department store owners in *Shapiro*. The similarities extend down to the existence in both cases of a contractual agreement for commissions on sales, regardless of whether of authorized or infringing content. If a prompt marketplace is to extract value from the sales on its platform, it does seem to bear some burden to police it as well.

Finally, the analysis of contributory infringement hews closely to that of inducement to infringe. As previously discussed, a defendant is liable as a contributory infringer if that person “acts with knowledge and his activities aid the primary infringer in accomplishing his illegitimate activity.”¹⁸² The key issue here, as laid out in *Sony* and clarified on *Grokster*, is the question of what constitutes knowledge. Based on those decisions, it is not enough for the prompt marketplace operators to generally know that infringement could occur on their platform.¹⁸³ In the current state, that largely means that prompt marketplace operators are protected from contributory liability unless a plaintiff could show evidence of specific infringing prompts being allowed to remain up on the platform, even after the operators became aware of them. However, if the prompts are brought to the operator’s attention and remain online, or if higher selling infringing prompts are not blocked, but less valuable ones are, these actions could create a strong inference of knowledge, and therefore result in liability.

C. TRADEMARK IS UNIQUELY IN NEED OF ENFORCEMENT IN THE DIGITAL ARENA

The purpose of a trademark is to identify the source of a good or service.¹⁸⁴ Its legal function has an ancient and well-trodden history, with the first trademark legislations emerging in 1266 from the court of King Henry III.¹⁸⁵ The modern usage of trademark has evolved to encompass company logos, phrases, and even restaurant design and product packaging.¹⁸⁶ But the core purpose has remained the same: to serve as a publicly facing indicator of a product’s authenticity.¹⁸⁷

Today, the explosive growth of internet commerce highlights the need for strong trademark protections. The ease of digital duplication and anonymity of online personas means that brands need to maintain strong

182. 3 Nimmer on Copyright § 12.04.

183. *Grokster*, 545 U.S. at 941.

184. 15 U.S.C. § 1127.

185. Benjamin G. Paster, *Trademarks—Their Early History*, 59 TRADEMARK REP. 551, 557 (1969).

186. See, e.g., *Trademark Examples*, USPTO, <https://www.uspto.gov/trademarks/basics/trademark-examples> (last visited Feb. 21, 2024).

187. See Elmer W. Hanak III, *The Quality Assurance Function of Trademarks*, 43 FORDHAM L. REV. 363, 364 (1974).

identities, and strong controls over their marks to stay engaged with their customers.¹⁸⁸ Further, in an age of layered online marketplaces, vendors are often identified only by a username, and have no effective means of redress if a customer finds themselves the victim of counterfeiting.¹⁸⁹ In those cases, the platforms themselves must step into the shoes of the retailer that uses their services.¹⁹⁰ The question is whether in assuming that role they also assume liability for the infringement.

The leading case on digital platforms and trademark infringement is *Tiffany (NJ) Inc. v. eBay Inc.*¹⁹¹ There, jewelry giant Tiffany sued eBay for direct and indirect infringement after failing to prevent the sale of counterfeit products on their platform.¹⁹² Tiffany's direct infringement claim rested on a theory of unauthorized use of the marks generally, while their indirect infringement claim rested on the standards set out by the Supreme Court in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*¹⁹³ In *Inwood*, the Court held that "if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit."¹⁹⁴

The direct infringement claim was briskly disposed of in the defendant's favor on the basis of nominative fair use, but on the indirect infringement claims, the Second Circuit made it clear that eBay had avoided liability largely through its aggressive self-policing.¹⁹⁵ The platform not only had processes in place to receive complaints of infringements from rights holders, it also consistently acted against third party infringers on its platform who were identified in those complaints.¹⁹⁶ Therefore, while the opinion in the case absolved eBay (the platform operator) of liability, the court left clear the value for platforms to engage in some policing of their products.¹⁹⁷ For Tiffany to meet the *Inwood* test, they would have needed to show the existence of accounts or listings of which eBay had specific knowledge that eBay then also took no action against, since simply having generalized

188. See Margreth Barrett, *Internet Trademark Suits and the Demise of "Trademark Use"*, 39 U.C. DAVIS L. REV. 371, 373 ("The Internet, however, has provided countless new ways for ingenious businesses and individuals to refer to a plaintiff's mark in a manner that impacts the plaintiff's business.").

189. See *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 98 (2d Cir. 2010).

190. See, e.g., *id.* (discussing eBay's anti-counterfeiting efforts generally).

191. *Id.*

192. *Id.* at 97–98.

193. *Id.* at 104.

194. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 854 (1982).

195. *Tiffany (NJ) Inc.*, 600 F.3d at 102, 106.

196. *Id.* at 106.

197. *Id.*

knowledge that infringement occurred was insufficient to meet the requirements to assign liability to the platform.¹⁹⁸

Applying the foregoing discussion to the prompt marketplaces leads to two conclusions. First, if infringing marks are being used on a platform, it is incumbent for marketplace operators to meet the standards established in *Tiffany* to avoid contributory liability charges. This means maintaining active reporting and enforcement mechanisms since, “[w]hen [a service provider] has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way.”¹⁹⁹ Following *Inwood* and *Tiffany*, any prompt marketplace operator that is not engaged in proper enforcement and policing should be held liable for instances of trademark infringement that occur on their platforms.

Second, for prompt engineers, the question of liability is dependent on whether they are aware that a generative AI art platform can produce trademark infringing outputs from their prompts, and whether such awareness surpasses the “general knowledge” threshold identified in *Tiffany*.²⁰⁰ For example, if a prompt engineer were to use registered trademarks in advertising their prompts—such as images of trademarked and copyrighted characters and logos like Batman or Superman for a prompt intended to produce comic book style imagery then there very likely is a direct infringement issue.

But what if those indicia are not present? As contemplated in *Inwood*, the prompt engineer and prompt marketplace operator are still providing a “product”—the prompt itself. However, in such cases, the mere potential for a prompt to be misused, even if such misuse were clear from the nature of the prompt, would likely be insufficient to qualify as knowledge for the purposes of establishing liability. Much like the individual infringing listings in *eBay*, a prompt engineer or platform operator would need to be aware of specific infringing outputs that were generated and fail to take remedial steps to prevent those outputs from being disseminated. On the other hand, taking action as knowledge of specific instances of infringement are discovered likely secures their safety from liability under *eBay* and its progeny.

V. POTENTIAL DEFENSES

Having established the basis for infringement claims against participants in prompt marketplaces, Part V discusses what defenses are

198. *Id.* at 107 (“For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods.”).

199. *Id.* at 109.

200. *Id.* at 107.

available to potential infringers. An exploration of the two statutory bases for defense leads to the conclusion that while the Communications Decency Act of 1996 (“CDA”) is unlikely to help alleged infringers on prompt marketplaces, operators may still be able to avail themselves of the Digital Millenium Copyright Act’s (“DMCA”) “safe harbor” provisions.

A. DEFENSES UNDER SECTION 230 OF THE CDA

Section 230 of the CDA protects online service providers from liability for content posted to their platforms by third parties.²⁰¹ This protection has been invoked in the courts to protect platforms that host large quantities of content posted users, such as Google and Facebook.²⁰² A cursory review of these cases could lead someone to believe that the CDA offers some protection, at least to prompt marketplace operators. However, there are two statutory limitations that make it inapplicable to the issues raised in this Note.

First, the language of Section 230 explicitly applies its protection only to cases of civil liability.²⁰³ This means that any questions of criminal liability raised in the preceding analysis would not be addressed by a Section 230 claim. Second, and perhaps more important for the purposes of this discussion, the statute states that “[n]othing in this section shall be construed to limit or expand any law pertaining to intellectual property.”²⁰⁴ While there is some discussion about the expansiveness of the term “intellectual property” in context,²⁰⁵ federal courts have uniformly interpreted this language to preclude a Section 230 defense in the established areas of federal intellectual property protection: trademark, patent, and copyright.²⁰⁶ This preclusion logically includes claims of contributory infringement of those rights.²⁰⁷ Therefore, Section 230 would likely not provide a shield to the liabilities faced by prompt marketplace operators and prompt engineers.

B. DEFENSES UNDER THE “SAFE HARBOR” PROVISIONS OF THE DMCA

201. Valerie C. Brannon & Eric N. Holmes, CONGRESSIONAL RESEARCH SERV., SECTION 230: AN OVERVIEW 1 (Apr 7, 2021).

202. *See, e.g.*, *Dowbenko v. Google, Inc.*, 582 F. App’x 801, 804 (11th Cir. 2014) (per curiam); *Jurin v. Google, Inc.*, 695 F. Supp. 2d 1117, 1123 (E.D. Cal. 2010); *Force v. Facebook, Inc.*, 934 F.3d 53, 58 (2d Cir. 2019); *In re Facebook, Inc.*, 625 S.W.3d 80 (2021).

203. 47 U.S.C. § 230(e)(1).

204. *Id.* at § 230(e)(2).

205. *See, e.g.*, *Perfect 10, Inc. v. CCBill LLC*, 481 F.3d 751, 767 (9th Cir. 2007) (“The CDA does not contain an express definition of “intellectual property,” and there are many types of claims in both state and federal law which may—or may not—be characterized as “intellectual property” claims.”).

206. *Id.* at 768.

207. *Gucci Am., Inc. v. Hall & Assocs.*, 135 F. Supp. 2d 409, 413 (S.D.N.Y. 2001).

The DMCA, passed by Congress in 1998, provides a set of statutory defenses for digital platform operators to claims of indirect infringement.²⁰⁸ These protections are collectively known as the “safe harbor” provisions, and are codified in Section 512 of the DMCA.²⁰⁹

The safe harbor provisions in Section 512 are divided into four clauses, providing protections for four types of potentially infringing conduct: transitory digital network communications, system caching, information residing on systems or networks at the direction of users, and information location tools.²¹⁰ Of these four, the nature of prompt marketplace participation implicates the third the most.²¹¹ Many infringement concerns laid out in this Note revolve around concerns with user-created sale listings on prompt marketplaces. Therefore, this section focuses its analysis on the protections provided by 17 U.S.C. § 512(c).

1. General Eligibility Requirements for Safe Harbor

To begin, general eligibility for protection under Section 512 requires meeting several factors.²¹² The first factor is a finding that the prompt marketplace operators fall under the definition of “service providers” as contemplated by the statute.²¹³ The DMCA defines service providers both narrowly and broadly.²¹⁴ The narrower definition provides explicit protections for traditional ISPs and physical networks against infringement for unknowingly transmitting infringing content at a third party’s direction.²¹⁵ The broader definition describes a service provider as “a provider of online services or network access, or the operator of facilities therefor.”²¹⁶

The possibilities for what can constitute an online service provider are broad.²¹⁷ Most important for the purposes of this Note, the term has consistently been understood to encompass online commercial marketplaces

208. KEVIN J. HICKEY, CONG. RSCH. SERV., IF11478, DIGITAL MILLENNIUM COPYRIGHT ACT (DMCA) SAFE HARBOR PROVISIONS FOR ONLINE SERVICE PROVIDERS: A LEGAL OVERVIEW 1 (2020).

209. *Id.*

210. *Viacom Int’l, Inc. v. YouTube, Inc.*, 676 F.3d 19, 27 (2d Cir. 2012) (quoting 17 U.S.C. § 512(a)-(d)).

211. § 512(c) has traditionally been the category for similar online marketplaces such as Amazon and eBay. *See, e.g., Hendrickson v. Amazon.com, Inc.*, 298 F. Supp. 2d 914 (C.D. Cal. 2003); *Rosen v. eBay, Inc.*, No. CV 13-6801 MWF (Ex), 2015 U.S. Dist. LEXIS 49999 (C.D. Cal. Jan. 16, 2015).

212. 17 U.S.C. § 512(i).

213. *Id.*

214. 17 U.S.C. § 512(k).

215. *Id.* at (1)(A).

216. *Id.* at (k)(1)(B).

217. *See* H.R. Rep. No. 105-551, pt. 2 at 64 (1998).

such as eBay and Amazon.²¹⁸ Prompt marketplaces would seem to clearly be a piece with these companies. However, even if this were not the case, reasonable analysis of the statutory language would reach the same conclusion: prompt marketplaces provide the “online service” of hosting a place to buy and sell prompts. It is worth noting that by extension, prompt engineers would not be able to avail themselves of this defense, as they are the users, not the providers, of the service.²¹⁹

To take advantage of the protections against infringement for content hosted on the service, the service provider must meet two general statutory conditions. First, the service provider must have and enforce a policy in which they terminate the accounts of repeat infringers on their platform.²²⁰ Second, the service provider must also not prevent or interfere with efforts of rights holders to identify and protect their works on the platform.²²¹

With regards to these general requirements for the statute, courts have most commonly denied the protections of Section 512 to service providers either failing to have a policy in place around repeat offenders, or not enforcing that policy effectively.²²² For example, in *In Re Aimster*, the Seventh Circuit decided that, while the defendant in that case technically had a policy in place to block the accounts of repeat offenders, they lost the protections of Section 512 when they not only failed to enforce that policy, but actually provided training and information to their users on how to more effectively infringe.²²³ Later, in *BMG Rights Mgmt. (US) LLC v. Cox Commc’ns., Inc.*, the Fourth Circuit ruled that the defendants lost their safe harbor protections when they routinely and sometimes automatically reinstated users who had been previously banned for distributing infringing content.²²⁴

The underlying message of these cases is that prompt marketplace operators must craft policies that ban repeat infringers and act on those policies with at least some consistency to avail themselves of Section 512 defenses. It is worth distinguishing this from active policing of the marketplace for infringement, which Section 512 does not explicitly

218. See, e.g. *Hendrickson v. Ebay, Inc.*, 165 F. Supp. 2d 1082, 1088 (C.D. Cal. 2001) (“eBay clearly meets the DMCA’s broad definition of online ‘service provider.’”); *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1100 (W.D. Wash. 2004) (“Amazon operates web sites, provides retail and third party selling services to Internet users, and maintains computers to govern access to its web sites. These activities fall squarely within the broad scope of the...definition of ‘service provider.’”).

219. 17 U.S.C. § 512(a)-(e) (providing protections only for “service providers.”).

220. 17 U.S.C. § 512(i).

221. *Id.*

222. See, e.g., cases cited *infra* note 220-221.

223. *In re Aimster Copyright Litig.*, 334 F.3d 643, 655 (7th Cir. 2003) (“Aimster ... showed them how they could do so with ease using its system, and by teaching its users how to encrypt their unlawful distribution of copyrighted materials disabled itself from doing anything to prevent infringement.”).

224. *BMG Rights Mgmt. (US) LLC v. Cox Communs., Inc.*, 881 F.3d 293, 304 (4th Cir. 2018) (“An ISP cannot claim the protections of the DMCA safe harbor provisions merely by terminating customers as a symbolic gesture before indiscriminately reactivating them within a short timeframe.”).

require.²²⁵ Rather, it is an obligation to use the platform control to prevent infringement for which actual knowledge exists by removing those that repeatedly commit it.

2. Statutory Requirements Under Section 512(c)

There are also a set of specific requirements with regards to Section 512(c) that must be present for safe harbor eligibility.²²⁶ These are that (1) the service does not have actual knowledge of the infringement, (2) that the service is “not aware of facts or circumstances from which infringing activity is apparent”, (3) that the service provider must not derive a financial benefit directly from the infringing activity when that provider has the “right and ability to control the activity”, and (4) that the service responds “expeditiously” to remove infringing content after actual knowledge or awareness of the infringement, or of notifications of infringement that follow a specified process.²²⁷ Service providers must also designate an agent to receive these notifications,²²⁸ which are generally referred to as “takedown notices.”²²⁹ In *Viacom Int’l, Inc. v. YouTube, Inc.*, the Ninth Circuit summed the implications of the first, second, and fourth requirements up, observing that “actual knowledge of infringing material, awareness of facts or circumstances that make infringing activity apparent, or receipt of a takedown notice will each trigger an obligation to expeditiously remove the infringing material.”²³⁰

The second prong of these statutory requirements concerns knowledge commonly referred to as “red flag” knowledge.²³¹ Red flag knowledge is found where a service provider is “subjectively aware of facts that would have made the specific infringement ‘objectively’ obvious to a reasonable person.”²³² Red flag knowledge, in whatever form it takes, must still provide some information about specific infringement; a generalized notion that infringement is taking place on a platform is not sufficient to put that platform’s operator on notice.²³³ For prompt marketplace operators, such knowledge could come in the form of a notification from a user about

225. 17 U.S.C. § 512(m)(1).

226. *Id.* at (c).

227. *Id.* at (c)(1)-(3).

228. *Id.* at (c)(2).

229. BRIAN T. YEH, CONGRESSIONAL RESEARCH SERV., SAFE HARBOR FOR ONLINE SERVICE PROVIDERS UNDER SECTION 512(C) OF THE DIGITAL MILLENNIUM COPYRIGHT ACT 8 (Mar. 26, 2014).

230. *Viacom Int’l, Inc. v. YouTube, Inc.*, 676 F.3d 19, 27–28 (2d Cir. 2012).

231. *Id.* at 31.

232. *Id.*

233. *Id.* at 32; *cf.* 4 Nimmer on Copyright § 12B.04 (“[T]he ‘actual knowledge’ prong is reasonably construed to refer to specifics, whereas the ‘red flag’ prong deals with generalities.”).

infringing content on the platform,²³⁴ or through their own infringement reporting process.²³⁵ Importantly, an informal notification from a rights holder should not constitute either red flag, or actual knowledge, as such communication must proceed through the takedown notice scheme devised by the DMCA to qualify.²³⁶

The third requirement of 17 U.S.C. 512(c) rests on a platform's financial gain from, and ability to control, infringing activity.²³⁷ This clause warrants some additional scrutiny, as it presents potential issues for a platform operator. Taking first the control aspect of the requirement, such control must go beyond the simple technical ability of a service provider to block an infringing item or account to implicate losing safe harbor protections.²³⁸

An example of the exercise of sufficient control can be found in *Perfect 10, Inc. v. Cybernet Ventures, Inc.*²³⁹ There, defendant Cybernet Ventures was an age verification service for a network of thousands of pornographic websites, many of which contained content that infringed the plaintiff's copyrights and trademarks.²⁴⁰ An independent webmaster not employed by Cybernet operated each of these sites.²⁴¹ Cybernet also operated a searchable directory site which organized their affiliate sites by topic.²⁴² To be listed on the directory site, webmasters had to comply with nearly a dozen rules dictated by Cybernet.²⁴³ Cybernet also reviewed websites directly to determine whether to accept them as affiliates, rejecting at least one on the basis of its content being too similar to that of other sites on their network.²⁴⁴ Cybernet also had a blanket policy in place that provided that an affiliate could be removed at any time "at the sole and absolute discretion of [Cybernet]."²⁴⁵ After considering all these factors, the court in *Perfect 10*

234. 4 Nimmer on Copyright § 12B.04 ("[T]hird-party notifications may suffice to apprise the service provider of general facts and circumstances from which infringement becomes apparent.").

235. 17 U.S.C. § 512(c)(3).

236. *UMG Recordings, Inc. v. Shelter Capital Partners, Ltd. Liab. Co.*, 667 F.3d 1022, 1040 (9th Cir. 2011) (Explaining that an informal email sent by Disney's CEO to a board member of the defendant company cannot be red flag knowledge because such communication must follow the official processes in 17 U.S.C. § 512(c)(3)).

237. 17 U.S.C. 512(c)(1)(C).

238. *Hendrickson*, 165 F. Supp. 2d at 1093 ("[T]he 'right and ability to control' the infringing activity, as the concept is used in the DMCA, cannot simply mean the ability of a service provider to remove or block access to materials posted on its website or stored in its system. To hold otherwise would defeat the purpose of the DMCA and render the statute internally inconsistent."); *See also CoStar Grp., Inc. v. LoopNet, Inc.*, 373 F.3d 544 (4th Cir. 2004) (holding that the ability to remove infringing images does not rise to the requisite level of control).

239. *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146, 1173 (C.D. Cal. 2002).

240. *Id.* at 1158.

241. *Id.*

242. *Id.* at 1160.

243. *Id.*

244. *Id.* at 1163-64.

245. *Id.* at 1159-60.

found that Cybernet exerted sufficient control to run afoul of the statutory language because Cybernet “prescreens sites, gives them extensive advice, [and] prohibits the proliferation of identical sites.”²⁴⁶ The Ninth Circuit likewise found that this sort of screening and filtering behavior constituted sufficient control to remove safe harbor protections in *Columbia Pictures Indus. v. Gary Fung*.²⁴⁷ There, the plaintiff “personally removed ‘fake[], infected, or otherwise bad or abusive torrents’ in order to ‘protect[] the integrity of [his websites]’ search index[es].”²⁴⁸

Together, these holdings may cause a problem in the legal analysis for prompt operators. Besides presumably having the technical ability to cancel listings and ban accounts, prompt marketplace operators uniformly review and test prompts uploaded to their sites by users before allowing them to be listed for sale.²⁴⁹ The marketplace operators even reject those that do not meet their standard.²⁵⁰ This type of control is very similar to the content-based control exerted by the defendants in *Perfect 10*, and could implicate the loss of Section 512 protections.²⁵¹ If nothing else, such review may also be deemed to provide red flag notice based on the content of the prompt being reviewed.²⁵²

To lose safe harbor protections under the control and financial gain prong, a platform operator must meet both prongs.²⁵³ The “direct financial gain” aspect has been interpreted to require something more than the simple receipt of fees from the infringing account, assuming the same fees are collected from non-infringing ones.²⁵⁴ However, it is fairly clear that creating additional value for the platform through the infringing conduct can satisfy the direct financial gain requirement.²⁵⁵ This type of value has been found by

246. *Id.* at 1182.

247. *Columbia Pictures Indus., Inc. v. Gary Fung*, 710 F.3d 1020 (9th Cir. 2013).

248. *Id.* at 1046.

249. *See Broderick*, *supra* note 30; *Wiggers*, *supra* note 33.

250. *See Broderick*, *supra* note 30.

251. *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146, 1170 (C.D. Cal. 2002) (“[Cybernet] reviews sites, and it attempts to control the quality of the ‘product’ it presents to consumers.”).

252. *Id.* (finding Cybernet employees’ review of infringing sites likely to support a finding of constructive knowledge of the infringement); *cf. Capitol Records, LLC v. Vimeo, LLC*, 972 F. Supp. 2d 500, 522 (S.D.N.Y. 2013) (holding that proof that employees viewed infringing content did not automatically indicate that the defendants had red flag knowledge of infringement, finding it to be a matter for a factfinder to resolve).

253. *See, e.g., Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1109 (W.D. Wash. 2004) (“Both elements must be met for the safe harbor to be denied.”).

254. S. REP. NO. 105-190 p.44 (1998) (“[R]eceiving a one-time set-up fee and flat periodic payments for service from a person engaging in infringing activities would not constitute receiving a financial benefit directly attributable to the infringing activity.”).

255. *Id.* (explaining that direct financial gain would “include any such fees where the *value of the service* lies in providing access to infringing material.”) (emphasis added); *Ellison v. Robertson*, 357 F.3d 1072, 1079 (9th Cir. 2004) (“The essential aspect of the ‘direct financial benefit’ inquiry is whether there is a causal relationship between the infringing activity and any financial benefit a defendant reaps.”).

courts in the form of increased advertising revenue when infringing content is used in order to drive users to a service,²⁵⁶ or in simply increasing the number of paying users on a website.²⁵⁷

Based on the preceding analysis, a prompt marketplace operator likely loses their protections under Section 512 if it can be shown that prompts which are advertised with infringing characteristics are more popular and do more business than those that do not. Indeed, PromptBase's listings displays already provides public facing numbers for views and sales of its prompts, allowing a rudimentary comparison to be done by any interested rights holder.²⁵⁸

VI. CONCLUSION

This Note has shown that despite the novelty of AI, and the existence of statutory defenses, it is certainly possible to ascribe legal liability to prompt marketplace participants. Existing jurisprudence is sufficiently developed to tackle these emerging issues fairly and cogently.

The Supreme Court observed in one of the seminal copyright cases of the twentieth century that “[t]he immediate effect of our copyright law is to secure a fair return for an author’s creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.”²⁵⁹ Certainly, advocacy for increased enforcement of intellectual property rights can raise concern about a corresponding stifling of creativity. This is especially true when it comes to applying old law to new technologies. But here, the courts need not trade the immediate goal of protecting the rights of creators for their ultimate one. While it may seem counter intuitive, active enforcement in the short term can serve that ultimate end as well.²⁶⁰ This confluence of long- and short-term benefits should pave the way for enforcement of that liability against marketplace operators and prompt engineers who are engaged in infringing activity, and denying creators their fair return.

256. *Fung*, 710 F.3d at 1045.

257. *Ellison*, 357 F.3d at 1079 (“[T]he central question of the ‘direct financial benefit’ inquiry in this case is whether the infringing activity constitutes a draw for subscribers.”).

258. See *Cute 3D Star Wars Characters*, PROMPTBASE (Feb. 1, 2024), <https://archive.fo/MVZX7>. (Note the “sales tag” icon indicating sales, and the “eye” icon indicating views right above the prompt’s description text.).

259. *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (internal quotation marks removed).

260. Peter S. Menell, *Indirect Copyright Liability and Technological Innovation*, 32 COLUM. J.L. & ARTS 375, 380 (2008-09) (“There is ample evidence that copyright liability has spurred all sorts of technological innovation - technologies aimed at limiting copyright infringement in digital networks (such as digital rights management and content identification (filtering)).”).
