Navigating Terra Incognita: Why the Digital Millennium Copyright Act Was Needed to Chart the Course of Online Service Provider Liability for Copyright Infringement

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The Digital Millennium Copyright Act (DMCA) was enacted on October 28, 1998, marking the first changes to the Copyright Act in twenty-two years. Enactment of the DMCA was prompted by advances in information technology and the exponential growth of the Internet as the communications medium of choice. Like any piece of legislation, and perhaps more than most, the DMCA is the product of legislative compromise. A review of both the changes it makes to the copyright law and provisions abandoned during legislative compromise provides great insight into the future of copyright law on the Internet. Specifically, Title II of the Act, the “Online Copyright Infringement Liability Limitation Act,” responds to concerns of online service providers (OSPs) that they would be held directly, contributorily, and vicariously liable for the copyright infringements of their subscribers. In this Note, the author examines the inconsistent nature of the case law prior to the passage of the DMCA as a means of demonstrating why such legislation was necessary. Furthermore, the author argues that judicial attempts at resolving these issues would have been insufficient due to the courts’ demonstrated difficulties applying established copyright principles to the Internet. Finally, the author outlines the manner in which specific provisions of the DMCA address OSP concerns.  

I. INTRODUCTION  

The features which distinguish the Internet terrain from that of all other  

* An earlier version of this Note was awarded First Place in the American Society of Composers, Authors, and Publishers’ (ASCAP) Nathan Burkan Memorial Competition for papers in copyright law. At the time of its submission to the Burkan Competition, June 1998, the future of online service provider (OSP) liability continued to be adamantly debated in Congress. Originally, the author advocated that legislation was needed to alleviate the dangers OSPs faced from inconsistent judicial application of copyright principles to the Internet. The Note has been revised to reflect changes implemented by Congress’s final resolution of the debate, embodied in Title II of the Digital Millennium Copyright Act.  

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media are the same features which make the Internet fertile ground for copyright infringement. The Internet has given individuals the power to reproduce and transmit virtually every type of copyrightable work\(^1\) inexpensively and almost instantaneously. Because of the ease with which words, music, and images can be copied and transmitted cheaply and anonymously through cyberspace,\(^2\) works published\(^3\) on the Internet are exposed to a great risk of being used in an unauthorized manner. Copyright infringement on the Internet manifests itself in many forms. Infringement can occur when an individual user simply “downloads” copyrighted material from a web site. On the other end of the spectrum, the infringement may be the primary purpose of a business.\(^4\) Once

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\(^1\) Section 102(a) of the Copyright Act of 1976 provides:

Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.


\(^2\) “Cyberspace” is a popular term for the seamless web of electronic communications over computer networks. See Trotter Hardy, The Proper Legal Regime for “Cyberspace,” 55 U. Pitt. L. REV. 993, 994 (1994) (discussing various issues affecting online service providers). The term “cyberspace” was coined by science fiction author William Gibson in his 1984 novel Neuromancer. See WILLIAM GIBSON, NEUROMANCER 51 (1984); see also William S. Byassee, Jurisdiction of Cyberspace: Applying Real World Precedent to the Virtual Community, 30 WAKE FOREST L. REV. 197, 198 n.5 (1995) (stating that, in Gibson’s vision, cyberspace was a “consensual hallucination that felt and looked like physical space but actually was a computer-generated construct representing abstract data”) (quoting EDWARD A. CAVAZOS & GAVINO MORIN, CYBERSPACE AND THE LAW: YOUR RIGHTS AND DUTIES IN THE ON-LINE WORLD (1994)).

\(^3\) “Publication” is defined as:

The distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute a publication.


\(^4\) For example, for-profit retrieval companies like CARL Corp. and Information Access have, in the past, typed or electronically scanned in a published piece, uploaded it to a database,
online copyright infringement\(^5\) is alleged, the question becomes—whom, in addition to the direct infringer, should the copyright owner seek to hold liable? Specifically, what ought to be the liability of the online service provider (OSP) for acts of infringement by users of the service? This question has elicited numerous responses—in the forms of inconsistent court opinions, a report of a Presidential task force, and proposed legislation in the House and Senate. It remained unanswered until October 28, 1998—the date the Digital Millennium Copyright Act (DMCA)\(^6\) was signed into law.\(^7\)

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\(^5\) For a discussion of the elements of copyright infringement, see infra notes 26–39 and accompanying text.


\(^7\) The DMCA’s five Titles make several major changes to the existing copyright law. Title I, the “WIPO (World Intellectual Property Organization) Copyright and Performances and Phonograms Treaties Implementation Act of 1998,” implements two 1996 international intellectual property treaties, see DMCA §§ 101–105, affording “writers, artists, and other creators of copyrighted material global protection from piracy in the digital age.” See Statement by President William J. Clinton Upon Signing H.R. 2281, 34 WEEKLY COMP. PRES. DOC. 2168 (Nov. 2, 1998), reprinted in 1998 U.S.C.C.A.N. 645, 677. Title I adds new sections 1201 and 1202 to the Copyright Act, prohibiting individuals from gaining unauthorized access to a copyrighted work by circumventing a technological protection measure put in place by the copyright owner. See DMCA § 103 (to be codified at 17 U.S.C. § 1201(a)(1)). To “circumvent a technological protection measure” is to “descramble a scrambled work, to decrypt an encrypted work, or otherwise avoid, bypass, remove, deactivate, or impair a technological protection measure.” DMCA § 103 (to be codified at 17 U.S.C. § 1201(a)(3)). Title II, discussed herein, establishes limited liability of Online Service Providers (OSPs) for copyright infringement. See DMCA §§ 201–203. Title III, the “Computer Maintenance Competition Assurance Act,” reverses the Ninth Circuit in MAI Sys. Corp. v. Peak Computer, Inc., 991 F.2d 511, 518 (9th Cir. 1993), by providing that it is not an act of copyright infringement for a computer owner to make or authorize the making of a copy of a computer program solely for the purposes of computer maintenance or repair. See DMCA §§ 301–302. Title IV contains six “Miscellaneous Provisions,” including one which exempts ephemeral recordings from copyright infringement under certain conditions and expands the 1976 Act’s fair use exemption for libraries and archives. See DMCA §§ 401–407. Finally, Title V, the “Vessel Hull Design Protection Act” (VHDPA), by creating *sui generis* protection for boat hull designs, effectively overrules the United States Supreme Court in Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989) (striking down, as preempted by federal patent law, a Florida statute that protected from copying boat hull designs, which in and of themselves, did not qualify for patent protection). See DMCA §§ 501–505. Contrary to popular belief, the Act does not provide blanket protection for designs. Moreover, databases remain unprotected by the copyright law. However, such review is beyond the scope of this Note.

The 105th Congress’s involvement in the copyright arena does not end with the DMCA. One day prior to the DMCA’s enactment, October 27, 1998, President Clinton signed into law
The college student who, without permission, uploads copyrighted music onto the Internet and the student who downloads it are direct infringers. However, the owner of the copyright in the music faces two obstacles in proceeding against such individuals. First, it may be difficult to pinpoint the identity of the direct infringer. Second, even if the direct infringer is located, it is unlikely that such individual will have the "deep pockets" necessary to satisfy a judgment. Because the Copyright Act imposes joint and several liability for copyright infringement, the most promising option for the copyright owner would appear to be to employ a direct, contributory, or vicarious liability theory to reach the "deep pockets" of OSPs.

S. 505, Pub. L. No. 105-298, 112 Stat. 2827 (1998). Title I, the "Sonny Bono Copyright Term Extension Act," extends by twenty years the duration of all copyrights. See id. § 102. Thus, the duration of copyright in a work created on or after January 1, 1978, is extended from life of the author plus 50 years to the life of the author plus 70 years. See id. Additionally, the Act provides that works for hire and anonymous or pseudonymous works are subject to terms of 95 years from the date of first publication or 120 years from date of creation, whichever expires first. See id. The copyright term extension provisions became effective immediately. For a general discussion of the duration of copyright protection, see SHELDON W. HALPERN ET AL., FUNDAMENTALS OF UNITED STATES INTELLECTUAL PROPERTY LAW: COPYRIGHT, PATENT, AND TRADEMARK 131–39 (1999). Title II of S. 505, the "Fairness in Music Licensing Act of 1998," amends § 110(5) of the 1976 Act by expanding the rights of certain businesses and restaurants to provide background music without paying royalties. See Pub. L. No. 105-298, 112 Stat. 2827.

8 "Uploading" refers to the transfer of information from an Internet user's personal computer to the Internet. See Karen S. Frank, Potential Liability on the Internet, 437 PLI/PAT 417,425 (1996) (providing a glossary of Internet terminology).

9 "Downloading" refers to the transfer of information from the Internet to an Internet user's personal computer. See id.

10 For a discussion of direct infringement, see infra Part II.B.1.


12 An OSP may also be referred to as an "Internet Access Provider" or an "Internet Service Provider" (ISP) in the literature, and the terms are often used interchangeably. The terms "Internet Access Provider" and "Internet Service Provider" generally refer to companies which provide the tool, by licensing proprietary software and leasing access to computer facilities to subscribers, that allows subscribers to access the Internet (e.g., Netcom Online Communication Services). See Frank, supra note 8, at 422. In contrast, the term "Online Service Provider" generally denotes a content provider, whether it be a web page provider or an operator of a Bulletin Board Service (BBS). See id.

A web page is a digital information site programmed in the computer language HTML which allows users to move directly from that site to another, through the use of highlighted text. This highlighted text indicates that the Web page is linked to another page or Web site, which includes information of the same matter. See id.

A BBS may, but need not, be connected to the Internet. A BBS could be a single personal computer with a few transmission lines or a larger service like CompuServe, which provides
Prior to the enactment of the DMCA, the few federal court opinions which addressed OSP liability attempted to apply traditional copyright principles of vicarious and contributory liability. Offering little guidance to future courts eagerly in search of precedent as they sought to apply the existing copyright law to an environment characterized by changing technology, these courts reached divergent and sometimes confusing conclusions. Further, OSPs feared that the Ninth Circuit’s expansive treatment of contributory and vicarious liability in the non-Internet case of Fonovisa, Inc. v. Cherry Auction, Inc. would be adopted in cases in which they faced the possibility of liability for the infringing activities of their subscribers.

The release of The White Paper, the first articulation by any presidential administration regarding the relationship between intellectual property law and the Internet, spurred additional, divergent approaches to the problem of OSP copyright infringement liability. While OSPs supported legislative efforts to minimize their liability, critics of such legislation believed it would eliminate any incentive for OSPs to discourage copyright infringement on their systems.

Most commentators agreed that a delicate balance must be struck which provided protection of copyrights in cyberspace without stunting the Internet’s growth, but it is at this point that the opinions diverged.

both closed host content and access to the Internet. A BBS operator can “upload” (transfer information from one’s personal computer to the BBS system) content to the BBS so that its subscribers may access the information. See id. at 423.

Because many services like America Online and Prodigy provide both connective (access) and content-based services, they are referred to as “hybrid services.” These hybrids may create databases which can only be accessed by their subscribers. See id. Strictly speaking, the term “ISP” would not refer to “hybrid” services such as America Online, and thus, this Note uses “OSP” as a catch-all term referring to connective, content-based, and hybrid services.


See Daniel R. Cahoy, Comment: New Legislation Regarding On-line Service Provider Liability for Copyright Infringement: A Solution in Search of a Problem?, 38 IDEA 335, 335 (1998) (arguing that the current copyright regime and the attendant body of common law provides an adequate basis upon which the courts may rely, and, as a result, a dramatic change in the Copyright Act exempting online service providers from liability, in the words of The White Paper, is—at best—premature).

See Joseph Levi, Will Online Service Provider Liability Unravel the Web?, 477 PLI/PAT 547, 547 (1996) (discussing steps OSPs may take to minimize their infringement
Prior to the enactment of the DMCA, the issue—should OSPs be held liable for the infringements of their subscribers—remained unresolved. In Part II, this Note provides a basic introduction to the law of copyright, specifically, the theories of copyright infringement liability. Part III examines how the copyright law was applied before the DMCA’s enactment, with particular emphasis on the probable impact of Fonovisa’s expansion of contributory and vicarious liability theories. In Part IV, this Note outlines earlier Congressional attempts to legislate an exemption for OSPs and reviews criticisms levied against these proposals. Part V responds to these criticisms, arguing that without such legislation, the imposition of infringement liability on OSPs would impact disastrously upon the future of the Internet. In Part VI, this Note explains how the DMCA’s limitations on liability or “safe harbors,” address OSP concerns. From this analysis, this Note concludes that the scope of the DMCA remains unclear—as the courts have yet to apply the safe harbors in their infringement analyses.

II. THE ROAD ALREADY TRAVELED: THE LAW OF COPYRIGHT

A. Copyrightability

Copyright is a property right which exists in “original works of authorship fixed in any tangible medium of expression.”17 Section 102 of the Copyright Act sets forth three conditions for copyrightability: “[F]irst, a work must be fixed in a tangible form; second, the work must be an original work of authorship; and third, it must come within the subject matter of copyright.”18

1. Fixation and Attachment

“[A] work [is] considered ‘fixed in a tangible medium of expression’ if there has been an authorized embodiment in a copy or phonorecord and if that embodiment is ‘sufficiently permanent or stable’ to permit the work to be ‘perceived, reproduced, or otherwise communicated’ for a period of more than transitory duration.”19 There is little controversy in establishing fixation of information transmitted across the Internet. Works which have been transmitted online have been held to be sufficiently fixed and thus, entitled to protection under copyright law.20

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18 Baltimore Orioles, Inc. v. Major League Baseball Players Ass’n, 805 F.2d 663, 668 (7th Cir. 1986) (footnote omitted).
2. Originality and Creativity: The Minimal Threshold\textsuperscript{21}

The Seventh Circuit has declared that "[t]he requirement of originality actually subsumes two separate conditions, i.e., the work must possess an independent origin and a minimal amount of creativity. A work is original if it is the independent creation of its author. A work is creative if it embodies some modest amount of intellectual labor."\textsuperscript{22}

3. The Subject Matter of Copyright

Not only must a work be fixed in a tangible medium of expression and possess a minimum degree of creativity and originality to obtain copyright protection, but also it must fall within a category of copyrightable works. Section 102(a) of the Copyright Act lists the categories of copyrightable works, which include: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.\textsuperscript{23} Copyright owners who feel their exclusive rights are being infringed may seek to hold someone liable under one of the three theories of copyright infringement liability.


\textsuperscript{22} Baltimore Orioles, 805 F.2d at 668; see also Feist Publications, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 346 (1991) (stating that the originality/creativity requirement is a constitutional prerequisite to copyrightability).

\textsuperscript{23} See 17 U.S.C. § 102(a).
B. The Three Theories of Liability for Copyright Infringement

Subject to the exemptions and limitations detailed in sections 107 through 120, the Copyright Act gives a copyright holder the exclusive rights to, or license anyone to: (a) reproduce the copyrighted work; (b) prepare derivative works; (c) publicly distribute copies of the copyrighted work; (d) publicly perform the copyrighted work; and (e) publicly display the copyrighted work. A copyright is infringed when someone violates any of these exclusive rights of the copyright owner. Such direct infringement is but one form of liability; theories of vicarious and contributory infringement can extend liability beyond the direct infringement.

1. Direct Infringement

In order to prevail in a suit for direct infringement of a copyright, the plaintiff must prove (1) ownership of a valid copyright and (2) a defendant's violation of one of plaintiff's exclusive rights. Direct infringement does not require intent or any particular state of mind, although knowledge is relevant to

25 See 17 U.S.C. § 501. The term “copying” is sometimes used as “shorthand for the infringing of any of the copyright owner’s five exclusive rights.” S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1085 n.3 (9th Cir. 1989).
26 A certificate of registration from the U.S. Copyright Office is prima facie evidence of the validity of a copyright. See 17 U.S.C. § 410(c).
27 See Data East USA, Inc. v. Epyx, Inc., 862 F.2d 204 (9th Cir. 1988); Baxter v. MCA, Inc., 812 F.2d 421, 423 (9th Cir. 1987).
28 The strict liability for copyright infringement imposed by the Copyright Act contrasts with another area of law in which OSPs faced liability—defamation. Until the enactment of the Communications Decency Act of 1996 (CDA), there was a split in the courts regarding the liability of OSPs for defamatory statements published on their sites. A recent decision held that where a BBS exercised little control over the content of the material on its service, it was more like a “distributor” than a “republisher” and thus was only liable for defamation occurring on its system when it knew or should have known of the defamatory statements. See Cubby, Inc. v. CompuServe, Inc., 776 F. Supp. 135, 142 (S.D.N.Y. 1991); cf. Stratton Oakmont, Inc. v. Prodigy Servs. Co., 23 Media L. Rep. (BNA) 1794 (N.Y. Sup. Ct. 1995) (holding that Prodigy was a “publisher” because it represented itself as controlling the content of its services and because it used software to automatically prescreen offensive messages). The CDA resolved the debate in favor of no liability for OSPs by adding the safe harbor provision found in section 509 of the CDA. See 47 U.S.C. § 230(c)(1) (Supp. II 1996); see also Jose I. Rojas, The Internet and Content Control: Liability of Creators, Distributors and End-Users, 471 PLI/PAT 203, 212 (1997) (comparing OSP liability for defamation and copyright infringement and correctly predicting that, after years of court battles and intense lobbying, Congress would adopt a
the award of statutory damages. Thus, a defendant can be found liable for direct infringement regardless of whether or not he or she knew that the actions violated one of the plaintiff's exclusive rights.

Online users who "upload" copyrighted material to the Internet or a BBS may be direct infringers. However, because these users tend to have more shallow pockets than OSPs, the more lucrative action for a copyright owner seeking damages for pre-DMCA infringement of copyright was often to proceed against an OSP under a contributory or vicarious liability theory.

2. Contributory Infringement

Although it is not recognized specifically in the Copyright Act, "the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another." In order to prevail in a suit for contributory infringement of a copyright, the plaintiff must establish, in addition to proof of direct infringement, that the defendant had knowledge of the infringing activity and an "infringing intent." 47 U.S.C. § 1201. The plaintiff must also establish that the defendant had the ability to control the infringing activity.

Statutory damages allow for a recovery in the amount of "not less than $500 or more than $20,000" per infringing occurrence. See 17 U.S.C. § 504(c)(1). This provision (similar to the CDA's safe harbor) shielding OSPs from copyright infringement liability. The CDA's safe harbor provides: "No provider or user of interactive computer services shall be treated as the publisher or speaker of any information provided by another information content provider." 47 U.S.C. § 230(c)(1).

Because actual damages can be difficult to prove, plaintiffs may elect to receive statutory damages instead. Statutory damages are awarded by the trial court in an amount "that appears to be just." 17 U.S.C. § 504(c)(1). For a further discussion of factors courts consider when fashioning an award, see HALPERN ET AL., supra note 7, at 165–66.

See D.C. Comics Inc. v. Mini Gift Shop, 912 F.2d 29 (2d Cir. 1990) (illustrating that a finding of innocent infringement does not absolve defendant of liability).

Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 435 (1984) (noting that the origin of contributory liability lies in the tort law notion that one who knowingly participates in or furthers a tortious act is jointly and severally liable with the primary tortfeasor). In Sony, a seminal case in copyright law, Universal Studios sued Sony Corporation, alleging that Sony's sales of Betamax videocassette recorders contributed to individuals' unauthorized copying of Universal's copyrighted programs. In holding that Sony's sales of Betamax recorders did not constitute contributory infringement, the United States Supreme Court enunciated the "substantial, noninfringing uses" exception to contributory infringement liability. See id. at 442.
to the underlying direct infringement, that (1) the defendant had the requisite knowledge of the infringing activity, and (2) the defendant "induc[ed], caus[ed], or materially contribut[ed] to the infringing activity" of the direct infringer. Contributory infringement liability may also be based on the provision of services or equipment related to the direct infringement.

3. Vicarious Infringement

Although contributory infringement liability focuses on the defendant’s relation to the direct infringement, vicarious infringement liability focuses on the defendant’s relationship to the direct infringer. In order to prove vicarious infringement liability, the plaintiff must establish, in addition to the direct infringement, that the third party defendant (1) had the right and ability to supervise or control the direct infringer and (2) received a direct financial benefit from the infringement of the copyrighted work.

32 The knowledge element is objective. That is, the alleged contributory infringer must know or have reason to know that a direct infringement is occurring. See Cable/Home Communication Corp. v. Network Prod. Inc., 902 F.2d 829, 845 (11th Cir. 1990); see also Sony, 464 U.S. at 487 (stating "it is sufficient that the defendant have reason to know that the infringement is taking place").

33 Cable/Home, 902 F.2d at 845.

34 See Gershwin Pub'g Corp. v. Columbia Artists Management, Inc., 443 F.2d 1159, 1163 (2d Cir. 1971). In Gershwin, the American Society of Composers, Authors, and Publishers (ASCAP) sued Columbia for copyright infringement arising out of a public performance of "Bess, You is My Woman Now," at a for-profit concert sponsored by a local community association without the permission of Gershwin. The Second Circuit held that Columbia’s participation in the formation, direction, and programming of the community concert association placed it in a position to police the conduct of the artists. Thus, Columbia was found liable for contributory infringement.

35 See supra note 31. For a discussion of the application of contributory infringement liability to OSPs, see infra Part III.B and Part III.D.

36 See William O. Ferron et al., On-line Copyright Issues: Recent Case Law and Legislative Changes (Part II), 14 No. 2 COMPUTER L. (Feb. 1997). Vicarious liability is an outgrowth of the agency principle of respondeat superior. See Shapiro, Bernstein & Co. v. H.L. Green Co., 316 F.2d 304, 307 (2d Cir. 1963) (noting that respondeat superior imposes liability on an employer for the copyright infringements of its employee). Shapiro and Bernstein, owners of copyrights in several musical compositions, alleged that H.L. Green Co. Department Store was vicariously liable for the infringing activities of concessionaires selling bootleg records at the store. The Second Circuit found H.L. Green vicariously liable, reasoning:

When the right and ability to supervise coalesce with an obvious 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 best be effectuated by the imposition of liability upon the beneficiary of the exploitation.
The doctrine of vicarious infringement liability was developed in the landlord-tenant/dancehall-performer cases. Courts repeatedly hold that a landlord is not vicariously liable for the infringing activities of a tenant if (1) the landlord leased the property without notice of any upcoming infringement, (2) at a fixed rental rate, and (3) did not exercise any supervision over the tenant. Similarly, in the dancehall cases, owners of nightclubs and lounges have been found vicariously liable for the infringing activities of musical acts who perform at their premises because of their overall ability to supervise the music which is performed and because they receive a "direct financial benefit" from performances which "draw" customers into the club, thus creating revenue. However, there are "dancehall cases" in which nightclub owners have been found not liable because they do not obtain a direct financial benefit from the infringing activities occurring within their establishments. A nightclub owner getting a percentage "cut" from the cover charge for a performance at which infringing music is played receives a direct financial benefit from infringing activity. If the nightclub act attracts customers who then purchase alcoholic drinks from the nightclub owner's bar, the nightclub owner receives an indirect financial benefit.

These cases indicate that the greater the degree of control the owners or proprietors exercise over those using their facilities, the more likely a court is to find that such owners satisfied the first prong of the vicarious infringement liability test. Additionally, the landlord/dancehall cases demonstrate that if the owners or proprietors receive only a flat rental fee for the use of their "establishments" facilities, it is highly unlikely that they will be found to have any "financial interest" in the infringing conduct occurring on the premises. However, if the infringing activity directly creates increased attendance and/or sales for the owners or proprietors of the establishments, a court is likely to find that they received a financial benefit and satisfied the second prong of the vicarious infringement liability test.

Id. (citations omitted).

37 See Frank, supra note 8, at 429; see, e.g., Duetsch v. Arnold, 98 F.2d 686, 688 (2d Cir. 1938).
38 See, e.g., Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co., 36 F.2d 354, 355 (7th Cir. 1929).
39 See, e.g., Roy Export Co. v. Trustees of Columbia Univ., 344 F. Supp. 1350, 1353 (S.D.N.Y. 1972) (holding that the defendants were not vicariously liable because the entrance fee was paid to the performer and the performer paid only a flat fee to the owner of the establishment).
III. TERRA INCOGNITA: PRIOR TO THE DMCA, ONLINE SERVICE PROVIDER LIABILITY FOR COPYRIGHT INFRINGEMENT WAS LARGELY UNDEFINED

Prior to enactment of the DMCA, one commentator referred to liability for copyright infringement online as "terra incognita"—unknown land. Very few decisions addressed OSP infringement liability, and those that did failed to clarify the application of traditional copyright concepts to the Internet terrain. Rather, courts addressing the issue of OSP copyright infringement liability reached inconsistent conclusions. An examination of the pre-DMCA cases demonstrates that the law lacked clarity and was threatened by the judiciary's misapplication of traditional copyright concepts—illustrating the need for legislative guidance.

A. Direct Copyright Infringement Liability of OSPs

1. The Playboy Case

The first reported decision in which a court confronted the issue of copyright infringement liability online was Playboy Enterprises, Inc. v. Frena, in which it was held that a BBS operator could be liable for publicly distributing or displaying copies of copyrighted works uploaded by its subscribers. The defendant operated a BBS upon which fee-paying subscribers could upload and download erotic photographs, one hundred and seventy of which were copyrighted Playboy images. The defendant BBS operator claimed that he was unaware that the Playboy copyrights were being infringed on his system, even though he maintained files entitled "Playboy" and "Playmate." The court granted partial summary judgment for the plaintiff, finding the defendant liable for direct copyright infringement of Playboy's exclusive rights of public display and distribution because he "supplied a product [to his subscribers] containing unauthorized copies of a copyrighted work." Noting that knowledge is only relevant to the issue of the amount of statutory damages, not liability, the

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40 See Frank, supra note 8, at 421.
41 See id. at 421–22.
43 See id. at 1554.
44 Id.
45 Id. at 1156. It should be noted that the court did not conclude that the BBS operator had violated the plaintiff's reproduction right. See id.
46 For a discussion of statutory damages, see supra note 29 and accompanying text.
47 See Playboy, 839 F. Supp. at 1559.
court rejected Frena's defense that he was unaware of the infringement.

2. Sega I

"Sega Enterprises Ltd. v. MAPHIA (Sega I)" illustrates that, without legislative guidance, courts were likely to confuse the doctrines of direct and contributory infringement liability when applying them to questions of OSP liability. In this case, the OSP was a BBS operated by the defendant which contained copyrighted video games owned by Sega. The defendant solicited its fee-paying subscribers to upload Sega's copyrighted video games to the BBS and sold "copiers" which facilitated the making of unauthorized copies of the Sega games. The "Sega I" court held that a prima facie case of direct copyright infringement had been established because "unauthorized copies of [Sega's] games are made when such games are uploaded to the MAPHIA bulletin board, here with the knowledge of Defendant Scherman [the BBS operator]. These copied games are thereby placed on the storage media of the electronic bulletin board by unknown users." In other words, the court found that a BBS operator is liable for direct infringement when its users make copies on its BBS. Consequently, the court issued a preliminary injunction against the defendant.

"Sega I"s reference to the "knowledge of Defendant" was troublesome. Though knowledge is not a necessary element of a direct infringement claim, the court's direct infringement holding stressed that the uploading and downloading of Sega games was "particularly known" to the BBS operator who "specifically solicited the copying and expressed the desire that [the] video game programs be placed on the MAPHIA bulletin board for downloading purposes." The "Sega I" court's apparent misunderstanding of the difference between direct and contributory infringement made even more apparent the need for a legislative solution to guide the courts in their application of copyright infringement liability doctrines to OSPs.

3. Netcom

Fearing the widespread application of a strict liability standard for direct infringement signaled by "Playboy", OSPs embraced the direct infringement ruling in Religious Technology Center v. Netcom On-line Communication Services,

49 See id. at 683–84.
50 Id. at 686–87 (emphasis added). The "Sega I" decision was rendered on plaintiff's motion for a preliminary injunction.
51 See id. at 689.
52 Id. at 683.
In Netcom, representatives of the Church of Scientology sued Dennis Erlich, a former Scientology minister turned vocal critic of the Church, for copyright infringement and misappropriation of trade secrets. The Church alleged that Erlich infringed their copyrights when he made several postings to the “Usenet” newsgroup “alt.religion.scientology” which contained excerpts of L. Ron Hubbard’s copyrighted works. Erlich admitted “copying” but argued that his use of the works was a fair use. On September 22, 1995, the court


54 The Usenet has been described as a “worldwide community of electronic BBSs that is closely associated with the Internet.” DANIEL P. DERN, THE INTERNET GUIDE FOR NEW USERS 196 (1994). The messages in Usenet are organized into thousands of topical groups called “newsgroups.” Usenet users read and contribute (“post”) to their local Usenet site. Each local site distributes its users’ postings to other Usenet sites and receives postings from other sites. Usenet is read and contributed to on a daily basis by millions of people. There is no specific network that constitutes the Usenet. Instead, Usenet traffic flows over a wide range of networks, including the Internet and dial-up phone links. See id. at 196–97.


56 A copyright owner’s exclusive rights to reproduce, display, and distribute a copyrighted work are limited by the “fair use” defense. See 17 U.S.C. § 107 (1994). The defense “permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.” Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 577 (1994). Specifically, § 107 states that:

Notwithstanding the provisions of section 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use, the factors to be considered shall include—

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
(2) the nature of the copyrighted work;
(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
(4) the effect of the use upon the potential market for or value of the copyrighted work.


57 After issuing a temporary restraining order (TRO) against all defendants without providing them with advance notice, the court dissolved the TRO against Netcom and
rejected Erlich’s fair use defense and granted a preliminary injunction against him.\footnote{See Netcom, 923 F. Supp. at 1258.}

The Church also named Tom Klemesrud, the operator of the BBS to which Erlich subscribed, and Netcom, the access provider that enabled Klemesrud to connect to the Internet, as defendants in both direct and contributory copyright infringement claims.\footnote{See Netcom, 907 F. Supp. at 1361. For a discussion of Netcom’s contributory infringement analysis, see infra Part III.B.} The Church alleged that Netcom was liable for direct copyright infringement because Erlich’s postings remained on its server for a period of time.\footnote{See Netcom, 907 F. Supp. at 1367–69.}

On November 21, 1995, the Netcom court found that Klemesrud’s posting of unauthorized copies and Klemesrud’s and Netcom’s storage and retransmission of the infringing copies on their respective computer systems uploaded by an infringing user did not constitute direct infringements\footnote{See id. at 1373, 1381–82. Usenet’s structure was an important element influencing Netcom’s direct infringement holding. See supra note 54. Erlich accessed the Internet by using a personal computer and a modem in his home to connect to defendant Klemesrud’s BBS, to which Erlich was one of 512 subscribers paying an annual fee. Klemesrud’s BBS was connected to the Internet through a subscription with Netcom which allowed Klemesrud to lease access to the Internet at a fixed rate. The Netcom court described the basic process that occurred when Erlich posted his messages to the “alt.religion.scientology” newsgroup as follows:}

\begin{quote}
Erlich connects to Klemesrud’s BBS using a telephone and a modem. Erlich then transmits his messages to Klemesrud’s computer, where they are automatically briefly stored. According to a prearranged pattern established by Netcom’s software, Erlich’s initial act of posting a message to the Usenet results in the automatic copying of Erlich’s message from Klemesrud’s computer onto Netcom’s computer and onto other computers on the Usenet. In order to ease transmission and for the convenience of Usenet users, Usenet servers maintain postings from newsgroups for a short period of time—eleven days for Netcom’s system and three days for Klemesrud’s system. Once on Netcom’s computers, messages are available to Netcom’s customers and Usenet neighbors, who may then download the messages to their own computers. Netcom’s local server makes available its postings to groups of Usenet servers, which do the same for other servers until all Usenet sites worldwide have obtained access to the postings, which takes a matter of hours.
\end{quote}

\footnote{Thus, Netcom distinguished MAI Sys. Corp. v. Peak Computer, Inc., 991 F.2d 511, 518 (9th Cir. 1993), which found direct infringement of the reproduction right where the}
stated that a finding of direct infringement liability required "some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party," even though the 1976 Act imposes direct liability without regard to intent. The Netcom court concluded that:

It does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet. The court does not find workable a theory of infringement that would hold the entire Internet liable for activities that cannot reasonably be deterred.

4. Sega II

In 1996, a second opinion in the Sega case (Sega II) granted plaintiff's motion for summary judgment. Sega II is understood to have endorsed, adopted, and potentially expanded the Netcom analysis. Stressing that Sherman, the BBS operator, did not upload or download the infringing files himself, the Sega II court stated that Sherman could not be liable for direct infringement because he did not directly cause the copying. Instead, the Sega II court found the BBS operator liable for contributory infringement because (1) he knew that BBS subscribers were copying the Sega software, and (2) his operation of the BBS constituted "substantial participation" in the direct infringements.

5. Frank Music

In Frank Music v. CompuServe Inc., plaintiffs (a purported "class" of music publishers) alleged that CompuServe was directly liable for the acts of its defendant's employee had personally loaded the copyrighted software into RAM. See Netcom, 907 F. Supp. at 1368–70.

63 Netcom, 907 F. Supp. at 1370 (noting that Netcom's failure to remove Erlich's postings from its system upon receipt of notice was not sufficient to constitute an act of volition).

64 See supra notes 28–30 and accompanying text.

65 Netcom, 907 F. Supp. at 1372 (emphasis added).


68 See Sega II, 948 F. Supp. at 932.

69 See id. at 932–33.

70 No. 93 Civ. 8153 (S.D.N.Y. 1993).
subscribers, who had uploaded to and downloaded from a CompuServe Forum sound recordings of the publishers' copyrighted musical compositions. Reportedly, CompuServe settled the case by agreeing to pay a royalty reflecting the number of times each one of plaintiff's songs was downloaded through its network. The terms of the settlement and licensing arrangement suggested a method in which OSPs may minimize their liability for the infringing acts of their subscribers. The agreement was "structured to reflect the CompuServe business model, in which content areas ('Forums') are managed by independent contractors ('Forum Managers') who select, edit and assume responsibility for the content of the Forums." Thus, it was the responsibility of the Forum Managers, not CompuServe itself, to obtain licenses from the Harry Fox Agency. The settlement agreement specifically stated that "CompuServe assumes no subsequent liability... for allegedly infringing downloads from a Forum unless CompuServe had actual knowledge that licensable music files were being uploaded to that Forum."

Based upon this analysis of the few reported OSP direct infringement cases, it is clear that, without legislative guidance, a court could have gone either way on this issue. A copyright owner would argue that Sega I and Playboy demonstrate that the strict liability standard should be applied to OSPs. However, OSPs would argue that Netcom and Sega II require some evidence of volition, even though it is not an element of a direct infringement claim. The Playboy and Sega I decisions prompted OSPs to "believe that their industry was facing a crisis arising from the application of the strict liability standard. Content owners, conversely, viewed the Internet and online services as presenting a crisis for them: a cheap and universal medium for the unauthorized copying and distribution of their works." Prior to enactment of the DMCA, OSPs defending a direct infringement claim would have hoped that the court hearing the action

71 The royalty was paid to Frank Music's agent, the Harry Fox Agency.


73 Cunard & Wells, supra note 67, at 381–82. For further discussion of the terms of the settlement, see id. (written by attorneys for the law firm which represented clients in the case).

74 The Harry Fox Agency was established in 1927 as a subsidiary of the National Music Publishers' Association (NMPA) to license copyrighted musical compositions for use in, inter alia, commercial records, tapes, and CDs; audiovisual works including motion pictures and cable television programs; and TV and radio advertising. Currently the Agency represents more than 20,000 music publishers. See About HFA (visited Mar. 27, 1999) <http://www.nmpa.org/nfa.html>.

75 Cunard & Wells, supra note 67, at 381–82.

76 Id. at 372.
would rely upon the Netcom decision instead of Playboy or Sega I. Now OSPs can rest easy in the knowledge that section 512(a) of the DMCA essentially codifies Netcom.\textsuperscript{77}

B. Contributory Infringement Liability of OSPs

Netcom\textsuperscript{78} illustrated that the prerequisites for contributory infringement liability are the same online as they are offline—knowledge plus substantial participation.\textsuperscript{79} In regard to the first prong of the contributory infringement test, the court refused to grant Netcom's motion for summary judgment, ruling that Netcom could be liable as a contributory infringer if plaintiffs could prove that Netcom knew that the infringing material resided on its system.\textsuperscript{80}

On the second prong of the contributory infringement test, the Netcom court followed the traditional model in holding that a defendant might be liable for contributory infringement if the defendant, with knowledge of the infringing activity, "induces, causes or materially contributes to the infringing conduct of the primary infringer," and that participation is substantial.\textsuperscript{81} The court noted that Netcom's "providing a service which allows for the automatic distribution of all Usenet postings, infringing and non-infringing," raised a triable question of fact as to whether Netcom substantially aided Erlich in accomplishing his purpose of publicly distributing the postings by not removing the infringing content from its system.\textsuperscript{82} Further, the court found plaintiff's pleadings sufficient

\textsuperscript{77} See infra Part VI.A.

\textsuperscript{78} For a discussion of the facts of Netcom, see supra Part III.A.3.

\textsuperscript{79} See supra Part II.B.2; see also Cunard & Wells, supra note 67, at 379.

\textsuperscript{80} The court noted that because Erlich's infringing activity continued after Netcom received notice of the infringement claim, there may be a question of fact as to whether Netcom knew or should have known that Erlich's activities were infringing. See Religious Tech. Ctr. v. Netcom On-line Communication Servs., Inc., 907 F. Supp. 1361, 1374 (N.D. Cal. 1995). Netcom countered that it should not be liable under any theory of liability because its use constituted a fair use. The Netcom court found that a question of fact regarding the fair use defense remained, in light of the evidence that Netcom knew Erlich's use was infringing, that Netcom's copying was not for commercial purposes, and that questions remained regarding the effect of Erlich's copying on the market for L. Ron Hubbard's works. See id. at 1380–81. For a discussion of the fair use analysis, see supra note 56.

\textsuperscript{81} See Netcom, 907 F. Supp. at 1375 (quoting Gershwin Publ'g Corp. v. Columbia Artists Management, Inc., 443 F.2d 1159, 1162 (2d Cir. 1971)).

\textsuperscript{82} See id. at 1375. Further, the court noted that it would be "fair" to hold Netcom liable because it did not relinquish control over how its system was used. Netcom had, in the past, suspended the accounts of subscribers who violated its terms and conditions. Additionally, Netcom admitted that it might be able to screen postings coming from a particular individual, such as one suspected of infringing copyrights. See id. at 1375–76.
to raise a genuine issue of material fact as to whether Klemesrud knew or should have known of Erlich’s infringing activities and still induced, caused, or materially contributed to Erlich’s infringing conduct.\textsuperscript{83} \textit{Netcom} provided minimal guidance for subsequent courts facing similar contributory infringement inquiries—these remaining questions of fact were never resolved because the case settled in August of 1996.\textsuperscript{84}

C. Vicarious Infringement Liability of OSPs

In their efforts to avoid vicarious copyright infringement liability, OSPs attempted to analogize their businesses to the landlord cases, arguing that, just as landlords do not have the right or ability to control the conduct of their tenants, OSPs do not have the right and ability to control the conduct of their subscribers.\textsuperscript{85} Additionally, OSPs argued that they did not satisfy the second prong of the vicarious liability test because a fixed subscriber fee is similar to the fixed monthly rent a landlord receives from his tenant, and thus, does not constitute a direct financial benefit.

In \textit{Netcom}, plaintiffs sought to hold Netcom vicariously liable by virtue of its relationship with Erlich, arguing that Netcom had the right and ability to control its users’ postings before they occurred. Plaintiffs pointed to Netcom’s subscriber agreement—which stated that Netcom reserved the right to take remedial action against its subscribers, specifically prohibited copyright infringement, and required that its subscribers indemnify Netcom for any damage to third parties—as evidence of Netcom’s right to control the conduct of its subscribers.\textsuperscript{86} Netcom argued that OSPs can be analogized to common carriers like the phone company and maintained that, as a mere passive conduit of Erlich’s messages, it did not and could not screen Erlich’s messages for infringing content before posting them to the BBS.\textsuperscript{87} Though it found there was a genuine issue of material fact as

\textsuperscript{83} See id. at 1382.

\textsuperscript{84} See Mark Walsh, \textit{Netcom Settlement Could Help Forge Internet IP Policy}, \textit{The Recorder}, Aug. 6, 1996, at 1. Reports indicate that the settlement “required Netcom to post a warning to its subscribers not to use the Netcom service for unlawful transmission of copyrighted materials” and “reportedly required Netcom to establish a written procedure for the handling of future complaints of copyright violation.” Cunard & Wells, \textit{supra} note 67, at 380.

\textsuperscript{85} See, e.g., \textit{Netcom}, 907 F. Supp. at 1375. For a discussion of the landlord-tenant/dancehall-performer models of vicarious infringement liability, see \textit{supra} Part II.B.3.

\textsuperscript{86} See \textit{Netcom}, 907 F. Supp. at 1375–76.

\textsuperscript{87} Netcom’s counsel argued that holding a mere conduit liable for copyright infringement occurring on its facilities would be like holding the owner of a highway or toll booth liable for the criminal activities that occur on its roads. See id. at 1369, n.12. Moreover, Netcom argued that the speed and volume of messages transmitted across the Internet rendered an OSP unable to exercise editorial control over the messages. See id. at 1376.
to the control prong, the court dismissed plaintiffs' vicarious infringement claim against Netcom on summary judgment. The court reasoned that plaintiffs' failure to allege that Klemesrud received any financial benefit was fatal to their vicarious infringement claim against Klemesrud. The White Paper concluded that "if an entity provided only the wires and conduits—such as the telephone company, it would have a good argument for an exemption if it was truly in the same position as a common carrier and could not control who or what was on its system." However, OSPs are not bound to carry all the traffic that one wishes to pass through them, as is true with the usual common carrier. The Netcom court noted that section 111 of the Copyright Act codifies an exemption for passive carriers who otherwise would be liable for a secondary transmission provided that the carrier does not have any direct or indirect control over the content or selection of the transmission. Finally, the Netcom court concluded that Netcom did not fall within this statutory exemption and thus faced the usual strict liability scheme of the 1976 Act. It noted that it was for Congress, and not the courts, to carve out an exemption for OSPs.

D. Expanding the Boundaries of Contributory and Vicarious Infringement Liability for OSPs?: Fonovisa, Inc. v. Cherry Auction, Inc.

Because Netcom ended in settlement, the issue of what constituted participation substantial enough to support a claim for contributory infringement remained unresolved. The expansion of contributory and vicarious infringement boundaries in the recent Ninth Circuit decision of Fonovisa, Inc. v. Cherry Auction, Inc. appeared likely to have a serious impact upon OSP liability. Fonovisa, owner of copyrights and trademarks in Latin/Hispanic music recordings, sued Cherry Auction swap meet, its manager Pilegard, and individual owners W.D. and Margaret Mitchell for contributory and vicarious copyright infringement. The defendants operated a swap meet in Fresno, California, where

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88 See id. at 1376–77.
89 See id. at 1382 (explaining that the complaint did not allege that Klemesrud's fee varied in any way with the content of Erlich's postings, nor did it allege that Klemesrud profited in any way from allowing Erlich to infringe plaintiffs' copyrights). The court thereby rejected plaintiffs' indirect financial benefit argument—that although Netcom charged its subscribers a fixed fee, its "policy of refusing to take enforcement actions against its subscribers and others who transmit infringing messages over its computer networks" attracted copyright infringers to its system. See id. at 1377.
90 The White Paper, supra note 14, at 122.
92 See id.
93 76 F.3d 259 (9th Cir. 1996).
counterfeit recordings of Fonovisa's music were sold by independent vendors who set up booths at the swap meet. Though the district court found Cherry Auction not liable, the Court of Appeals for the Ninth Circuit reversed.

1. Contributory Infringement

The knowledge element of the contributory infringement claim was undisputed, as plaintiffs had demonstrated that the defendants were aware that plaintiff's copyrights were being infringed because the sheriff's department had executed previous raids at the auction, seizing thousands of counterfeit recordings. As to the disputed second prong of the contributory infringement test, the court found that Cherry Auction's provision of space, utilities, parking, advertising, plumbing, and customers, "materially contributed" to the direct infringement of the individual vendors. The Fonovisa court noted that "[i]ndeed it would be difficult for the infringing activity to take place in the massive quantities alleged without the support services provided by the swap meet." Possibly even more alarming to OSPs was the Fonovisa court's adoption of the Third Circuit's analysis in Columbia Pictures Industries, Inc. v. Aveco, Inc., that "providing the site and facilities for known infringing activity is sufficient to establish contributory liability."

2. Vicarious Infringement

The Fonovisa court also held that the plaintiff adequately stated a claim for
vicarious liability against the Cherry Auction “marketplace owners.” The court held that the control prong was satisfied because the “marketplace owners” patrolled the vendors during the swap meet and organized the event. The court viewed Cherry Auction’s reservation of the right to terminate the vendors at any time for any reason as evidence of this control. As to the second prong of the vicarious liability test, the court held that the defendants benefited financially by receiving fixed daily rental fees paid by each infringing vendor, and rejected the defendants’ argument that a financial benefit could accrue only if the “marketplace owner” earned a commission (a percentage of proceeds received from sales of the infringing tapes). Additionally, the court emphasized that Cherry Auction received financial benefits in the forms of admission fees, parking fees, and proceeds from food sales that “flow directly from customers who want to buy [the bootlegs] at bargain basement prices” even though the fees were not directly tied to the sale of the tapes. In so holding, the Fonovisa court demonstrated that the financial benefit received by a vicarious infringer can be direct or indirect.

3. Fonovisa’s Potential Impact Upon OSP Liability

From the moment the decision was issued, commentators recognized that Fonovisa could greatly affect OSP liability. “Never before had third-party infringement liability been assigned to a party so disconnected from the actual infringer or the infringement.” Fonovisa’s broad definitions of the substantial participation prong of the contributory liability test and financial benefit and control prongs of the vicarious liability test would be favorable to “plaintiffs who seek to reach out and touch someone [here, an OSP] in a meaningful, financial

101 See id. at 262–63.
102 See id. at 263.
105 Kenneth A. Walton, Is a Website Like a Flea Market Stall? How Fonovisa v. Cherry Auction Increases the Risk of Third-Party Copyright Infringement Liability for Online Service Providers, 19 HASTINGS COMM. & ENT. L.J. 921, 924 (1997) (arguing that while the Fonovisa analysis is flawed and may be used unfairly against OSPs, legislative clarification is unnecessary).
way."

_Fonovisa_ required only a minimal contribution of materials and labor to find contributory liability. A court applying _Fonovisa_ to the Internet terrain might have found that providing subscribers basic access to their Internet services (whether it be merely providing Internet access or providing specific content) constituted a sufficient amount of "material contribution" to satisfy the second prong of the contributory infringement test. The analogy has been drawn that the "material contribution" provided by the Cherry Auction owners and operators—"space, utilities, parking, advertising, plumbing, and customers" is little more than what an indoor shopping mall might provide its tenants. Thus, commentators feared that an application of the _Fonovisa_ analysis to the Internet context rendered the "substantial participation" prong of the contributory infringement test almost meaningless.

David Nimmer warned that applying vicarious infringement liability to OSPs invites "massive lawsuits... suffocating the Net through the blind flailing of pre-cyberspace principles." In a vicarious infringement action against an OSP, a plaintiff might analogize OSPs to a "marketplace owner" because they too derive a financial benefit from the subscriber fees they charge their users. _Fonovisa_ would not require that the plaintiff prove that the presence of infringing material on the OSP's system increased traffic on its system, because it noted that the financial benefit could be direct or indirect. According to Walton, such an analysis would do away with the accepted notion that a landlord with no personal stake in the profits resulting from an infringement is not vicariously liable. Further, _Fonovisa_ established that the "financial benefit prong can be satisfied by gains that are theoretical, unquantifiable, minor, and remotely related to the infringement." One commentator put the issue into perspective, stating: "A shopping mall may benefit financially from customers attracted by a popular tenant. Should this make the mall jointly and severally liable for tenant copyright infringement, if it could be argued that the infringing tenant attracted customers with the popularity of an infringing item?"

Moreover, plaintiffs could use _Fonovisa_ to argue that OSPs exercise control over the activities of their subscribers. OSPs generally enter into contractual

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106 Morgan Shipman, Professor of Law, The Ohio State University College of Law.
107 See Walton, supra note 105, at 943.
108 See id.
109 Nimmer, supra note 104, at 34.
110 See Walton, supra note 104, at 943; see also supra notes 36–39 and accompanying text.
111 Walton, supra note 105, at 943 (citing Goldberg & Bernstein, supra note 104, at 3).
112 Id. at 943.
agreements with their subscribers, much like the swap meet operators did with the individual vendors, which allows the OSP to terminate a subscriber's account at any time. This relative ease with which the marketplace operator of Fonovisa could be analogized to an OSP made it likely that future courts would apply Fonovisa's broad interpretations of contributory and vicarious infringement to the Internet context.113

IV. CHARTING THE COURSE: A LEGISLATIVE HISTORY OF PROPOSALS TO CLARIFY OSP LIABILITY FOR COPYRIGHT INFRINGEMENT

A. Attempts to Achieve Certainty Through Legislation

Whether justified or not in believing that later courts would not follow Netcom and Sega II,114 OSPs feared that Playboy, Fonovisa, and Sega I would be used as precedent justifying increased liability on their part for the infringing activities of their subscribers. Arguing that the enormous amount of traffic on the Internet made it unfeasible for them to police the activities of their subscribers, OSPs sought to clarify their standard of liability. It is against this uncertain backdrop that amendments to the Copyright Act, which culminated in the passage of the DMCA, were proposed.

1. House Bill 2180 and Senate Bill 1146—Predecessors to the Act

House Bill 2180 was introduced in the House on July 17, 1997, by Representative Howard Coble from North Carolina.115 That bill, the Online Copyright Liability Limitation Act (OCLLA), proposed to add a new section 512 to the Copyright Act which would exempt OSPs from direct or vicarious liability when the OSPs had merely acted as passive "conduits" for Internet users so long as the OSP:

(A) did not initially place the infringing material online;116
(B) did not generate, select or alter the content of the material;117
(C) did not determine who will receive the material;

113 See id. at 944.
114 See Cunard & Wells, supra note 67, at 385 ("[T]o begin with the obvious, the opinions of two district court judges in Northern California are far from controlling upon the rest of the federal judiciary.").
116 This provision was ultimately enacted as section 202 of the DMCA. See DMCA, Pub. L. No. 105-304, § 202, 112 Stat. 2860, 2877–2878 (to be codified at 17 U.S.C. § 512(a)(1)).
117 See id. (to be codified at 17 U.S.C. § 512(a)(2)–(5)).
(D) did not receive any direct financial benefit from the particular act of infringement;
(E) did not sponsor, endorse or advertise the infringing material; and
(F) (i) did not know or was not aware by notice or other information indicating that the material is infringing or (ii) was prohibited by law from accessing the material that causes suspicion and made no further inquiry or took no further action.118

House Bill 2180 conditioned its exemption from direct or vicarious liability upon the OSP having no knowledge of the copyright infringement, which, traditionally, is not an element under either theory. Further, should an OSP escape direct or vicarious liability, it could still be found liable for contributory infringement. However, section 512 (a)(2) would have limited the available remedy for contributory infringement to injunctive relief which is “technically feasible and economically reasonable to carry out.”119 The House version’s subparagraph (F) used the scienter standard of “did not know” and “was not aware,” which avoided creating an affirmative duty for OSPs to monitor material posted online.120

In contrast, Senate Bill 1146121 contained a “notice and take-down” provision, which provided that OSPs are not liable if they “take down” the infringing material “expeditiously” upon notice from the copyright owner.122 Title I of Senate Bill 1146 was broader than House Bill 2180 in that it addressed not only the liability of “service providers,” but also provided three blanket exemptions from copyright liability for unauthorized transmission of copyrighted content. Senate Bill 1146 exempted (1) providers of network facilities (including

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119 Id.
120 See H.R. 2180, 105th Cong. § 512(a)(1)(F) (1997); see also Hearings Held on Online Service Provider Bill, 9 No. 10 J. PROPRIETARY RTS. 24, 24 (October 1997).
121 Senate Bill 1146, the Digital Copyright Clarification and Technology Education Act of 1997, or, alternatively, the Technology for Educators and Children (TECh) Act, was introduced by Senator John Ashcroft from Missouri on September 3, 1997. See S. 1146, 105th Cong. (1997).
122 Specifically, Senate Bill 1146 would have exempted the operator of an electronic communications network from copyright liability arising from content stored on its network if it removed or blocked access to such content within ten days of receiving notice of the infringement. See id. § 512(b)(1). Senate Bill 1146 detailed the information which must accompany such notices, including proof of copyright registration and a specific description of the content and its location on the operator’s network. Further, Senate Bill 1146 required that the notice must include a payment to the operator in an amount prescribed by the Register of Copyrights (for the purpose of deterring frivolous and de minimis claims) and a sworn statement attesting to the accuracy of the information in the notice. See id. § 512(b)(3); see also Cunard & Wells, supra note 67, at 390.
"internet access providers" and "OSPs"); (2) providers of e-mail services, "real-time communication" formats such as chat rooms, streaming data, and other virtually simultaneous transmissions; and (3) providers of site-linking aids or directories, including hyperlinks and navigational aids such as search engines and browsers. Unlike Senate Bill 1146, House Bill 2180 indicated that an OSP's receipt of fees from subscribers did not constitute a direct financial benefit of an infringing act and therefore, would not subject the OSP to vicarious infringement liability.

Following the introduction of House Bill 2180, the Judiciary Subcommittee on Courts and Intellectual Property held two legislative hearings on the bill and Representative Bob Goodlatte of Virginia spent months negotiating with OSPs, telephone companies, libraries, universities, and copyright owners. These efforts resulted in the substitute House Bill 3209.

2. House Bill 3209

More recently, House Bill 3209, "The On-line Copyright Infringement Liability Limitation Act" (OCILLA) was introduced as a substitute for House

123 See S. 1146 § 512(a). For a discussion of logical access providers including search engines, see infra notes 210–16 and accompanying text.
127 The full text of House Bill 3209 and other bills, as well as bill summaries and status reports, may be found at <http://thomas.loc.gov>. House Bill 3209 proposed to add the following section 512 to the Copyright Act of 1976:

(a) LIMITATION—Notwithstanding the provisions of section 106, a provider shall not be liable for—

(1) direct infringement, based solely on the intermediate storage and transmission of material over that provider's system or network, if—

(A) the transmission was initiated by another person;
(B) the storage and transmission is carried out through an automatic technological process, without any selection of that material by the provider; and
(C) any copy made of the material is not retained longer than necessary for the purpose of carrying out that transmission;

(2) monetary relief under §§ 504 or 505 for contributory infringement or vicarious liability, based solely on conduct described in paragraph (1); or

(3) monetary relief under §§ 504 or 505 for contributory infringement or vicarious liability, based solely on transmitting or providing access to material over that provider's system or network, other than conduct described in paragraph (1), if the provider—

(A) does not know and is not aware of information indicating that the material
Bill 2180 on February 12, 1998 by Senator Howard Coble in an attempt to codify the Netcom\textsuperscript{128} decision. On February 26, 1998, the House Subcommittee on Courts and Intellectual Property passed the bill unanimously. However, the bill passed by the Subcommittee did not represent a finished product. Subcommittee members indicated that serious issues had still to be addressed at the full Committee level.\textsuperscript{129} Ultimately, compromise was reached and is now embodied

\begin{itemize}
  \item is infringing; and
  \item (B) does not receive a financial benefit directly attributable to the infringing activity.
\end{itemize}

(b) PROTECTION OF PRIVACY—Nothing in subsection (a) shall authorize or obligate a provider to access material that the provider is prohibited by law from accessing, or impose an affirmative obligation to monitor or otherwise seek information indicating infringement.

(c) LIMITATION BASED UPON REMOVING OR DISABLING ACCESS TO INFRINGING MATERIAL—A provider shall not be liable for any claim based on that provider’s removing or disabling on-line access to material, in response to knowledge or information indicating that the material is infringing, whether or not the material is infringing.

(d) OTHER DEFENSES NOT AFFECTED—Removing or disabling access to material which a provider transmits on-line or to which a provider provides online access, or the failure to do so, shall not adversely bear upon the consideration by a court of a defense to infringement asserted by that provider on the basis of section 107 or any other provision of law.

(e) MISREPRESENTATIONS—Any person who knowingly materially misrepresents that material on-line is infringing shall be liable for any damages, including costs and attorneys’ fees, incurred by the alleged infringer or by any copyright owner or copyright owner’s authorized licensee who is injured by such misrepresentation, or by any provider who relies upon such misrepresentation in removing or disabling access to the material claimed to be infringing.

(f) DEFINITION—As used in this section, the term ‘provider’ means a provider of on-line services or network access.

(g) CONFORMING AMENDMENT—The table of sections for chapter 5 of title 17, United States Code is amended by adding at the end the following: ‘512. Limitations on liability relating to material online.’


\textsuperscript{128} For an in depth discussion of Netcom, see supra Part III.A.3 (regarding direct infringement liability); Part III.B (regarding contributory infringement liability); and Part III.C (regarding vicarious infringement liability).

\textsuperscript{129} See Jonathan Band, \textit{Congress Makes Little Progress on New Intellectual Property Bills}, 4 No. 6 INTELL. PROP. STRATEGIST 9, 10 (1998). Given that the Internet knows no boundaries, it is clear that the issue of OSP liability is not confined to the United States alone. The international scope of OSP liability was addressed at the December 1996 World Intellectual Property Organization (WIPO) Diplomatic Conference in Geneva. See Cunard & Wells, supra note 67, at 387. It was understood on Capitol Hill that the fate of House Bill 3209 was inextricably linked to that of House Bill 2281, the World Intellectual Property Organization Copyright Treaty and Performances and Phonograms Treaty Implementation Act.
in Title I of the DMCA, the WIPO Treaties Implementation Act.

House Bill 3209 distinguished between direct infringement and "secondary liability." Representative Coble explained that House Bill 3209 essentially sought to codify *Netcom*, eliminating direct infringement liability of OSPs for mere "storage" and "transmission" of infringing material, provided that the transmission consisted of "automatic acts engaged in through a technological process initiated by another." Further, knowledge would be immaterial. As to "secondary liability," House Bill 3209 would change the 1976 Act in two respects. First, no monetary relief would be available for passive, automatic acts identified in *Netcom*. Second, House Bill 3209 would clarify the current criteria for contributory and vicarious infringement liability and make them somewhat more difficult to satisfy. Additionally, Representative Coble stressed that injunctive relief would still remain available, ensuring that copyright owners could secure the cooperation of OSPs who had the capacity to prevent ongoing infringement.

See H.R. 2281, 105th Cong. (1997). House Bill 2281, which was approved by the Subcommittee on the same day it approved House Bill 3209, proposed to add a new section 1201 to the Copyright Act, prohibiting the manufacture or import of products that circumvent technologies that (1) restrict unauthorized access to a copyrighted work or (2) prevent unauthorized copying of a work. Proponents of the bill, including the motion picture and recording industries, contended that, given the ease with which copying may be accomplished on the Internet, the only way to prevent piracy on the Internet is to prohibit the manufacture and use of circumvention products. VCR and personal computer manufacturers, libraries, and other opponents of WIPO asserted that the provision could prohibit multipurpose devices such as personal computers and VCRs which could circumvent while performing other functions. Such an enactment, they argued, would effectively overturn the "substantial non-infringing uses" exception to contributory infringement liability created by *Sony*. These opponents argued for a statute which prohibits circumvention only if its purpose is infringement. See Band, supra. For further discussion of the international aspects of OSP liability, see Jeffrey P. Cunard & Jennifer B. Coplan, *WIPO Treaty Implementation: Debate Over OSP Liability*, 14 No. 6 COMPUTER L. STRATEGIST (1997).

131 Id. Senator Coble explained:

In doing so, it [House Bill 3209] overrules those aspects of the...(*Playboy*) case, inasmuch as that case might apply to service providers, suggesting that such acts could constitute direct infringement, and provides certainty that *Netcom* and its progeny, so far only a few district court cases, will be the law of the land.

*Id.* Recall that in *Playboy*, the district court for the Middle District of Florida held a BBS operator directly liable for publicly distributing or displaying copies of copyrighted works uploaded by his subscribers. See *supra* Part III.A.1.

Section 512(b) was added in response to OSPs' concerns that their monitoring of content could lead to liability for tortious invasion of privacy. Further, section 512(c) exempted a provider from any claim based on an OSP's removing or disabling online access to material in response to knowledge or information that such material is infringing, whether or not such material was in fact an infringement. However, in an effort to deter false claims, section 512(e) made liable any person who knowingly materially misrepresents that online material is an infringement.

B. Skepticism Concerning the Need for a Legislative Response: "A Solution in Search of a Problem?"\textsuperscript{133}

1. Arguments Against a Legislative Guide

Critics argued against the need for legislation limiting the liability of OSPs for copyright infringement.\textsuperscript{134} On September 16 and 17, 1997, at the hearings of the House Subcommittee on Courts and Intellectual Property, Jack Valenti of the Motion Picture Association of America argued against House Bill 2180 and Senate 1146 stating that "[i]n the few cases where liability has arisen, existing fair use and infringement law have generally been applied to find OSPs not liable for infringements by network users."\textsuperscript{135}

Alternatively, critics of the statutory exemption argued that shielding OSPs from copyright infringement liability would remove any incentive for them to keep the Internet free of infringing content. These critics suggested that search engines and directory pages that feared contributory liability might require web pages to guarantee that their pages are free from infringing content before that index would list their site. Additionally, search engines and directories might require that the individual web pages indemnify them against liability they might incur. Moreover, in the absence of a statutory exemption, web page operators would have an incentive to keep their pages free from infringing content and fewer web pages might be willing to link to an infringing web page—ultimately rendering the infringing web page less effective in disseminating its content.\textsuperscript{136}

\textsuperscript{133} See Cahoy, \textit{supra} note 15, at 335.

\textsuperscript{134} See, e.g., \textit{id.} at 354 (arguing that a change to the 1976 Act would be "premature"); Walton, \textit{supra} note 105, at 946 (arguing that, despite the dangers posed by Fonovisa, legislation was unnecessary).

\textsuperscript{135} \textit{Hearings Held on Online Service Provider Bill}, 9 No. 10 J. PROPRIETARY RTS. 1997, at 24.

Opponents of a statutory exemption for OSPs from copyright infringement liability relied on The White Paper[137] for support. In 1993, President Clinton formed the Information Infrastructure Task Force (IITF) “to articulate and implement the Administration’s vision for a National Information Infrastructure (NII).”[138] To further this effort, the Working Group on Intellectual Property Rights, chaired by then Assistant Secretary of Commerce and Commissioner of Patents and Trademarks Bruce Lehman, was established to examine the impact of the NII upon intellectual property rights and policy.[139] On September 5, 1995, the Working Group on Intellectual Property Rights issued their final report,[140] The “White Paper,” which focused on “the application of the existing copyright law and to recommend only those changes that are essential to adapt the law to the needs of” the Internet community.[141]

The White Paper directly disagreed with Netcom’s holding that BBS operators are not directly liable for the infringing acts of their subscribers. Therefore, critics argued that The White Paper also disapproved of House Bill 3209, inasmuch as that bill was an attempt to codify Netcom.[142] Recognizing that the full potential of the NII “as a true, global marketplace” would not be realized if the content protected by intellectual property laws was not protected when disseminated via the NII, The White Paper advocated that the enforcement of copyright protection for works published online was “essential” to the success of the NII.[143] Thus, The White Paper concluded that the best way to protect an author’s rights was to hold OSPs liable for the infringing activities of their subscribers, even absent intent to infringe, stressing that this approach was consistent with the strict liability standard of the Copyright Act.[144]

Further, The White Paper argued that providing a statutory exemption for OSPs would remove the incentive for OSPs to reduce the chances that their users

137 See supra note 14.
138 The White Paper, supra note 14, at 1. According to The White Paper, the Internet as we know it today is a prototype for the NII, which is envisioned as a high-speed, interactive, digital communications system that will integrate the nation’s computers, telephones, televisions, radios, and fax machines. See id. at 8, 179.
139 See id. at 2.
141 Id. at 5–6.
142 See supra Part IV.A.2.
143 See id. at 16; see also Levi, supra note 16, at 551.
would infringe copyrights, and ultimately increase the resulting damage to copyright holders. The White Paper provided several justifications for its proposal. First, it argued that such liability should be viewed as a cost of doing business because OSPs attract subscribers and increase their profits by providing users the capability of uploading works to and downloading works from their systems. Further, The White Paper suggested that OSPs are in a better position than authors to reduce the occurrences of copyright infringement by educating their subscribers, shifting responsibility for infringement to their subscribers through indemnification and warranty agreements, purchasing insurance, and developing technological solutions to eliminate infringing material.

V. TRAVELING WITHOUT A MAP: A LOOK AT THE FUTURE OF OSP LIABILITY HAD THE DMCA NOT BEEN ENACTED

The White Paper concluded that “it is—at best—premature” to craft legislation aimed at reducing “the liability of any type of service provider. . . .” The White Paper assumed that the “[i]mplementation of preventative measures, compliance with the law, and development of technological mechanisms to guard against infringement” could not be achieved if legislation limiting OSP infringement liability was adopted. I believe that the two interests are not mutually exclusive. A statute can be, and was, crafted that balances the interests of OSPs and copyright owners and ensures the continued growth of the Internet as the communications medium of choice for those who wish to publish their messages easily, inexpensively, and almost instantaneously. Of course, any attempt to clarify OSP liability through legislation needed to heed the warning of the House Subcommittee on Courts and Intellectual Property. The legislation must be broad enough to enable courts to adapt it to the ever-changing technological landscape.

Unrestrained, misguided, and inconsistent application of cases like Fonovisa could have had a disastrous impact upon the future of the Internet. Placing liability for contributory and vicarious infringement onto OSPs would have impacted upon their ability to organize information and increase the cost of their

145 *See id.* at 117.
146 *See id.* at 123.
147 *Id.* at 122. The White Paper reached this conclusion when the *Frank Music* and *Netcom* cases were pending. *See id.* at 121–22.
148 *See id.* at 124.
149 *See supra* notes 127–28 and accompanying text.
services to users.\textsuperscript{150} The threat of liability might have deterred web sites, OSPs, and logical access providers from using hyperlinks.\textsuperscript{151} The less often hyperlinks are used and the fewer logical access providers who are willing to take such risks, the more difficult it would become for Internet users to navigate the Web. Ultimately, the Internet may have ceased to be a "seamless web" of interconnected documents—thereby substantially decreasing its utility.

Moreover, OPSs would have been forced to internalize the costs they incurred defending copyright infringement claims and satisfying judgments against them.\textsuperscript{152} These increased "costs of doing business" might ultimately have forced many web pages, logical access providers, and OSPs out of business. Smaller operations would have been the first to disappear, and ultimately, larger services might have obtained a monopoly, further raising prices for Internet users.

Other critics of Fonovisa's expansive view of contributory and vicarious infringement liability noted the threats the opinion posed to OSPs. One commentator emphasized that courts must articulate that a web site is not like a swap meet in order to avoid haphazard application of Fonovisa to OSPs. Further, the author asserted that OSPs should not be found to satisfy the "financial benefit" prong simply because some infringement is occurring on their systems. The author's recommendation continued:

Unless an OSP is clearly profiting from infringement, by either receiving a share of infringement profits or by receiving a large percentage of income from users who seek access to infringing material, it should not be held vicariously liable. Additionally, when determining whether an OSP is liable for contributory infringement, courts should carefully consider whether the "control" prong is truly satisfied. For an OSP, the ability to terminate a user for say, discourteous

\textsuperscript{150} See Walton, supra note 105, at 945–46.

\textsuperscript{151} See id. Hyperlinks aid Web surfing. As one commentator explained:

A hyperlink is a reference included in a source document to a point in a destination document. The link is established by incorporating the address of the destination document into the source document. Visually, hyperlinks appear on a web page as either an icon or text displayed in a distinguishing way. When a user clicks on the hyperlink with a mouse, the user's browser software loads the hyperlink address and automatically accesses the destination web page whose contents are transmitted to the user's computer screen.


\textsuperscript{152} See Walton, supra note 105, at 946. At the September 16 and 17 hearings on House Bill 2180, Roy Nel, president and CEO of the United States Telephone Association, supported the need for such legislation, stating that "the potential for massive lawsuits" and the difficulty OSPs have in detecting infringement justified legislative action on the issue of OSP liability.
behavior, is not the same as the ability to stop all copyright infringement.\textsuperscript{153}

Yet, the author concluded that “OSPs do not need new statutes or novel legal doctrines to protect them. Instead, existing case law should be applied very carefully.”\textsuperscript{154} However, I submit that this “mapping” should not have been left up to the courts, which might apply the existing law inconsistently, drawing minute distinctions among different types of OSPs. Rather, the legislative solution is most appropriate.

VI. THE LEGISLATIVE MAP: CONGRESS ANSWERS OSP CONCERNS WITH TITLE II OF THE DMCA

Congress’s answer to the possible dangers posed by the courts’ inconsistent application of the copyright law to the Internet terrain was to provide certain “safe harbors”\textsuperscript{155}—to condition the provision of exemptions sought by OSPs\textsuperscript{156} upon compliance with procedural safeguards designed to protect the interests of copyright owners.\textsuperscript{157} In Conference Report 796, Congress explained that Title II “preserves strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment” while also providing “greater certainty to service providers concerning their legal exposure for infringements that may occur in the course of their activities.”\textsuperscript{158}

Title II amends chapter 5 of the 1976 Act\textsuperscript{159} to create a new section 512,\textsuperscript{160}

\textsuperscript{153} Id.
\textsuperscript{154} Id.
\textsuperscript{155} The DMCA does not represent Congress’s first resolution of a debate regarding OSP liability. See supra note 28.
\textsuperscript{156} For purposes of the three safe harbors embodied in section 202 of the DMCA (to be codified at 17 U.S.C. § 512(b)–(d)), the definition of OSP is extremely broad—“a provider of online services or network access, or the operator of facilities therefore.” Pub. L. No. 105-304, § 202, 112 Stat. 2886 (to be codified at 17 U.S.C. § 512(k)(1)(B)). For purposes of the Transitory Communications safe harbor, an OSP is defined as “an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received.” Id. (to be codified at 17 U.S.C. § 512(k)(1)(A)).
\textsuperscript{157} Congress’s action directly contradicts the views expressed by many commentators that such legislation was premature and unnecessary. See, e.g., Cahoy, supra note 15, at 335; Walton, supra note 105, at 946.
\textsuperscript{160} The U.S. Copyright Office noted that The Fairness in Musical Licensing Act, Title II of Pub. L. No. 105-298, 112 Stat. 2827, 2830–34 (1998), also adds a new section 512 to the
Section 512 delineates four general categories of activity for which an OSP's infringement liability may be limited—transitory communications; system caching; storage of information on systems at the direction of its users; and information location tools. It is crucial to note that these categories do not provide a litmus test for determining whether or not a service provider is liable for infringement. Using existing principles of copyright law, a copyright owner must still prove that the OSP is liable for direct, contributory, or vicarious infringement. The safe harbors operate as a first line of defense against an infringement claim and an OSP “may still avail itself of any of the defenses, such as fair use, that are available to copyright defendants generally.” Additionally, the infringement liability of an OSP that does not qualify for a safe harbor will continue to be interpreted by the existing case law.

OSPs qualifying for any of the liability limitations in subsections (a)-(d) are shielded from monetary damage awards for direct, vicarious, or contributory


162 See id. (to be codified at 17 U.S.C. § 512 (a)–(d)).

163 See id. (to be codified at 17 U.S.C. § 512 (e)); infra Part VI.A for further discussion.

164 See DMCA § 202 (to be codified at 17 U.S.C. § 512(b)); infra Part VI.B for further discussion.

165 See DMCA § 202 (to be codified at 17 U.S.C. § 512(c)); infra Part VI.C for further discussion.

166 See DMCA § 202 (to be codified at 17 U.S.C. § 512(d)); infra Part VI.D for further discussion.

167 Conference Report 796 interprets subsection (I) to provide that section 512 “is not intended to imply that a service provider is or is not liable as an infringer either for conduct that qualifies for a limitation of liability or for conduct that fails to so qualify.” H.R. CONF. REP. No. 105-796, at 73 (1998). Section 512(1) provides:

The failure of a service provider’s conduct to qualify for limitation of liability under this section shall not bear adversely upon the consideration of a defense by the service provider that the service provider’s conduct is not infringing under this title or any other defense.

DMCA § 202 (to be codified at 17 U.S.C. § 512(l)). For both a general discussion of copyright infringement theories and their specific application to the Internet arena, see supra Parts II.B & III.


169 Subsection (k)(2) defines “monetary relief” to include “damages, costs, attorneys’
infringement. Additionally, subsection (j) limits the availability of injunctive relief against qualifying service providers. However, to qualify for these protections, service providers must first satisfy the conditions set forth in subsection (i), "Conditions for Eligibility." Specifically, the OSP must have adopted and reasonably implemented a policy that terminates the accounts of its subscribers who are repeat infringers.

A. Safe Harbor for Transitory Communications

Section 512(a) essentially codifies Netcom, limiting the direct fees, and any other form of monetary payment." DMCA § 202 (to be codified at 17 U.S.C. § 512(k)(2)).

See id. (to be codified at 17 U.S.C. § 512(j)).

See id. (to be codified at 17 U.S.C. § 512(i)).

See id. (to be codified at 17 U.S.C. § 512(i)(1)(A)). Congress recognized that such a provision must be feasible and could not have a crippling effect upon the OSPs' business. Section 512(i)(1)(B) provides that this policy cannot interfere with copyright owners' "standard technical measures" that are defined to mean measures which copyright owners use to identify or protect their copyrighted works and "do not impose substantial costs" or "substantial burdens" on OSPs. See id. (to be codified at 17 U.S.C. § 512(i)(2)(C)).

Section 512(a) provides:

(a) TRANSITORY DIGITAL NETWORK COMMUNICATIONS.—A service provider shall not be liable for monetary relief, or, except as provided in subsection (j) for injunctive or other equitable relief, for infringement of copyright by reason of the provider's transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or by reason of the intermediate and transient storage of that material in the course of such transmitting, routing, or providing connections, if—

(1) the transmission of the material was initiated by or at the direction of a person other than the service provider;

(2) the transmission, routing, provision of connections, or storage is carried out through an automatic technical process without selection of the material by the service provider;

(3) the service provider does not select the recipients of the material except as an automatic response to the request of another person;

(4) no copy of the material made by the service provider in the course of such intermediate or transient storage is maintained on the system or network in a manner accessible to anyone other than anticipated recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to such anticipated recipients for a longer period than is reasonably necessary for the transmission, routing, or provision of connections; and

(5) the material is transmitted through the system or network without modification of its content.

Id. (to be codified at 17 U.S.C. § 512(a)).
infringement liability of OSPs for the copyright infringements of third parties (their subscribers). This section limits the liability of OSPs which act merely as data conduits, transmitting information at the request of subscribers. Additionally, this safe harbor includes the intermediate and transitory copies that are automatically made in the operation of a network. However, in order for an OSP to qualify for this safe harbor, the transmission must have been initiated by a person other than the OSP itself;\textsuperscript{175} the selection of the material must have occurred through an automatic technical process and not through the direct selection of the OSP;\textsuperscript{176} the OSP must not select the recipients of the material;\textsuperscript{177} intermediate copies must not be retained for longer than is necessary to accomplish the transmission;\textsuperscript{178} and the material must be transmitted without modification of its content.\textsuperscript{179}

B. Safe Harbor for System Caching

Section 512(b)\textsuperscript{180} limits the liability of service providers for system caching, a process utilized by OSPs to increase the efficiency of their networks. System caching refers to the process by which an OSP retains a temporary copy of often-accessed Internet material so that subsequent requests for the material can be fulfilled by transmitting that retained copy, instead of again retrieving the

\textsuperscript{174} For a discussion of Netcom, see supra Part III.A.3.
\textsuperscript{175} See DMCA § 202 (to be codified at 17 U.S.C. § 512(a)(1)).
\textsuperscript{176} See id. (to be codified at 17 U.S.C. § 512(a)(2)).
\textsuperscript{177} See id. (to be codified at 17 U.S.C. § 512(a)(3)).
\textsuperscript{178} See id. (to be codified at 17 U.S.C. § 512(a)(4)).
\textsuperscript{179} See id. (to be codified at 17 U.S.C. § 512(a)(5)).
\textsuperscript{180} Section 512(b)(1) provides that, subject to the conditions iterated in section 512(b)(2):

\ldots [a] service provider shall not be liable for monetary relief, or except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the intermediate and temporary storage of material on a system or network controlled or operated by or for the service provider in a case in which—

(A) the material is made available online by a person other than the service provider;
(B) the material is transmitted from the person described in subparagraph (A) through the system or network to a person other than the person described in subparagraph (A) at the direction of that other person; and
(C) the storage is carried out through an automatic technical process for the purpose of making the material available to users of the system or network who, after the material is transmitted as described in subparagraph (B), request access to the material from the person described in subparagraph (A) . . . .

\textit{Id.} (to be codified at 17 U.S.C. § 512(b)).
material from the original source. The safe harbor applies to material that is placed online by a person other than the OSP and then is transmitted to a third party (the subscriber) at his or her request. Additionally, in order to qualify for the safe harbor, the OSP must not modify the content of the material; must comply with rules about “refreshing, reloading, or other updating of the material when specified by the person making the material available online” in accordance with standard industry practice; must not interfere with the technology that returns “hit” information to the person who uploaded the material; must limit subscribers’ access to the material in accordance with the uploader’s conditions on access (e.g., payment of a fee or provision of a password); and, if notified by the copyright owner that the original material from which the “cached” copy was made has been removed or blocked, the OSP must act “expeditiously to remove, or disable access to, the material that is claimed to be infringing.”

C. Safe Harbor for Information Residing on Systems or Networks at the Direction of Users

Section 512(c) responds to OSP fears that judicial expansion of Fonovisa...

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182 See DMCA § 202 (to be codified at 17 U.S.C. § 512(b)(1)(A)-(C)).
183 See id. (to be codified at 17 U.S.C. § 512(b)(2)(A)).
184 See id. (to be codified at 17 U.S.C. § 512(b)(2)(B)).
185 See id. (to be codified at 17 U.S.C. § 512(b)(2)(C)).
186 See DMCA § 202 (to be codified at 17 U.S.C. § 512(b)(2)(C)).
187 See id. (to be codified at 17 U.S.C. § 512(b)(2)(D)).
188 Id. (to be codified at 17 U.S.C. § 512(b)(2)(E)).
189 Section 512(c)(1) provides that, in general:

... [a] service provider shall not be liable for monetary relief, or, except as provided in subsection (j) for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider—

(A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

(B) does not receive a financial benefit directly attributable to the infringing activity,
to the Internet context could result in findings of infringement liability for their mere provision of “support services.”190 The section limits the contributory191 and vicarious infringement liability192 of OSPs. To be eligible for the limitation, the OSP must not have the requisite level of knowledge193 of the infringing activity.194 Additionally, if the OSP has the right and ability to control195 the infringing activity, it must not receive a direct financial benefit196 from such activity.197 Moreover, this section also includes a “notice and take-down” provision—upon receipt of notification of an alleged infringement, the OSP must act expeditiously to remove or block access to the material.198

In addition, OSPs must designate an agent who, on its behalf, will receive notification from the copyright owner of a claimed infringement.199 That designation of agent must be filed with the Copyright Office and must be made available through the OSP’s publicly accessible website.200 In November 1998, the Copyright Office published interim regulations detailing this registration.201

in a case in which the service provider has the right and ability to control such activity;
and

(C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of the infringing activity.

Id. (to be codified at 17 U.S.C. § 512(c)).

190 See supra notes 97–100 and accompanying text. For a discussion of the ease with which Fonovisa’s broad interpretations of contributory and vicarious infringement liability could be analogized to the Internet, see supra Part III.D.3.

191 For a discussion of Fonovisa’s contributory infringement analysis, see supra Part III.D.1.

192 For a discussion of vicarious infringement liability of OSPs, see supra Part III.C and accompanying text.

193 For a discussion of knowledge see supra note 83 and accompanying text.

194 See DMCA § 202 (to be codified at 17 U.S.C. § 512(c)(1)(A)(i)–(iii)). Under this requirement, the OSP is eligible for the safe harbor only if it does not have actual knowledge of the infringement; or, in the absence of actual knowledge, is not aware of facts or circumstances which make infringing activity apparent; or, upon obtaining such knowledge or awareness, acts quickly to remove the infringing material. See id.

195 For a discussion of the control prong, see supra note 101 and accompanying text.

196 For a discussion of direct and indirect financial benefits, see supra notes 38–39 and accompanying text.

197 See DMCA § 202 (to be codified at 17 U.S.C. § 512(c)(1)(B)).

198 See id. (to be codified at 17 U.S.C. § 512(c)(1)(C)).

199 See id. (to be codified at 17 U.S.C. § 512(c)(2)).

200 See id.

Section 512(c) places concurrent duties upon copyright owners, who, under penalty of perjury, must serve a notice of infringement upon the OSP’s designated agent. If a copyright owner fails to substantially comply with the statutory requirements, the notification will not be considered in determining whether the OSP had the requisite level of knowledge to qualify for the safe harbor. The OSP is exempt from liability provided that, upon receipt of proper notification from the copyright owner, the OSP removes or blocks access to the allegedly infringing material.

Section 512(g)(1) is designed to protect against fraudulent or erroneous infringement notifications. Once an OSP has received an infringement notification from a copyright owner, it must promptly notify its subscriber who uploaded the information that it has removed or disabled access to the material. Then, the subscriber may respond to the notice and take-down by sending a “counter notification” to the OSP stating that the subscriber has a good faith belief that the material was removed or blocked as the result of a mistake or misidentification. If the counter notification complies with additional statutory requirements, the OSP must next forward a copy of the counter notification to the copyright owner. If the copyright owner does not notify the OSP that it has “filed an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the [OSP]’s system or network,” the OSP must replace or unblock the material within ten to fourteen business days of receiving the counter notification.

designation of agent forms, but does provide a suggested format. The registration must be labeled “Interim Designation of Agent to Receive Notification of Claimed Infringement.” This form should include the full name and address of the OSP; all names under which the OSP is doing business; and the name, address, telephone number, fax number, and e-mail of the agent. The Copyright Office provides a suggested form at its website <http://lcweb.loc.gov/copyright/onlinesp/>. Additionally, a list of agents is maintained at <http://lcweb.loc.gov/copyright/onlinesp/list/>.

202 The form and content of the notice is detailed in § 512. See DMCA § 202 (to be codified at 17 U.S.C. § 512(c)(3)(A)(i)–(vi)). The notice must be in writing and signed by the copyright owner or his or her agent. See id. (to be codified at 17 U.S.C. § 512(c)(3)(A)(ii)). Additionally, it must identify the copyrighted work(s) which allegedly have been infringed. See id.

203 See id. (to be codified at 17 U.S.C. § 512(c)(3)(B)(i)–(ii)).
204 See id. (to be codified at 17 U.S.C. § 512(g)(2)).
205 See id. (to be codified at 17 U.S.C. § 512(g)(3)(B)).
206 See id. (to be codified at 17 U.S.C. § 512(g)(3)(A), (C), (D)).
207 See id. (to be codified at 17 U.S.C. § 512(g)(2)(B)).
208 See id. (to be codified at 17 U.S.C. § 512(g)(2)(C)).
D. Safe Harbor for Information Location Tools

Earlier versions of the OSP safe harbors did not clearly indicate which types of OSPs it would exempt from copyright infringement liability. For example, House Bill 3209, section 512(f), defined “provider” as a “provider of on-line services or network access.” This definition could have been interpreted by courts to exclude “logical access providers,” including web search engines such as Lycos, Altavista, and Infoseek and directory pages like Yahoo and Magellan. Section 512(d) of the DMCA removes the

210 Web search engines create an index file of a large number of web pages, which is constantly regenerated to reflect additions of and alterations to web pages. A user submits a search request of keywords, and the search engine scans the index and returns a list of matching web pages and their hyperlinks, which allows a user to directly access the pages. See Levi, supra note 16, at 561.
211 Lycos’s Internet address is <http://www.lycos.com>.
212 Altavista’s Internet address is <http://www.altavista.digital.com>.
213 Infoseek’s Internet address is <http://www.infoseek.com>.
214 Directory pages cover a smaller amount of web pages than do web search engines, but they allow an Internet user to focus more narrowly on a topic. Yahoo! and Magellan act as registries of web pages and their hyperlinks organized by topic. They are arranged in a format to allow users to easily find information and may include a description of the web page and a rating system. See Levi, supra note 16, at 561–62.
215 Yahoo!’s Internet address is <http://www.yahoo.com>.
216 Magellan’s Internet address is <http://www.magellan.com>.
217 Section 512(d) provides:

INFORMATION LOCATION TOOLS.—A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider referring or linking users to an online location containing infringing material or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hypertext link, if the service provider—

(1) (A) does not have actual knowledge that the material or activity is infringing;
(B) in the absence of such actual knowledge, is not aware of facts or circumstances from which the infringing activity is apparent; or
(C) upon obtaining such knowledge or awareness, acts expeditiously to remove or disable access to the material;

(2) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

(3) upon notification of the claimed infringement as described in subsection (c)(3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or be the subject of infringing activity, except that, for purposes of this
possibility for inconsistent application by specifically limiting the liability of logical access providers. In order to qualify for the safe harbor, the OSP must meet essentially the same requirements imposed by the safe harbor for information residing on systems or networks. Specifically, the OSP must not have the requisite level of knowledge that the material is infringing if the OSP has the right and ability to control the infringing activity, it must not receive a direct financial benefit directly attributable to the activity, and upon notice that the material is infringing, it must expeditiously remove or block access to the material. Prior to enactment of the DMCA, courts had yet to consider whether these logical access providers should be found liable for copyright infringement for using a hyperlink to direct a user to a web page containing infringing material.

Paragraph, the information described in subsection (e)(3)(A)(iii) shall be identification of the reference or link, to material or activity claimed to be infringing, that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate that reference or link.

DMCA, Pub. L. No. 105-304, § 202, 112 Stat. 2860, 2881 (to be codified at 17 U.S.C. § 512(d)).

218 See supra Part VI.C.

219 See DMCA § 202 (to be codified at 17 U.S.C. § 512(d)(1)(A)-(C)). This knowledge standard is the same as that under the safe harbor for information residing on systems or networks. See supra note 194 and accompanying text.

220 See DMCA § 202 (to be codified at 17 U.S.C. § 512(d)(2)).

221 See id. (to be codified at 17 U.S.C. § 512(d)(3)).

222 See Levi, supra note 16, at 562. Applying the Netcom analysis, it is highly unlikely that logical access providers would have been found liable for direct copyright infringement because no actual copying is performed. As to contributory infringement liability, it is unlikely that a court would have found a search engine like Lycos or Yahoo! liable. See id. at 563. In determining whether a search engine could be found liable for contributory infringement, the relevant inquiry would be: “Does its activity in establishing a hyperlink rise to the level of ‘substantial’ participation in the direct infringement of another?” Such search engines would argue that they are merely making available a search engine which would find all web pages meeting the searcher’s criteria. The search engine operates without human intervention and makes “automatic and indiscriminate” responses to a searcher’s criteria. Thus, the search engine operator would argue that it is technically unfeasible to only return a search result consisting of pages which do not contain any infringing material. See id. at 563–64.

Directory pages providers, on the other hand, might have been found liable for contributory infringement if they provide a hypertext link to a web page that they know contains infringing content. In compiling their service, directory page providers take steps which may rise to the level of “substantial” participation. Directory page providers either search the Web themselves or solicit requests for web pages to be included in their directory. Additionally, directory pages often rate various web pages after scanning their contents. Further, it may be alleged that the directory provider’s efforts in making an infringing web
E. Safe Harbor for Nonprofit Educational Institutions

Public and nonprofit institutions such as libraries and universities most likely fall within the DMCA’s definition of “OSP.” Section 512(e)\textsuperscript{223} determines when the actions of a faculty member or graduate student employed by the institution may affect the institution’s eligibility for the four safe harbors detailed above.\textsuperscript{224} For the purposes of sections 512(a) and (b), the transitory communications and system caching safe harbors, such faculty member or graduate student is considered a “person other than the provider” so that the institution will not be disqualified from eligibility for the safe harbors. For the purposes of section 512(c) and (d), the safe harbors for information residing on systems or networks at the direction of users and information location tools, the knowledge of a faculty member or graduate student that material is infringing will not be imputed to the institution provided that several conditions are met. Those conditions include that the faculty member’s or graduate student’s activities do not involve providing online access to course materials that were required or recommended during the preceding three year period for a course taught by such individual;\textsuperscript{225} that the institution has not received more than two section page more accessible aids the primary infringer’s purpose in distributing the works. See id. at 564–65.\textsuperscript{223} Section 512(e) provides:

(1) When a public or other nonprofit institution of higher education is a service provider, and when a faculty member or graduate student who is an employee of such institution is performing a teaching or research function, for the purposes of subsections (a) and (b) such faculty member or graduate student shall be considered to be a person other than the institution, and for the purposes of subsections (c) and (d) such faculty member’s or graduate student’s knowledge or awareness of his or her infringing activities shall not be attributed to the institution, if—

(A) such faculty member’s or graduate student’s infringing activities do not involve the provision of online access to instructional materials that are or were required or recommended, within the preceding 3-year period, for a course taught at the institution by such faculty member or graduate student;

(B) the institution has not, within the preceding 3-year period, received more than two notifications described in subsection (c)(3) of claimed infringement by such faculty member or graduate student, and such notifications of claimed infringement were not actionable under subsection (f); and

(C) the institution provides to all users of its system or network informational materials that accurately describe, and promote compliance with, the laws of the United States relating to copyright.

DMCA § 202 (to be codified at 17 U.S.C. § 512(e)).\textsuperscript{224} See id.\textsuperscript{225} See id. (to be codified at 17 U.S.C. § 512(e)(1)(A)).
512(c)(3) notifications during the preceding three year period that the faculty member or graduate student was infringing; and that the institution provides all users of its system with materials that describe and promote compliance with copyright law.

VII. CONCLUSION

Returning to the question posed in the introduction—"once online copyright infringement is alleged, the question becomes—whom should the copyright owner seek to hold liable?" If an OSP is protected by the safe harbors of the DMCA, the owner of the allegedly infringed copyright may well have no choice but to proceed against the direct infringer, the user of the OSP's services. However, as previously noted, it may be difficult to pinpoint the identity of the direct infringer. In order to aid the copyright owner, Title II establishes a procedure by which a copyright owner can obtain a subpoena from a federal court that orders an OSP to disclose the identity of the alleged direct infringer.

Another question—What if the copyright owner locates the direct infringer, who has no pockets of which to speak, and the deep pocket OSP is protected by a safe harbor? Then, it appears, the copyright owner's only remedy may be injunctive relief.

The DMCA attempts to balance the interests of copyright owners and OSPs while ensuring the continued growth of the Internet by conditioning a statutory exemption upon OSP compliance with various procedural safeguards. It removes the uncertainty created by Fonovisa, Playboy, and Sega I and ensures that OSPs have the incentive to make their subscribers more aware of copyright law and to react promptly when informed that infringing material resides on their systems. Perhaps the crisis for OSPs has been solved, but the crisis for copyright owners—that the Internet provides a cheap and universal medium for the unauthorized copying and distribution of their works, for which damages cannot be recovered—remains.

This Note purports only briefly to outline the manner in which the DMCA addresses OSP concerns. The rules of the OSP safe harbors are complex and require strict adherence to detail. If an OSP fails to fully comply with the provisions of the Act, it risks loss of the limitations on liability and potentially large damage awards under the various theories of infringement liability.

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226 See id. (to be codified at 17 U.S.C. § 512(e)(1)(B)).
227 See id. (to be codified at 17 U.S.C. § 512(e)(1)(C)).
228 Supra Part I.
229 See DMCA § 202 (to be codified at 17 U.S.C. § 512(h)).
230 See supra note 76 and accompanying text.
However, the full impact of the Act remains unknown, as the courts have yet to address a case in which an OSP claims it qualifies for one of the DMCA safe harbors.