

## More Evidence That Print-on-Demand Vendors May Be Doomed—Greg Young Publishing v. Zazzle

*November 25, 2019 · by Eric Goldman · in Copyright, Derivative Liability, E-Commerce*

I've repeatedly expressed concern for the viability of print-on-demand vendors due to potentially unmanageable IP liability. Unlike other Internet services, [print-on-demand vendors do not get the full benefit of 512\(c\)](#) because of their offline printing and shipping activities. Without 512(c), print-on-demand vendors likely face strict liability for copyright infringement of user-submitted materials. This means the vendors will be liable for any copyrighted works—including variations that are substantially similar—that slip through their human and automated filters, no matter how hard the vendors try to prevent infringement. The news is not better on the trademark side; the [Harley-Davidson v. Sunfrog](#) case produced an unimplementable injunction. Even a favorable ruling like [OSU v. Redbubble](#), which held that the vendor escaped direct trademark liability for the actions of outsource contractors—won't likely survive future secondary IP claims. As I've indicated before, the print-on-demand industry almost certainly needs Congressional intervention if it hopes to survive in its current configuration.

This ruling highlights why the print-on-demand vendors are screwed. The plaintiff, Greg Young Publishing, produces California beach-themed art. Zazzle users uploaded copyrighted art to print-on-demand. The copyright owner sued Zazzle for copyright infringement. A jury held that Zazzle infringed 35 works and awarded \$460k. Five of those awards were over \$30,000 per work, which could be awarded only if Zazzle engaged in “willful” infringement. The [district court judge held that Zazzle lacked willfulness](#) and reduced those awards to \$30k each. The district court denied attorneys' fees. Then, in a shocking development, the district court vacated its permanent injunction against Zazzle.

While some of these developments were good for Zazzle, this remains a terrible loss for Zazzle. Every subsequent printing of a user-uploaded Greg Young image trigger a statutory damages award far in excess of Zazzle's associated revenue, so the copyright owner basically can treat Zazzle as its personal ATM, which won't be good for Zazzle's profit. Plus, the court's reasoning isn't limited to this particular copyright owner, so Zazzle will be the ATM of every other copyright owner—millions of them. How long can a business like that last?

As expected, the case was appealed to the Ninth Circuit, which issued a short per curiam opinion.

*Willfulness.* The appeals court reversed the district court on Zazzle's willfulness:

Recklessness can constitute willful infringement, and can be established by an infringer's knowing reliance on obviously insufficient oversight mechanisms. Zazzle never deviated from, or improved, its oversight system throughout the two-year period at issue, despite repeated notice of that policy's ineffectiveness. Zazzle "knew it needed to take special care with respect to [Young's] images," but never gave its content-management team a catalogue of those images provided by Young. Even after Young provided the catalogue, Zazzle continued to sell products bearing each of the works for which the jury found willful infringement. Zazzle also relied on a user-certification process it knew produced false certifications and took no action to remove a user who had marketed more than 2,000 infringing products. A reasonable jury could find willfulness on this evidence and we therefore remand for entry of judgment consistent with the jury verdict.

This is bad news for Zazzle because Zazzle probably can't avoid future willfulness determinations. Sure, it can give its content moderators a catalogue of Greg Young works, and they might even have a chance of recognizing identical or substantially similar variations. But multiply the screening efforts by millions of other copyright owners, and it's clear that simply giving content moderators "a catalogue" of verboten precedents won't work. So exactly what more could Zazzle have realistically done, and at what cost? The court apparently assumes a fictional magic wand that will clean up the problem. No such magic wand exists.

Furthermore, the willfulness determination is a bit of a sideshow. Even without the willfulness damages enhancement, ordinary statutory damages (awarded on a strict liability basis) are enough to destroy the business model of print-on-demand vendors.

*Injunction.* The court affirms the district court's decision not to issue a permanent injunction. The appeals court simply says "The district court reasonably found Young's assertions of irreparable harm grounded 'in platitudes rather than evidence.'" Different litigation tactics likely would yield different results, probably producing an unmanageable injunction similar to the one issued in the Harley-Davidson v. Sunfrog case.

*Attorneys' Fees.* The court affirms the district court's decision not to award attorneys' fees. "Zazzle conceded infringement of the works considered by the jury, and Young's ultimate recovery was only about 16% of the damages sought at trial. Zazzle obtained summary judgment on eight works. Zazzle also defeated a summary judgment motion on its Digital Millennium Copyright Act defense." I also wonder if different litigation tactics could reverse this outcome in future cases.

*Rule 68 Costs.* The copyright owner can't get the cost shift because its offer of judgment was \$525k, more than Zazzle owes even after the adjustments.

While the latter two rulings favor Zazzle, they may not stay that way. The appeals court says that the district court can revisit the attorneys' fees and Rule 68 cost-shift on remand.

**Case citation:** [Greg Young Publishing, Inc. v. Zazzle, Inc.](#), No. 18-55522 (9th Cir. Nov. 20, 2019)