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## Articles

# The Risks of Copyright Infringement on the Internet: A Practitioner's Guide

By DAVID N. WEISKOPF\*

**E**VERY ATTORNEY SHOULD appreciate the importance of copyright law to their clients. Because copyrighted works can be easily uploaded to the Internet, any party owning copyrights should understand their rights against unauthorized use of those works on the Internet. Additionally, parties who maintain operations on the Internet should be informed of the risks of liability for copyright infringement for maintaining a particular type of Internet operation.

This article is intended to aid the practitioner in evaluating the effect of current and likely future copyright law on the risks of copyright infringement for Internet Service Providers, Bulletin Board Operators and Web site operators. The article evaluates the current state of copyright law as applied to the Internet and the difficulties that courts have experienced in applying traditional theories of copyright infringement to the Internet. Additionally, the article analyzes current proposals to change the copyright laws, both at the international level and in the United States Congress.

### Introduction

The Internet<sup>1</sup> has become an increasingly popular means of communication among the general public and commercial enterprises alike. As use

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1. "The Internet is an international network of interconnected computers." *Reno v. American Civil Liberties Union*, 117 S. Ct. 2329, 2334 (1997). Thus,

"The Internet today is a worldwide entity whose nature cannot be easily or simply defined. From a technical definition, the Internet is the 'set of all interconnected IP networks'—the collection of several thousand local, regional, and global computer networks interconnected in real time via the TCP/IP Internetworking Protocol suite."

*Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1365 n.2 (N.D. Cal. 1995) (quoting DANIEL P. DERN, *THE INTERNET GUIDE FOR NEW USERS* 16 (1994)); *see*

of the Internet and the World Wide Web<sup>2</sup> has increased, so too have the legal disputes concerning activities that involve use of these networks. The analysis and outcomes of many legal issues, such as defamation,<sup>3</sup> free speech<sup>4</sup> and jurisdiction<sup>5</sup> in this context are complicated because some or

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R. Carter Kirkwood, Comment, *When Should Computer Owners Be Liable for Copyright Infringement by Users?*, 64 U. CHI. L. REV. 709, 712 (1997).

A computer network is made up of three primary building blocks: computers, software, and telecommunication lines. Most networks consist of "server" computers, where information is stored, reproduced, and controlled, and "client" computers, that customers use to "dial into" or access the information on the servers. Software both enables a computer to function and permits the computer owner to control how that computer is used . . . . [T]elecommunication lines connect computers and make it possible to transfer information from one computer to another.

*Id.*

2. See Mitchell Zimmerman & David L. Hayes, *Copyright in the Digital Electronic Environment*, § III (visited Jan. 28, 1998) <<http://www.fenwick.com/pub/mz-copy.html>> (defining the World Wide Web by stating: "The World Wide Web, sometimes referred to as the 'graphical' part of the [I]nternet, is that sub-set of sites and supporting facilities which utilize certain technical protocols that facilitate the transmission of graphical and other content and support a simple, friendly, browseable, graphical user interface"); see also *Reno*, 117 S. Ct. at 2335.

The best known category of communication over the Internet is the World Wide Web, which allows users to search for and retrieve information stored in remote computers, as well as, in some cases, to communicate back to designated sites. In concrete terms, the Web consists of a vast number of documents stored in different computers all over the world. . . . The Web is thus comparable, from the readers' viewpoint, to both a vast library including millions of readily available and indexed publications and a sprawling mall offering goods and services.

*Id.*

3. See Communications Decency Act, 47 U.S.C. § 230 (1996) (immunizing Internet Service Providers from tort liability for postings made by their service's subscribers); see also *Zeran v. America Online, Inc.*, 129 F.3d 327, 331 (4th Cir. 1997) (noting that Congress created a tort immunity for Internet Service Providers in the Communications Decency Act because "It would be impossible for service providers to screen each of their millions of postings for possible problems"). But see 47 U.S.C. § 230(d)(2) (providing that the tort immunity does not limit or expand any law pertaining to intellectual property); *Cubby, Inc. v. CompuServe, Inc.*, 776 F. Supp. 135, 140-41 (S.D.N.Y. 1991) (holding that a Bulletin Board System ("BBS") was more like a "distributor" than a "publisher" where it exercised little control over content on its service, and was, thus, liable only for defamatory statements on its system where it knew or should have known of the presence of these statements).

4. See *Reno*, 117 S. Ct. at 2351 (invalidating portions of the Communications Decency Act); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 964 n.9 (C.D. Cal. 1997) ("Internet users may also have a free speech interest in non-infringing uses of domain names that are similar or identical trademarks."); *American Civil Liberties Union v. Miller*, 977 F. Supp. 1228, 1233 (N.D. Ga. 1997) (invalidating as overbroad a statute that criminalized certain uses of trademarks on the Internet by persons other than the trademark owner because the statute would have prohibited "use of trade names or logos in non-commercial educational speech, news, and commentary—a prohibition with well-recognized First Amendment problems").

5. See *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295, 296 (S.D.N.Y. 1996), *aff'd* 126 F.3d 25 (2d Cir. 1997) (dismissing plaintiff's claims due to lack of personal jurisdiction over out-of-state defendant, holding defendant's Web site activities alone did not subject the out-of-state defendant to personal jurisdiction under both the forum state's long-arm statute and Due

all of the activities engaged in have taken place on digital networks. Courts are beginning to establish legal precedents for these areas. However, the courts, national legislature and international organizations are still experiencing difficulty in tackling the complex issues that the Internet creates for copyright law.

The Internet's very nature creates enormous legal issues relating to copyright law. Much of the material found on the Internet is subject matter protected by the copyright laws of the United States.<sup>6</sup> Today, technology allows not only simple text to be accessed, uploaded and downloaded<sup>7</sup> through the Internet, but also allows users to do the same with pictures, movies, software, musical works, multimedia works and audiovisual works. These types of works are unquestionably protected in traditional tangible mediums<sup>8</sup> (such as books, compact discs, paintings and film), and any copying (or violation of any of the other exclusive rights of copyright owners)<sup>9</sup> of them would clearly constitute copyright infringement under federal law.<sup>10</sup> It is not as clear, however, whether such works are similarly protected in the digital, online environment.

Determining whether a "copy" of a protected work has been made, or whether infringement of any of the copyright holder's other exclusive rights has occurred in tangible mediums is relatively straightforward. However, in the digital environment, courts and commentators continue to debate and disagree as to whether data transmitted through the various nodes<sup>11</sup> of the

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Process of the Fourteenth Amendment). *But see* *Inset Sys., Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161 (D. Conn. 1996) (finding out-of-state defendant subject to personal jurisdiction based on defendant's Web site activities). *See also* *CompuServe, Inc. v. Patterson*, 89 F.3d 1257 (6th Cir. 1996) (finding personal jurisdiction over out-of-state defendant based on relations between defendant and plaintiff).

6. *See* 17 U.S.C. § 102 (1994) (defining protectable subject matter of copyright).

7. *See* Mary Ann Shulman, Comment, *Internet Copyright Infringement Liability: Is an Online Access Provider More Like a Landlord or a Dance Hall Operator?*, 27 *GOLDEN GATE U. L. REV.* 555, 558 n.15 (1997) ("'Uploading/downloading' are terms in the Internet lexicon. Uploading refers to the transfer of information from a user's personal computer to a computer network, usually via a bulletin board, while downloading refers to the transfer of information from a bulletin board of the Internet to one's personal computer.").

8. *See* 17 U.S.C. § 102(a) (identifying protectable subject matter of copyright); 17 U.S.C. § 106(1)–(5) (1994) (defining the copyright holder's exclusive rights in the copyrighted work).

9. *See* 17 U.S.C. § 106(1)–(5).

10. *See id.*

11. *See* David L. Hayes, *The Coming Tidal Wave of Copyright Issues on the Internet*, § I (visited Jan. 27, 1998) <<http://www.fenwick.com/pub/wave.html>> [hereinafter Hayes, *Tidal Wave*] (discussing issues of copyright validity and infringement on the Internet).

Under current technology, information is transmitted through the Internet using a technique known broadly as "packet switching." Specifically, data to be transmitted through the network is broken up into smaller units or "packets" of information, which are in effect labeled as to their proper order. The packets are then sent through the network as discrete units, often through multiple different paths and often at different times. As the

networks comprising the World Wide Web is “copied” for purposes of the Copyright Act.<sup>12</sup> Even if one assumes that a “copy” has been made, determining where that copy actually exists in the network may prove extremely difficult.<sup>13</sup> Thus, determining whether the “copy” has then been distributed or displayed publicly becomes difficult.<sup>14</sup> Additionally, once one concludes that a copy has been made and exists in digital form somewhere on the computer network, that digital copy may be considered a derivative work<sup>15</sup> of the original, tangible copy, thereby violating another exclusive right of

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packets are released and forwarded through the network, each “router” computer makes a temporary (ephemeral) copy of each packet and transmits it to the next router according to the best path available at that instant, until it arrives at its destination. The packets, which frequently do not arrive in sequential order, are then “reassembled” at the receiving end into proper order to reconstruct the data that was sent. Thus, only certain subsets (packets) of the data being transmitted are passing through the [Random Access Memory (“RAM”)] of a node computer at any given time, although a complete copy of the transmitted data may be created and/or stored at the ultimate destination computer, either in the destination computer’s RAM, on its hard disk, or in portions of both.

*Id.* (footnotes omitted).

12. See 17 U.S.C. § 106(1)–(5); *Triad Sys. v. Southeastern Express Co.*, 64 F.3d 1330, 1335 (9th Cir. 1995) (following *MAI*, and finding likelihood of success on copyright infringement claim because defendants “copied” plaintiff’s software in RAM when servicing computers); *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518–19 (9th Cir. 1993) (holding that loading of data into the RAM of a computer constitutes “copying” for purposes of infringement under the Copyright Act because it remains in RAM long enough to be perceived); *Advanced Computer Servs. v. MAI Sys.*, 845 F. Supp. 356, 364 (E.D. Va. 1994) (loading software program from computer’s hard drive into RAM was copying under Copyright Act); see also *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 260 (5th Cir. 1998) (“the act of loading a program from a medium of storage into a computer’s memory creates a copy of the program”); *Apple Computer, Inc. v. Formula Int’l*, 594 F. Supp. 617, 621 (C.D. Cal. 1984) (copying a program into RAM creates a temporary fixation); 2 MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 8.08[A][1], at 8–118 (1998) (suggesting RAM copies are fixed); INFRASTRUCTURE TASK FORCE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS, *INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE* 65–66 (Sept. 1995) <<http://www.uspto.gov/web/offices/com/doc/ipnii/lawcopy.pdf>> [hereinafter *WHITE PAPER*] (asserting that reproductions in RAM of computers were already “reproductions” that copyright owners were entitled to control by means of the reproduction right under existing U.S. law). *But see* 17 U.S.C. § 102(a) (1994) (stating copyright protection subsists only in works fixed in a “tangible medium”); *NLFC, Inc. v. Devcom Mid-Am., Inc.*, 45 F.3d 231 (7th Cir. 1995) (finding access by defendant of plaintiff’s software did not constitute reproduction to be a “copy” under Copyright Act); *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965, 968 (9th Cir. 1992) (finding audiovisual images not a “copy” for purposes of the Copyright Act because derivative works displayed did not have sufficient “form” or “permanence” to be deemed “embodied” in any form); H.R. REP. NO. 94-1476, at 19 (1976) (using storage in computer memory as an example of what should not be considered a copy under the Copyright Act).

13. See Hayes, *Tidal Wave*, *supra* note 11, § II.A.

14. See *id.*

15. Although an “unfixed” work may constitute an unlawful derivative work, this paper will limit its discussion to “fixed” derivative works. See 17 U.S.C. § 102(2) (1994).

the copyright holder.<sup>16</sup> To further complicate the problem, even if one determines that uploading or downloading a work in digital form does not constitute the making of a “copy” for purposes of the Copyright Act, two treaties recently adopted by the World Intellectual Property Organization (“WIPO”)<sup>17</sup> create a new exclusive right of transmission of a copyrighted work.<sup>18</sup> While arguably leaving unsettled the question of whether transitory images of data stored in RAM<sup>19</sup> are “copies” for purposes of infringement, the new right of communication to the public is potentially broader than the existing rights of reproduction, display, performance, distribution and importation under United States Copyright law.<sup>20</sup> Consequently, any use of the Internet potentially violates another’s copyrights in some way. Because of the widespread use of the Internet by the public and commercial sectors, it is likely that your client will, at some point in the near future, ask you for advice concerning Internet copyright infringement risks—either as an alleged infringer themselves or as one claiming another has infringed their rights.

Your client’s concerns will likely center on liability for infringement. As a finding of infringement will likely lead to monetary damages,<sup>21</sup> the

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16. See 17 U.S.C. § 106(1)–(5) (1994) (defining the copyright holder’s exclusive rights in the copyrighted work).

17. See *infra* Part V.B.

18. See *infra* Part V.B.

19. “RAM” is the acronym for a computer’s random access memory.

20. See *infra* Part V.B; Hayes, *Tidal Wave*, *supra* note 11, § II.A.3.(a).

21. See 17 U.S.C. § 504 (1994). The copyright owner has the election to recover either: (a) the copyright owner’s actual damages plus any additional profits of the infringer; or (b) statutory damages. See *id.* Thus, where actual damages are difficult to ascertain, or generally uncertain, statutory damages are nonetheless recoverable. This election is especially important on the Internet, where actual damages are likely impossible to calculate. Section 504(c)(1) (1994) provides for statutory damages, allowing recovery “in a sum of not less than \$500 or more than \$20,000” for each act of infringement, as the court considers just. See *id.* Additionally, where infringement is “willful,” “the court in its discretion may increase the award of statutory damages to a sum of not more than \$100,000 [per act of infringement].” *Id.* § 504(c)(2).

Statutory damages are not specifically discussed elsewhere in this article. However, clients should be informed of the ambiguity as well as the potential for large damages resulting from § 504. In *Playboy Enters., Inc. v. Sanfilippo*, No. 97-0670-IEG(LSP), 1998 U.S. Dist. LEXIS 5125, at \*12–21 (S.D. Cal. Mar. 24, 1998), the court found the defendant liable for \$3,737,500 in statutory damages for uploading infringing pictures of the plaintiff’s copyrighted works to the defendant’s Web site. Plaintiffs had requested statutory damages of \$285,240,000, based on the 7,475 images defendant unlawfully copied to his Web site. The case is important for two reasons. First, it shows that statutory damage awards can be incredibly high, both in final award as well as initial request. Second, the case recognized the ambiguity in § 504(c)(1) as to whether each “act” of infringement constituted each copied *picture*, or each copied *file* containing numerous pictures. Section 504(c)(1) provides for statutory damages “for all infringements involved in the action, with respect to any one work.” 17 U.S.C. § 504(c)(1). Section 504(c)(1) further provides “for purposes of this subsection, all the parts of a compilation or derivative work constitute one work.” See *id.*

question will become *who* should be liable for the infringement. Theoretically, since copyright infringement is a strict liability tort,<sup>22</sup> not requiring any intent or knowledge for infringement, many parties may be deemed infringers.

To take the simplest example, when someone uploads a picture onto a Web site, many people, not just one, will likely visit the site. Because each visit to a Web site results in the downloading of copyrighted material to the viewer's hard disk,<sup>23</sup> each visit or "hit" to the Web site potentially constitutes a new infringement of one or more exclusive rights of the copyright owner. Thus, there are potentially hundreds, thousands or even millions of infringers as a result of one infringing work posted to the Internet. However, imposing liability on any or all of these visitors may be practically impossible. Indeed, because people can operate with almost complete anonymity in cyberspace,<sup>24</sup> identifying infringers can be difficult.<sup>25</sup> Addition-

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The court found that copying each *picture* was a separate act, stating that "the Court finds that each one of [plaintiff's images, copied by defendant] had an 'independent economic value' and is viable on its own. . . . Furthermore, each image represents a singular and copyrightable effort concerning a particular model, photographer, and location. The fact that many of these images appeared together should not detract from the protection afforded to each individual effort." *Sanfilippo*, 1998 U.S. Dist. LEXIS, at \*18-19.

Clients and attorneys, therefore, should understand the ease with which multiple acts of infringement can occur, and the likelihood that large statutory damage awards will be requested, in the digital environment. *See, e.g., Sanfilippo*, 1998 U.S. Dist. LEXIS 4773 (granting plaintiff's motion for summary judgment and statutory damage award).

22. *See* MARSHALL LEAFFER, UNDERSTANDING COPYRIGHT LAW § 9.2, at 5-6 (2d ed. 1995) (discussing the prima facie case for copyright infringement).

23. *See* Hayes, *Tidal Wave*, *supra* note 11, § II.A.1.

To illustrate the number of interim "copies," in whole or in part, that may be made when transmitting a work through the Internet, consider the example of downloading a picture from a Web site. During the course of such transmission, no less than *seven* interim copies of the picture may be made: the modem at the receiving and transmitting computers will buffer each byte of data, as will the router, the receiving computer itself (in RAM), the Web Browser, the video decompression chip, and the video display board. These copies are in addition to the one that may be stored on the recipient computer's hard disk.

*Id.* (citations omitted).

24. *See* Ian C. Ballon, *Pinning the Blame in Cyberspace: Towards a Coherent Theory for Imposing Vicarious Copyright, Trademark and Tort Liability for Conduct Occurring over the Internet*, 18 HASTINGS COMM. & ENT. L.J. 729, 733-34 n.10 (1996) (distinguishing likely anonymity for users of e-mail from users of the Internet).

25. *See id.* *But see* EDWARD A. CAVAZOS & GAVINO MORIN, CYBERSPACE AND THE LAW (1994) (noting that anonymous file transfer protocols ("FTPs") may not be truly anonymous); Eric Goldman, *The Intellectual Property Renaissance in Cyberspace: Why Copyright Law Could Be Unimportant on the Internet*, § III.C. (visited Jan. 27, 1998) <[http://www.cooley.com/scripts/article.ix?id=ar\\_1504](http://www.cooley.com/scripts/article.ix?id=ar_1504)> (noting that "there is a built-in limitation to the scope and size of anonymous actions, particularly if any element of the activity is commercial; at a certain point the activity should become large enough to leave at least shreds of evidence, both in physical space and cyberspace, sufficient to allow attribution").

ally, physically locating the accused violator can be impossible, even if one could determine their "cyberspace address."<sup>26</sup> Because traditional geographic boundaries are not present in cyberspace, difficult questions of jurisdiction may also arise and may prohibit, or at the very least make difficult, the bringing of a suit in many circumstances. Additionally, many Internet users may not have sufficient economic resources to satisfy large judgments or justify the effort and expense in locating and bringing suit against them.<sup>27</sup> Is it practical or effective to sue one infringer but not the other hundreds or thousands of infringers? In sum, while *somebody* will have to pay for copyright infringements, *who* should be liable has become a hotly contested point.

Three classes of Internet users appear to be emerging upon which liability is being regularly imposed for copyright infringement on the Internet. These include: (1) Internet Service Providers ("ISPs")—which include the sub-classes of "access providers"<sup>28</sup> and "content providers";<sup>29</sup> (2) Bulletin Board Operators ("BBOs");<sup>30</sup> and (3) Web site operators.<sup>31</sup> All of these

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26. The particular location of that person's computer on the Internet.

27. See Ballon, *supra* note 24, at 734–35.

[M]any Internet users are not "deep pockets." . . . Given the relatively low costs of access . . . Internet tortfeasors and infringers thus are likely to include a high percentage of students and others who may not have the resources to satisfy judgments. . . . Online infringers and tortfeasors are more likely to be effectively "judgment proof," because their conduct is undertaken anonymously, or they are too young or poor to satisfy a damages award, or are located beyond the jurisdiction of a convenient and economical U.S. venue for litigation.

*Id.*

28. See Shulman, *supra* note 7, at 559 n.26. "An access provider is a company that leases the use of its computer facilities to connect a subscriber to a regional network linked to the Internet."

*Id.* (citations omitted). Access providers, therefore, are the "on-ramp" to the information superhighway.

29. Distinguished from pure access providers, some operations provide *both* access *and* content. Thus, a commercial online service, such as America Online "offers proprietary content-based services through its own private computer network. . . . Content services may include news stories, original articles, shopping information, or sports scores and weather information automatically updated from a wire service. Other services may include operating bulletin boards, hosting chat groups, or setting up interactive discussion forums." *Id.* (citations omitted).

30. See *id.* at 558 n.16.

An electronic bulletin board system ("BBS") is an online service that allows subscribers (free or for a fee) to exchange electronic messages ("e-mail"), text, computer programs, photographs, music and other forms of information. A user simply uploads material from her computer onto the bulletin board. All subscribers have access to all bulletin board messages, and any subscriber may download the material to her own computer. Bulletin boards may be subject specific. The electronic bulletin board is one of the most popular services available through the Internet and other computer networks . . . . More than 70,000 bulletin board systems are estimated in operation worldwide . . . . The largest bulletin board systems operated by commercial online services such as America Online, CompuServe, Microsoft Network, and Prodigy, together have over twelve million subscribers.



parties arguably infringe other's copyrights, and are each therefore arguably liable for copyright infringement. However, commentators and courts have debated over which legal *theory* correctly imposes liability on them.

Have these parties *directly* copied, thereby making them "direct" infringers? If not, are they liable under the theories of *contributory*<sup>32</sup> or *vicarious*<sup>33</sup> liability? Advising clients as to the *risks* associated with their *particular* Internet operation will aid them in understanding their potential liability and better enable them to create business plans in light of those risks.

This paper is intended to help the practitioner evaluate the risks associated with the three types of Internet operations noted above in light of current and likely future copyright law. Part I briefly summarizes how copyright law has changed and adapted to new and emerging technologies that have stretched the boundaries and application of the law. Part II reviews the traditional theories of copyright infringement and the context in which those theories evolved. This section will also compare the relative ease (or difficulty) afforded the copyright owner by the three theories for proving liability. Part III explores the difficulties the courts have experienced applying these theories of liability to the digital environment, and the Internet in particular. Part IV will analyze the defense of "fair use" as

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*Id.* (citations omitted).

See Niva Elkin-Koren, *Copyright Law and Social Dialogue on the Information Superhighway: The Case Against Copyright Liability of Bulletin Board Operators*, 13 CARDOZO ARTS & ENT. L.J. 345, 347 n.5 (1995). "BBSs are accessible to subscribers (free or for a fee) through telephone lines and modems, or through public data networks, such as Tymnet or the Internet . . . BBSs may run on personal computers connected by modem to a telephone line, or through the Internet, such as a BBS operated on USENET." *Id.* (citations omitted); see CAVAZOS & MORIN, *supra* note 25.

Like their larger cousins, the on-line services, BBSs allow users to set up accounts on remote systems and access some basic system features. The distinction between large BBSs in existence and the on-line services is often hard to see. The vast majority of BBSs in existence, however, are operated on small personal computers with a single phone line, and have a relatively small number of users. More often than not, there are no access charges since the system operator, or *sysop*, is running the board as a hobby.

*Id.*

31. See *Reno v. American Civil Liberties Union*, 117 S. Ct. 2329, 2335 (1997).

In concrete terms, the Web consists of a vast number of documents stored in different computers all over the world. Some of these documents are simply files containing information. However, more elaborate documents, commonly known as Web "pages," are also prevalent. Each has its own address—'rather like a telephone number.' Web pages frequently contain information and sometimes allow the viewer to communicate with the page's (or "site's") author. . . . Access to most Web pages is freely available, but some allow access only to those who have purchased the right from a commercial provider.

*Id.* at 2335 (citations omitted).

32. See *infra* Part II.B.

33. See *infra* Part II.C.

applied to the Internet and why such a defense does not provide adequate security for clients. Part V discusses proposed solutions at the national and international levels including various proposed legislative changes and the WIPO treaty. Finally, Part VI synthesizes the above sections, analyzing how both current law and proposed legislative changes will affect these three categories of Internet users.

## I. Copyright Law and New Technologies

### A. The Goals of Copyright Law

Protecting the copyright owner or author is only a secondary concern of United States copyright law.<sup>34</sup> Copyright laws primarily strive to protect and foster the benefits received by society and the public at large from the creativity of authors.<sup>35</sup> To this end, copyright law grants copyright owners and authors exclusive rights in their original and creative works. These exclusive rights protect the owners' potential proprietary interest and economic benefits resulting from their creativity and originality.<sup>36</sup> Consequently, authors feel secure in continuing to create and bestow their creative fruits upon society.

Achieving copyright law's primary goal "To promote the progress of science,"<sup>37</sup> requires a constant balancing of society's interest in enhanced

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34. See *Mazer v. Stein*, 347 U.S. 201, 219 (1954) ("The copyright law, like the patent statutes, makes reward to the owner a secondary consideration."); see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984). The Court states:

The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.

*Id.*

See H.R. Rep. No. 60-2222, at 7 (1909). Commenting on the Copyright Act of 1909, the legislature states:

Not primarily for the benefit of the author, but primarily for the benefit of the public, such [copyrights] are given. Not that any particular class of citizens, however worthy, may benefit, but because the policy is believed to be for the benefit of the great body of people, in that it will stimulate writing and invention to give some bonus to authors and inventors.

*Id.*

35. See *Mazer*, 347 U.S. at 219 ("The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in science and useful arts.")

36. See *id.*

37. U.S. CONST. art. I, § 8, cl. 8. "Science" refers to "the arts," not science as understood today (i.e. *not* physics, chemistry, etc.). See LEAFFER, *supra* note 22, § 2.1, fn.3.

public welfare through the creation of original and creative works and the free dissemination of knowledge<sup>38</sup> against the appropriate level of protection the law should afford authors and owners to ensure adequate incentives for sufficient creative progress. Technological progress and development has prompted Congress<sup>39</sup> and the courts to repeatedly modify and amend copyright laws in an effort to maintain this balance.<sup>40</sup> The new technology of the Internet will almost certainly prompt Congress and the courts to again amend and modify existing copyright laws to maintain the appropriate balance of interests between society and authors.

## B. Evolution and Change of Copyright Law in Response to New Technologies

Legislatures and courts have not been afraid to change the level of protection afforded authors of creative works in response to technological

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38. See *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975). There the Court found that:

The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts.

*Id.*

See H.R. REP. NO. 60-2222, at 7 (1909). Commenting on the Copyright Act of 1909, the report states:

In enacting a copyright law Congress must consider . . . two questions: First, how much will the legislation stimulate the producer and so benefit the public, and, second, how much will the monopoly granted be detrimental to the public? The granting of such exclusive rights, under the proper terms and conditions, confers a benefit upon the public that outweighs the evils of the temporary monopoly.

*Id.*

See also LEAFFER, *supra* note 22 (discussing the goals of copyright law as embodied in the constitutional language).

39. The United States Constitution empowers Congress to grant protection, through legislation, for copyrights and patents, stating that Congress shall have the power "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8.

40. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429-31 (1984).

As the text of the Constitution makes plain, it is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors or to inventors in order to give the public appropriate access to their work product. Because this task involves a difficult balance between the interest of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand, patent and copyright statutes have been amended repeatedly.

*Id.* at 429; see also *Aiken*, 422 U.S. at 156 ("When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of [its] basic purpose.").

changes.<sup>41</sup> Indeed, copyright law originated because of technological innovation—the invention of the printing press.<sup>42</sup> Like the Internet today, the invention of the printing press introduced the world to the ability to mass reproduce and disseminate creative material. While the technology's potential excited many, Parliament was persuaded to pass the Statute of Anne—the first copyright act—in 1710 to attempt to control and limit otherwise uncontrolled and unmonitored reproduction of written works.<sup>43</sup>

Importantly, the drafters of the United States Constitution adopted the basic premise supporting the promulgation of the copyright laws embodied in the Statute of Anne.<sup>44</sup> The United States Supreme Court has interpreted the constitutional language and supporting policy to mandate that United States laws adapt in response to technological change and innovation to ensure adherence to the underlying goals of the copyright laws.<sup>45</sup> In the 200 years since Congress passed the first copyright act in 1790,<sup>46</sup> technological innovation and advancement has required Congress to continually amend the copyright laws.<sup>47</sup>

The Internet poses yet another technological leap stretching the applicability of existing copyright law. Congress' long history of amending copyright laws in reaction to technological innovation strongly suggests that Congress will eventually amend the statutory copyright laws to respond to new issues created by the Internet.

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41. See Brian A. Carlson, *Balancing the Digital Scales of Copyright Law*, 50 SMU L. REV. 825, 828–44 (discussing the influence of technology on the development of copyright law, including discussion of statutory and case law changes in copyright law in reaction to technological innovation).

42. See *Sony*, 464 U.S. at 430.

43. See LEAFFER, *supra* note 22, § 1.2 (discussing the reasons underlying the adoption of protection in the Statute of Anne).

44. See *id.*; U.S. CONST. art. I, § 8, cl. 8. See generally *Mazer v. Stein*, 347 U.S. 201, 208–14 (1954) (providing historical overview of copyright statutes).

45. See *Aiken*, 422 U.S. at 156 (citing United States Supreme Court decisions that mandate and explain the need for change and amendment in the copyright laws according to technological change). But see LEAFFER, *supra* note 22, § 1.3. “The Patent and Copyright Clause was adopted in final form without debate in a secret proceeding on September 5, 1787. As a result, little is known about what the Framers had in mind in drafting this particular constitutional clause or about the scope of the various terms of the constitutional language.” *Id.* (citing Ralph Oman, *The Copyright Clause: “A Charter for a Living People,”* 17 U. BALT. L. REV. 99, 103 (1987)).

46. See Act of May 31, 1790, ch. 15, 1 Stat. 124 (1790) (current version at 17 U.S.C. §§ 101-1101 (1996)).

47. See Carlson, *supra* note 41, at 828–44 (discussing the influence of technology on the development of copyright law, including discussion of statutory and case law changes in copyright law in reaction to technological innovation).

## II. Traditional Theories of Copyright Infringement

Copyright infringement occurs anytime a party violates one or more of the copyright owner's exclusive rights granted by the copyright laws.<sup>48</sup> The party whom *themselves* completes the infringing copying is directly liable under the statutory language of the 1976 Act.<sup>49</sup> In addition, the courts have articulated rules augmenting the statutory language by also imposing liability, in certain circumstances, on parties who themselves do not actually perform the infringing activities, but who are "related" to the direct infringer.<sup>50</sup> Because copyright infringement is a particular species of tort, one should not be surprised that the courts have adopted the theories of contributory and vicarious liability—theories developed in tort law—as a means of expanding the net of liability for unlawful acts.

The doctrines of contributory and vicarious liability considerably ease the owner's ability to find *some* party upon whom liability can be placed. Because, as noted earlier, the nature of the Internet may result in hundreds, thousands or even millions of direct copyright infringers—many or all of which may be anonymous, "judgment proof," or "small timers"—contributory and vicarious liability become important tools for the copyright owner in the online context. Importantly, the doctrines result in the inclusion of

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48. See 17 U.S.C. § 106 (1994).

Subject to sections [sic]107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly, and

in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission . . . .

*Id.*

See LEAFFER, *supra* note 22, § 9.1 ("Thus, to infringe, the defendant must have reproduced, adapted, distributed, publicly performed, or publicly displayed the copyrighted work in an unprivileged way.").

49. See LEAFFER, *supra* note 22, § 9.1.

50. See *id.* § 9.20.

Although not expressly recognized in the 1976 Act, a person can be liable as a related defendant for the infringing activity of another. . . . [T]he term 'related defendants' refers to all situations where one can be held liable for the acts of another, including vicarious liability and liability for contributory infringement.

*Id.*

*particular*, additional parties in the net of liability who may be more practically or desirably pursued in an infringement suit.

The client is not likely to care which theory enables them to sue an infringer or which theory results in their own liability for the alleged infringement. The copyright attorney, however, should recognize that important differences exist between the *levels of proof* required to sustain valid copyright infringement claims under each of the three theories.

## A. Direct Infringement

Direct copyright infringement occurs anytime a party violates one of the copyright owner's five exclusive rights granted under copyright law.<sup>51</sup> Successfully proving direct copyright infringement requires a copyright owner to prove: (1) ownership of a valid copyright in the allegedly infringed work; (2) that the defendant "copied"<sup>52</sup> the work, thereby infringing one or more of the owner's exclusive rights; and (3) that this copying was improper under the copyright laws.<sup>53</sup> In short, if a copyright owner can satisfy these three criteria, the copyright owner can *at least* hold the party *actually* completing the copying liable for copyright infringement.

Importantly, direct copyright infringement is a strict liability tort.<sup>54</sup> Thus, any party who engages in the unauthorized exercise of any of the copyright holder's exclusive rights is liable for copyright infringement under federal law, regardless of whether that party knew or intended to

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51. See 17 U.S.C. § 501(a) (1994) (providing that "Anyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright . . .").

52. See *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1085 n.3 (9th Cir. 1989) ("'Copying' is shorthand for the infringing of any of the copyright owner's five exclusive rights. . . ."); see also LEAFFER, *supra* note 22, § 9.3, at 286 n.3 ("The term 'copying' is a misnomer. The reproduction, adaptation and even performance rights involve copying in one way or another. But the term 'copying' covers unlawful distribution and display as well, hardly acts of copying as one might use the term in ordinary language.").

53. See LEAFFER, *supra* note 22, § 9.2.

54. See 17 U.S.C. § 504(c) (1994); *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1367 n.10 (N.D. Cal. 1995) (noting copyright law's strict liability nature). Comparatively, and relevant to understanding differences in activities engaged in online, defamation is *not* a strict liability tort. See Communications Decency Act, 47 U.S.C. § 230 (1996) (immunizing Internet Service Providers from tort liability for postings made by their service's subscribers); see also *Zeran v. American Online, Inc.*, 129 F.3d 327, 331 (4th Cir. 1997) (noting that Congress created a tort immunity for Internet Service Providers in the Communications Decency Act because "It would be impossible for service providers to screen each of their millions of postings for possible problems"). *But see* 47 U.S.C. § 230(d)(2) (1998) (providing that the tort immunity does not limit or expand any law pertaining to intellectual property); *Cubby, Inc. v. CompuServe Inc.*, 776 F. Supp. 135, 140-41 (S.D.N.Y. 1991) (holding that BBS was more like a "distributor" than a "publisher" where it exercised little control over content on its service, and was, thus, liable only for defamatory statements on its system where it knew or should have known of the presence of the statements).

violate the copyrights of the work's owner.<sup>55</sup> Indeed, a party can even be liable for direct copyright infringement for *unconscious* copying of another's protected work,<sup>56</sup> as well as for "innocent" copying.<sup>57</sup>

While the strict liability nature of the tort alleviates the need for offering difficult-to-obtain evidence of intent or knowledge, direct evidence of copying is rarely available.<sup>58</sup> In recognition of this evidentiary dilemma, a plaintiff may prove direct infringement by circumstantial evidence, where direct evidence of copying is not available by showing that: (1) the defendant had access to the allegedly infringed work; and (2) the defendant's allegedly infringing work is "substantially similar"<sup>59</sup> to the plaintiff's copyrighted work.<sup>60</sup>

In sum, direct copyright infringement offers the copyright owner the ability to hold a particular party liable without any proof of intent, volition or knowledge on their part. Its drawback, however, is that direct copyright infringement inherently applies to only one party at a time. That is, the plaintiff must prove the requisite copying for each alleged direct infringer and each alleged direct infringement. Consequently, holding a large and anonymous pool of alleged infringers directly liable is impracticable and often impossible. Thus, while plaintiffs are still attempting to impose direct liability on online service providers, they are also turning to the alternative theories of contributory and vicarious liability to impose liability on the

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55. See *Religious Tech. Ctr.*, 907 F. Supp. at 1367 ("Direct infringement does not require intent or any particular state of mind, although willfulness is relevant to the award of statutory damages."); see also 17 U.S.C. § 504(c).

56. See *Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*, 420 F. Supp. 177 (S.D.N.Y. 1976), *aff'd sub nom.*, *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 722 F.2d 988 (2d Cir. 1983) (finding George Harrison, a former member of the music group The Beatles, subconsciously copied another, earlier successful song).

57. "Innocent" copying would include, for example, innocently receiving an e-mail message that infringes the copyrights of another, and then subsequently printing that e-mail message to hard-copy form. Further, if storage of images in RAM of a computer is determined to be "copying" for purpose of the Copyright Act, then simply browsing the Internet would constitute a form of "innocent" infringement. See Hayes, *Tidal Wave*, *supra* note 11, § II.A.4 (discussing innocent infringement).

58. See LEAFFER, *supra* note 22, § 9.3. Evidence of direct copying is:

rarely available, for obvious reasons. First, seldom will a defendant admit to copying a work. Second, copying is often carried out secretly or accomplished by non-physical means, *e.g.*, from memory. As a result, few plaintiffs are able to produce a witness who can testify that he saw the defendant physically copying the work.

*Id.*

59. See *id.* (noting that "substantial similarity" in this context refers to "similarities between the works probative of copying [by the defendant]") (citing Alan Latman, "Probative Similarity as Proof of Copying: Toward Dispelling Some Myths in Copyright Infringement," 90 COLUM. L. REV. 1187 (1990)).

60. See *id.* (discussing proof of copying through circumstantial evidence).

online service providers rather than the millions of individual direct infringers.

## B. Contributory Infringement

The Copyright Act does not in so many words subject a person to liability for an infringement committed by another.<sup>61</sup> The absence of such express statutory language does not, however, preclude a court from imposing liability on parties "related" to the direct infringer,<sup>62</sup> who have not themselves directly infringed another's copyrights. Similar to other areas in the law, courts have long recognized contributory copyright infringement as a viable theory for identifying the circumstances in which it is "just" or "fair" to hold one party responsible for the actions of another.<sup>63</sup> Contributory infringement extends the net of liability beyond simply the direct infringer to impose liability equally on parties who are, under the circumstances, justly accountable for the infringement.<sup>64</sup>

The courts have defined the circumstances in which one party may be held accountable for the copyright violations of another under a theory of contributory infringement to be where: (1) direct copyright infringement has occurred; (2) a party induces, causes or materially contributes to the infringing activity of another;<sup>65</sup> and (3) that party also knows or has reason to know that the subject matter at issue is copyrighted and that the directly

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61. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 434 (1984) ("The Copyright Act does not expressly render anyone liable for infringement committed by another."); *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1373 (N.D. Cal. 1995) ("there is no statutory rule of liability for infringement committed by others.").

62. See LEAFFER, *supra* note 22, § 9.20.

Although not expressly recognized in the 1976 Act, a person can be liable as a related defendant for the infringing activity of another. This general principal is derived from [17 U.S.C.] § 106, which grants the copyright owner the exclusive right to authorize others to exploit the exclusive rights of ownership. [See H.R. REP. No. 94-1476, at 159 (1976).] Through this provision, the principle of related defendants is recognized in the 1976 Act. As used in following subsections, the term "related defendants" refers to all situations where one can be held liable for the acts of another, including vicarious liability and liability for contributory infringement.

*Id.* (footnotes omitted).

63. See *id.* at 435 ("For vicarious liability is imposed in virtually all areas of the law, and 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.").

64. See *Sony Corp. of Am.*, 464 U.S. at 435.

65. See *Gershwin Publ'g Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (holding that a party may be liable for contributory copyright infringement where "with knowledge of the infringing activity, [it] induces, causes or materially contributes to the infringing conduct of another"); *Sega Enters. v. MAPHIA*, 948 F. Supp. 923, 932 (N.D. Cal. 1996) (finding that to impose liability on defendant for contributory infringement, plaintiff must show that defendant induced, caused, or materially contributed to their infringing activity).



infringing party is violating one or more of the copyright owner's exclusive rights.<sup>66</sup>

Like the requirements for establishing direct infringement, the elements and corresponding factual requirements required for a successful contributory infringement claim present the plaintiff with both advantages and drawbacks—especially in the online context.

The plaintiff is aided, as previously noted, because the theory of contributory infringement offers them the ability to hold parties liable for the infringement of others. Thus, the plaintiff need not, for example, individually sue each of the thousands or millions of direct infringers downloading an infringing picture on the Internet. Rather, the plaintiff could, under the theory of contributory infringement, sue the Internet Service Provider ("ISP") for inducing, causing or materially contributing to the infringing activity committed by another on the theory that the ISP has provided the necessary means enabling the direct infringement. Thus, the theory of contributory liability is attractive to plaintiffs where claims of direct infringement against the ISP are unavailing and where successful pursuit of some, any or all of the other direct infringers is unlikely. Because a plaintiff can surely find *one* direct infringer on the Internet,<sup>67</sup> plaintiffs can almost always pursue the ISP, or some other third party, under a theory of contributory liability.

Conversely, the theory of contributory liability has two primary drawbacks for plaintiffs. First, because the plaintiff must offer highly factual evidence showing intent and contribution to causing the infringing activity, defendants are more likely to survive summary judgment. Many of the cases decided involving copyright infringement through Internet use arise in the procedural context of the *plaintiff* moving for summary judgment. Defendants have successfully defeated these motions due to the presence of factual disputes relevant to proving contributory infringement. Second, courts have not clearly or consistently defined exactly what behavior rises to the level of inducing, causing or materially contributing to the directly infringing activity. Courts also have differed as to when a defendant actually knew or *should have known* that infringing activity was occurring. This lack of an articulated standard creates great uncertainty as to what behavior constitutes contributory infringement online. Consequently, plaintiffs cannot be sure when contributory liability will be successfully pled.

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66. See *Gershwin*, 443 F.2d at 1162; *Sega*, 948 F. Supp. at 933. "The standard for the knowledge requirement is objective, and is satisfied where the defendant knows or has reason to know of the infringing activity." *Id.* (citing *Casella v. Morris*, 820 F.2d 362, 365 (11th Cir. 1987)).

67. Browsers, for example, are all arguably direct infringers.

### C. Vicarious Infringement

The theory of vicarious infringement, like contributory infringement, expands the net of liability to third parties not directly infringing.<sup>68</sup> Here, however, the circumstances under which a court will find it “just” or “fair” to hold a party equally accountable for the infringements committed by a third party differ from those of contributory infringement.<sup>69</sup> A party may be held vicariously liable where: (1) the party “has the right and ability to supervise the infringing activity”;<sup>70</sup> and also (2) “has a direct financial interest in such activities.”<sup>71</sup> Importantly, a defendant may be equally liable for federal copyright infringement with the direct infringer irrespective of whether the defendant had knowledge<sup>72</sup> of the infringing activity or whether the defendant actively participated in the direct infringement in any way.<sup>73</sup> Thus, unlike contributory liability, where the *behavior* and *intent* of the defendant determines liability, under the theory of vicarious liability, the *relationship* between the defendant and the direct infringer determines the defendant’s liability.<sup>74</sup>

Helpful to understanding the doctrine of vicarious liability are the often used metaphors of relationships between landlords and their tenants as compared to operators of “dance-halls” (entertainment venues) to the allegedly infringing performers in those establishments.<sup>75</sup> Generally speaking, landlords are often not considered vicariously liable for the infringing acts of their tenants because landlords generally do not receive a direct financial benefit from a tenant’s infringing activity nor do they exercise control over the leased premises.<sup>76</sup> The landlord’s knowledge of the infringing activity is irrelevant.<sup>77</sup> The closer a relationship is to this “landlord-tenant” analogy,

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68. See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261–64 (9th Cir. 1996) (discussing vicarious liability); LEAFFER, *supra* note 22, § 9.20[C] (discussing generally doctrine of vicarious liability).

69. See LEAFFER, *supra* note 22, § 9.20[C].

70. *Fonovisa*, 76 F.3d at 262 (citing *Gershwin*, 443 F.2d at 1162).

71. *Id.*

72. See *Fonovisa*, 76 F.3d at 261–64 (discussing vicarious liability). “Knowledge” here means that the defendant neither *actually* knew nor *should have* known of the infringing activity. See *id.*; see LEAFFER, *supra* note 22, § 9.20[C] (discussing generally doctrine of vicarious liability).

73. See LEAFFER, *supra* note 22, § 9.20[C].

74. See *id.*; Shulman, *supra* note 7, at 575 (discussing vicarious liability generally and in relation to online context).

75. See LEAFFER, *supra* note 22, § 9.20[C] (discussing generally doctrine of vicarious liability); *Fonovisa*, 76 F.3d at 261–64 (discussing vicarious liability); see also Shulman, *supra* note 7, at 575.

76. See *Fonovisa*, 76 F.3d at 262; see LEAFFER, *supra* note 22, § 9.20[C]; see also Shulman, *supra* note 7, at 575.

77. See LEAFFER, *supra* note 22, § 9.20[C].

the less likely it is that the defendant in the position analogous to the landlord will be held liable for vicarious copyright infringement.<sup>78</sup> Comparatively, the operator of an entertainment venue is often considered vicariously liable for the directly infringing performances of entertainers in its venue because the operator has the ability to control the premises and the operator obtains a direct financial benefit from the audience's paying to see the infringing performances.<sup>79</sup> These metaphors simply act as easily understandable guideposts helpful to determining when a party has met the requirements for which the law deems it just to impose liability for the acts of another.<sup>80</sup> Both metaphors, however, are founded upon the same legal requirements of control and financial benefit and ultimately turn on the relationship of the defendant to the direct infringer.<sup>81</sup>

Beyond expanding the net of liability to parties not directly infringing, the doctrine of vicarious liability offers plaintiffs the ability to impose liability on third parties to the same extent as direct infringers where the third party maintains a particular type of relationship with the direct infringer. Thus, unlike contributory infringement, but like direct infringement, liability can justly be imposed on a party not directly infringing *even if* that party *did not intend* to aid or otherwise contribute to the infringement. The defendant's knowledge of the infringing activity is irrelevant.

Applying the doctrine of vicarious liability in the Internet context presents many as yet unanswered questions. The recent increase in Internet use has resulted in part from the recognition that the medium offers new commercial opportunities and advantages. Consequently, financial benefit, while not originally the reason for its development, has become an important, if not primary, purpose for many parties' Internet activity. Whether any of these parties *directly* benefit from Internet use may, however, depend not only on courts' definitions of "direct" financial benefit as applied to the online context but also on the particular type of activity conducted by the alleged vicarious infringer on the Internet. Also relevant to a claim of vicarious copyright infringement is the fact that because the Internet is comprised of networks of computers, some party must necessarily exercise some level of control over certain aspects of those networks. *What level of control* is necessary, and what actually exists, however, are questions that threaten the applicability of vicarious liability in the Internet context.

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78. *See id.*

79. *See id.*

80. *See id.* (discussing generally doctrine of vicarious liability); *see also Fonovisa*, 76 F.3d at 261–64 (discussing vicarious liability); Shulman, *supra* note 7, at 575.

81. *See* Shulman, *supra* note 7, at 575.

### III. The Difficulties of Applying Traditional Theories of Infringement to the Internet

As the discussion in the previous section suggests, copyright owners have attempted to employ the three traditional theories of liability for copyright infringement against allegedly infringing Internet operations. Courts have accepted and rejected these arguments to varying degrees as judges have struggled to stretch the applicable statutory and case law to fit the technology of the Internet. This “first wave” of decided cases illustrates the difficulties in applying existing copyright laws to the technology of the Internet. Consequently, the decisions anticipate the legislative changes likely to be made to copyright law in efforts to address these issues.

#### A. Direct Infringement

Imposing direct liability on online service providers (“OSPs”) has proved surprisingly difficult, even for those courts accepting the reasoning and conclusions of *MAI Systems Corp. v. Peak Computer, Inc.*,<sup>82</sup> which held that works viewed and transmitted on the Internet are “copies” for purposes of the Copyright Act. The reason courts have struggled to impose direct liability on certain parties results from the fact that the technology used by those parties whom plaintiffs wish to hold directly liable—namely the ISPs, BBSs and/or Web site operators—*automatically* creates the allegedly infringing copies. That is, once the ISP, BBS or Web site operator sets up its system of hardware and software, the copies are made automatically without any further or direct involvement by those parties. Thus, a user wishing to download a work from a Web site will select the work, which will automatically be routed through the various routers or node computers in the particular transmission path, automatically pass through the ISP and possibly the BBS, the modems will automatically buffer the works, and the work will automatically be copied into the user’s RAM.

The central issue that courts have struggled to answer is whether *volition* should be required in order to find a third party liable for direct copy-

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82. *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993). While no courts have considered the effect of WIPO, courts would encounter the same problems in considering direct liability as they do as a result of accepting *MAI*. But see David L. Hayes, *Advanced Copyright Issues on the Internet*, § II.F.3.(a) (visited Apr. 13, 1998) <<http://www.fenwick.com/pub/copy.html>> (arguing that the recent case of *Marobie-FL, Inc. v. National Ass’n of Fire Equip. Distribs.*, 983 F. Supp. 1167 (N.D. Ill. 1997) could be construed to hold “the distribution and public display rights to cover both the making available of the [plaintiff’s copyrighted work] to the public on the [defendant’s] Web page (a right of access), as well as subsequent downloads by users (a right of transmission)”).

right infringement.<sup>83</sup> That is, even though direct copyright infringement is a strict liability tort, does it make sense to hold a party directly liable for copying when that party has not actually participated in the copying? Additionally, even if volition should be required, should *direct* volitional activity be required,<sup>84</sup> or is it sufficient that the third party only intentionally created the automatic means enabling the copying to occur—thereby only indirectly participating in the copying?

The widely discussed *Playboy Enterprises, Inc. v. Frena*<sup>85</sup> was the first case to consider liability for direct copyright infringement by a defendant conducting activity on the Internet. The *Frena* court held that the operator of a BBS was directly liable for infringing the plaintiff's exclusive rights of distribution and display<sup>86</sup> in its copyrighted photographs. The BBS automatically distributed and displayed the plaintiff's copyrighted photographs to the BBS's subscribers.<sup>87</sup> The operator of the BBS himself did not upload any of the photographs to the bulletin board.<sup>88</sup> Rather, the *subscribers* actively uploaded and downloaded the infringing pictures to the BBS's computers.<sup>89</sup> The BBS operator removed the photographs upon notice of their presence on his system.<sup>90</sup> Thus, *Frena* held the BBS operator liable even though the BBS operator did not himself perform the infringing activity.<sup>91</sup>

The *Frena* decision is initially easy to understand in light of the strict liability nature of the copyright laws. Commentators, however, have heavily criticized the decision, interpreting *Frena*'s holding to limit its applicability as well as offering other reasons for the decision not articulated by the court.<sup>92</sup> While the decision may, in retrospect, be viewed as innocent or

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83. See generally Hayes, *Tidal Wave*, *supra* note 11 (discussing whether volition is required for a finding of direct infringement).

84. See *id.* § II.A.4 (asking whether direct volition as compared to volition is an important distinction).

85. 839 F. Supp. 1552 (M.D. Fla. 1993).

86. See *id.* at 1554. Interestingly, and somewhat curiously, the court did *not* find that the defendant had violated the plaintiff's exclusive right of *reproduction*. See *id.*

87. See *id.*

88. See *id.* But see *Religious Tech. Ctr. v. Netcom On-Line*, 907 F. Supp. 1361, 1371 n.16 (N.D. Cal. 1995) ("The finding of direct infringement was perhaps influenced by the fact that there was some evidence that defendants in fact knew of the infringing nature of the works, which were digitized photographs labeled 'Playboy' and 'Playmate.'").

89. See *Frena*, 839 F. Supp. at 1554.

90. See *id.*

91. See *id.*

92. See Hayes, *Tidal Wave*, *supra* note 11, § II.A.4 for a representative criticism and good summary of the reasons why *Frena* has been criticized and limited.

The reach of [*Frena*] may be limited, however, because the BBS was apparently one devoted to photographs, much of it adult subject matter, and subscribers routinely uploaded and downloaded images therefrom. Thus, the court may have viewed *Frena* [the BBS operator] as a more direct participant in the infringement, having set up a

naïve as to the policy considerations concerning liability on the Internet, the case might objectively be viewed as the most literal application of the strict liability nature of the Copyright Act to Internet activity. Other courts, however, have subsequently presented reasons why third parties, who themselves did not actually participate in the copying, should not be liable for direct infringement, even though their facilities necessarily and unquestionably *actually caused* the copying.

Contrary to the seemingly straightforward application of strict liability by *Frena*, the court in *Religious Technology Center v. Netcom On-Line*<sup>93</sup> held that some volition by third parties *was* required in order to impose liability on third parties supplying the copying facilities for direct infringement.<sup>94</sup> There, an individual (Erlich) posted allegedly infringing works to the defendant BBS's (Klemesrud) computer for use through Usenet.<sup>95</sup> The BBS gained its access to the Internet through the defendant ISP (Netcom).<sup>96</sup> Once the work was posted to the BBS, the BBS's computer automatically stored the works, and the ISP automatically copied the works from the BBS to its own computers and then onto other Usenet computers.<sup>97</sup> The Usenet servers maintained the works on Netcom's computers for eleven days and on the BBS's computer for three days.<sup>98</sup> Neither the BBS nor the ISP con-

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bulletin board that was devoted to the kind of activity that would foreseeably lead to infringement. The undisputed evidence of the presence on the bulletin board of the plaintiff's photographs, some of which had been edited to remove the plaintiff's trademarks and to add Frena's advertisements, was apparently evidence of sufficient involvement for the court to find direct infringement of the public distribution right. Similarly, Frena's selection of the infringing content for inclusion in the bulletin board was apparently sufficient involvement to find direct infringement of the public display right.

*Id.*

93. 907 F. Supp. 1361 (N.D. Cal. 1995).

94. *See id.* at 1369. The court did not expressly rule contrary to *Frena*, noting that the court was finding that the *reproduction* right was not directly violated, where *Frena* addressed only the *distribution* and *display* rights. *See id.* at 1369-70.

95. The Usenet is:

a worldwide community of electronic BBSs that is closely associated with the Internet and with the Internet community. The messages in Usenet are organized into thousands of topical groups or "Newsgroups."

As a Usenet user, you read and contribute ('post') to your local Usenet site. Each Usenet site distributes its users' postings to other Usenet sites based on various implicit and explicit configuration settings, and in turn receives postings from other sites.

*Id.* at 1365 n.4 (citing DANIEL P. DERN, *THE INTERNET GUIDE FOR NEW USERS* 196-97 (1994)); *see also* Hayes, *Tidal Wave*, *supra* note 11, § II.A.4, at n.35.

96. *See Netcom*, 907 F. Supp. at 1366.

97. *See id.* at 1367-68.

98. Such procedure is standard and done for the convenience of Usenet users and for easing transmission. *See id.* at 1367; Hayes, *Tidal Wave*, *supra* note 11, § II.A.4 ("In accordance with usual Usenet procedures, Usenet servers maintained the posted works for a short period of time . . .").

trolled, created or selected the content posted to its computers or made it available to their subscribers.<sup>99</sup> The ISP took no action after plaintiffs notified the ISP that allegedly infringing works were being posted to its system.<sup>100</sup>

In an important leap for copyright law as applied in the online context, the court stated the issue presented as “whether possessors of computers are liable for incidental copies automatically made on their computers using their software as part of a process initiated by a third party.”<sup>101</sup> The issue arose, according to the court, because “unlike *MAI*, the mere fact that Netcom’s systems incidentally make temporary copies of plaintiffs’ works does not mean Netcom has caused the copying.”<sup>102</sup> In refusing to hold the ISP or the BBS liable for direct infringement, Judge Whyte held that “Although copyright is a strict liability statute, there should still be 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.”<sup>103</sup>

Judge Whyte’s reasoning laid the foundation for subsequent court decisions. Significantly, he stated that “Netcom’s act of designing or implementing a system that automatically and uniformly creates temporary copies of all data sent through it is not unlike that of the owner of a copying machine who lets the public make copies with it.”<sup>104</sup> Recognizing the unique nature of the Internet, Judge Whyte identified important policy considerations relevant to direct infringement, stating that a finding of direct liability would necessarily require a finding that all Usenet computers transmitting Erlich’s work, and therefore all users in that network link, would be

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99. See *Netcom*, 907 F. Supp. at 1368.

100. See *id.* Importantly for purposes of contributory infringement, the court noted that the notice given by plaintiffs to defendant Netcom was irrelevant to a finding of liability for *direct* infringement, but was relevant to contributory infringement analysis. See *id.* at 1370 (“Whether a defendant makes a direct copy that constitutes infringement cannot depend on whether it received a warning to delete the message. This distinction may be relevant to contributory infringement, however, where knowledge is an element.”).

101. *Id.* at 1368.

102. *Id.* at 1368–69.

103. *Id.* at 1370.

104. *Id.* at 1369. The court stated that “Although some of the people using the machine may directly infringe copyrights, courts analyze the machine owner’s liability under the rubric of *contributory* infringement, not *direct* infringement.” *Id.* (emphasis added) (citing *RCA Records v. All-Fast Sys., Inc.*, 594 F. Supp. 335 (S.D.N.Y. 1984); *NIMMER & NIMMER*, *supra* note 12, § 12.04[A][2][b], at 12-78 to -79 (1995); *Elkin-Koren*, *supra* note 30, at 363). The court also noted the possible applicability of § 111 of the Copyright Act exempting passive carriers otherwise liable for secondary transmissions. See *Netcom*, 907 F. Supp. at 1369 n.12. The court ultimately concluded that the analogy of Internet Service Providers to these carriers “is not completely appropriate as Netcom does more than just ‘provide the wire and conduits.’ Further, Internet providers are not natural monopolies that are bound to carry all the traffic that one wishes to pass through them, as with the usual common carrier.” *Id.*

liable.<sup>105</sup> Thus, the very nature of the Internet would result in direct copyright infringement by potentially millions of people who simply used the Internet in standard ways.<sup>106</sup> Consequently, the court found that imposing liability on either the ISP or the BBS would be unreasonable.<sup>107</sup>

*Netcom* is important for understanding copyright infringement on the Internet because the case recognized that the nature of the Internet's operation requires focusing on a party's actual participation in the copying. Additionally, Judge Whyte recognized that, unlike traditional mediums, volition becomes central to liability on the Internet because the technology automatically operates to copy.<sup>108</sup> Once the system is set-up, no further direct volition as to any particular act of copying by the OSP occurs. Thus, while at first blush, *Netcom* appeared to have created a volition requirement out of whole cloth, the case can be better understood as recognizing that the nature of the Internet requires additional considerations not present in traditional mediums.

Initially, *Netcom* appeared to have defined the course subsequent cases would take with respect to imposing direct liability. The much-discussed case *Sega Enterprises v. MAPHIA*<sup>109</sup> appeared to solidify the standard established in *Netcom*. There, the court declined to hold the operators of a

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105. See *Netcom*, 907 F. Supp. at 1369–70.

Plaintiffs' theory [of imposing direct infringement] would create many separate acts of infringement and, carried to its natural extreme, would lead to unreasonable liability . . . . [P]laintiff's theory further implicates a Usenet server that carries Erlich's message to other servers regardless of whether that server acts without any human intervention beyond the initial setting up of the system. It would also result in liability for every single Usenet server in the worldwide link of computers transmitting Erlich's message to every other computer. These parties, who are liable under plaintiffs' theory, do no more than operate or implement a system that is essential if Usenet messages are to be widely distributed. There is no need to construe the [Copyright] Act to make all of these parties infringers.

*Id.*

106. See *id.*

107. See *id.* at 1372.

Where the infringing subscriber is clearly directly liable for the same act, 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. Such a result is unnecessary as there is already a party directly liable for causing the copies to be made. . . . The court does not find workable a theory of infringement that would hold the entire Internet liable for activities that cannot reasonably be deterred.

*Id.*

108. See *id.* at 1368.

109. 948 F. Supp. 923 (N.D. Cal. 1996). This case represents the final substantive determination in a series of related cases. See *Sega Enters. v. MAPHIA*, No. CIV.A.93-4262CW, 1997 WL 337558 (N.D. Cal. June 9, 1997) (granting of damages and permanent injunction against BBS operator); *Sega Enters. v. Sabella*, No. C93-04260CW, 1996 WL 780560 (N.D. Cal. Dec. 18, 1996); *Sega Enters. v. MAPHIA*, 857 F. Supp. 679 (N.D. Cal. 1994).



BBS liable for direct copyright infringement.<sup>110</sup> The court expressly adopted Judge Whyte's reasoning in *Netcom*, stating that direct infringement requires a showing that the defendant herself directly engaged in the copying.<sup>111</sup> Like *Netcom*, the BBS operator in *Sega* merely set-up and maintained the computer network that automatically enabled others to directly copy.<sup>112</sup> Thus, lack of volition beyond the mere setting up of the automatically copying BBS by the defendant precluded a finding of direct infringement.<sup>113</sup>

Courts appear to be adopting the volition requirement established in *Netcom* and subsequently adopted in *Sega*.<sup>114</sup> Interestingly, however, while

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110. See *Sega*, 948 F. Supp. at 932. The court clarified its previous holding in *Sega Enters. v. MAPHIA*, 857 F. Supp. 679 (N.D. Cal. 1994), stating that "To the extent that order can be read to suggest that [defendant] may be liable for direct copyright infringement, it is clarified and superseded by this order." *Sega*, 948 F. Supp. at 932 n.5.

111. See *Sega*, 948 F. Supp. at 932 (citations omitted).

While [defendant's] actions in this case are more participatory than those of the defendants in *Netcom*, the Court finds *Netcom* persuasive. *Sega* has not shown that [defendant] himself uploaded or downloaded the files, or directly caused such uploading or downloading to occur. The most *Sega* has shown is that [defendant] operated his BBS, that he knew infringing activity was occurring, and that he solicited others to upload games. However, whether [defendant] knew his BBS users were infringing on *Sega's* copyright, or encouraged them to do so, has no bearing on whether [defendant] directly caused the copying to occur. Furthermore, [defendant's] actions as a BBS operator and copier seller are more appropriately analyzed under contributory or vicarious liability theories. Therefore, because *Sega* has not shown that [defendant] directly caused the copying, [defendant] cannot be liable for direct infringement.

*Id.*

112. See *id.*

113. See *id.* But see *Playboy Enters., Inc. v. Sanfilippo*, No. 97-0670, 1998 U.S. Dist. LEXIS 5125, at \*7-9 (Mar. 24, 1998) (finding defendant directly copied plaintiff's images where a third-party source uploaded to defendant's hard drive via a File Transfer Protocol exchange). "Under § 106 of the Copyright Act, the owner has the exclusive right to both (a) copy the protected work and (b) authorize others to copy it. Therefore, defendant did not have the authority to allow the third party to upload unauthorized copies of plaintiff's images." *Sanfilippo*, 1998 U.S. Dist. LEXIS 5125, at \*8. But see 17 U.S.C. § 106 (1995); *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1093 (9th Cir. 1994) (holding that no independent "right of authorization" exists under the language of § 106, which gives the copyright owner the exclusive right "to do or to authorize" the enumerated acts. The court held the "to authorize" language was intended only to codify potential liability for contributory liability for the party authorizing infringement).

114. See *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503, 512-13 (N.D. Ohio 1997) (adopting the reasoning of *Netcom*, but distinguishing its facts from the case at bar, thereby imposing liability for direct infringement on a BBS). In finding the defendant BBS liable for violating plaintiff's distribution and display rights, the court noted that

As a legal matter, the court would agree with Judge Whyte [in *Netcom*] that a finding of direct copyright infringement requires some element of direct action or participation . . . . That being said, the facts of this case, unlike *Frena*, *Sega*, and *Netcom*, are sufficient to establish that defendants [violated plaintiff's exclusive rights of distribution and display]. This finding hinges on two crucial facts: (1) defendants' policy of encouraging subscribers to upload files, including adult photographs, onto the system, and (2)

courts maintain volition as established in *Netcom* as a requirement for finding direct infringement, these courts are finding that Web site operators generally exhibit the requisite volition, while ISPs and BBSs do not.

Where the Internet operation is truly automatic in carrying out its functions, such as the ISP or BBS in *Netcom*, the courts appear unlikely to find that the operator has acted with the requisite volition for a finding of direct infringement.<sup>115</sup> Conversely, where the operator has a large amount of direct involvement in the actual functions performed by the Internet operation (such as an operator of a Web site who personally selects and posts infringing pictures to his or her Web site, thereby making them available to be downloaded by visitors to the site), the courts are likely to find the requisite volition.<sup>116</sup> The range of behavior between these two extremes, however, has yet to be fully explored by the courts.

The *Webbworld* cases<sup>117</sup> represent such a middle ground. There, the defendants operated a Web site through which visitors could obtain, for a

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defendants' policy of using a screening procedure in which [defendant's] employees viewed all files in the upload file and moved them into the generally available files for subscribers. These two facts transform defendants from passive providers of a space in which infringing activities happened to occur to active participants in the process of copyright infringement.

*Id.*

See also *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 939 F. Supp. 1032, 1039 (S.D.N.Y. 1996) (holding a Web site operator liable for direct copyright infringement for posting infringing pictures of plaintiff's copyrighted works, noting that defendant actually supplied the content for his Web site by himself uploading the infringing images to the World Wide Web server. Distinguishing *Netcom*, the court noted "Here, Defendant does more than simply provide access to the Internet. It also provides its own services . . . and supplies the content for these services").

115. See *Sega Enters. v. MAPHIA*, 948 F. Supp. 923, 932 (N.D. Cal. 1996); *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1367 (N.D. Cal. 1995). But see *Central Point Software, Inc. v. Nugent*, 903 F. Supp. 1057, 1060 (E.D. Tex. 1995) (holding BBS liable for direct infringement for providing users the ability to download plaintiff's copyrighted software).

116. See *Chuckleberry Publ'g*, 939 F. Supp. at 1039 (holding a Web site operator liable for direct copyright infringement for posting infringing pictures of plaintiff's copyrighted works, noting that defendant actually "suppl[ied] the content" for his Web site by himself uploading the infringing images to the World Wide Web server.) Distinguishing *Netcom*, the court noted "Here, Defendant does more than simply provide access to the Internet. It also provides its own services . . . and supplies the content for these services." See *id.*

See *Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs. & N.W. Nexus, Inc.*, 983 F. Supp. 1167 (N.D. Ill. 1997) (holding Web site operator liable for direct infringement where Web site operator's agent actually copied infringing images to defendant-Web site operator's computer and then copied the files onto the hard drive of the service provider's computer (servers) by transmitting them over the Internet).

117. See *Playboy Enters., Inc. v. Webbworld, Inc.*, 968 F. Supp. 1171 (N.D. Tex. 1997) [hereinafter *Webbworld I*]; *Playboy Enters., Inc. v. Webbworld, Inc.*, 991 F. Supp. 543 (N.D. Tex. 1997) [hereinafter *Webbworld II*] [hereinafter, these cases collectively referred to as "the *Webbworld* cases"]. The *Webbworld* cases both arose from the same situation. The defendant

fee, adult-oriented images.<sup>118</sup> Significantly, none of the defendants themselves actually posted any of plaintiff's copyrighted works to the defendant-operated Web site.<sup>119</sup> Rather, the defendants created software that automatically selected the desired works from newsgroups and subsequently automatically posted the ultimately selected images to the defendants' Web site. Visitors and subscribers of the defendants' Web site were then able to view and download the infringing images.<sup>120</sup>

In holding the defendant-Web site operators liable for direct infringement, the court rejected defendants' arguments that they should not be directly liable because, like the ISP and BBS in *Netcom*, they served as a mere conduit between their subscribers and adult-oriented newsgroups.<sup>121</sup> The court apparently recognized, without expressly stating, the dilemma presented by the particular facts of defendant's operation. That is, because the defendants in *Webbworld* did not *themselves actually* download or upload the infringing pictures, *Netcom's* holding seemingly precluded a finding of direct infringement. However, the *reasoning* of *Netcom* could be stretched to fit the *Webbworld* situation in that the defendants in *Webbworld* arguably did act with the requisite "*Netcom* volition"—the only difference being that they created software to automatically do the job for them. Thus,

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obtained its [infringing] images from selected newsgroups according to the following general method.

Defendant Ellis [one of the operators of the Web site] selected the particular adult-oriented newsgroups to be downloaded. Periodically, *Webbworld* received a "news feed," which consisted of digital files from the selected adult newsgroups. The information was downloaded onto the news server computer. The feed consisted of both text and images, representing all of the new material that had been posted onto the newsgroup since the last feed.

The heart of the *Webbworld* operation was 'ScanNews,' software that Ellis had developed. ScanNews took the news feed, discarded most of the text, and retained the sexually-oriented images. A small amount of identifying text was sometimes retained. After the news feed was edited, the news server would announce to the twelve Web servers, via the ScanNews software, that its images were ready to be transferred. Each of the Web servers would contact the news server computer and [automatically] copy into memory the new adult images stored there. The news server then discarded that data to make room for the next news feed.

Besides discarding text, the ScanNews software altered the news feed in a second way. It created two "thumbnail" copies, one large and one small, for each of the adult images downloaded from the Usenet. . . . The thumbnails were not part of the news feed; they were created by the ScanNews software to facilitate *Webbworld's* sale of the images they represented.

*Webbworld II*, 991 F. Supp. at 549–50.

118. See *Webbworld II* at 549.

119. See *id.*

120. See *id.*

121. See *id.* at 552 ("Unlike the defendant service provider in [*Netcom*], *Webbworld* did not function as a mere provider of access.").

while offering somewhat clumsy reasoning,<sup>122</sup> the court understandably found the defendants liable for direct infringement, rejecting the defendants' contention that they acted without the requisite volition because their operation acted "automatically."<sup>123</sup> Thus, here, *automatic* operation did not equate to *lack of volition*.

*Webbworld* offers a glimpse at the technological and creative behaviors likely to challenge the "*Netcom* volition" analysis. However, in this author's opinion, the principle established in *Netcom*—that direct volitional activity evidencing some element of causation is necessary for a finding of direct infringement—appears likely to be followed by courts, guiding them in imposing direct liability.

## B. Contributory Infringement

While defendants may be able to escape liability for direct infringement depending on their level of actual involvement in the infringing activities, those defendants may nonetheless be *contributorily* liable for the same behavior.

Unfortunately for Internet businesses, but fortunately for copyright owners, many courts have accepted contributory liability as a viable theory under which most Internet operations can be held liable for copyright infringement. Indeed, all of the cases to consider the applicability of contributory liability to an Internet operation—whether it be an ISP, BBS, some combination of both, or a Web site—have at least held the theory to be one for which a jury could reasonably find the defendant liable. Additionally, at least some of those courts have granted plaintiff's motion for summary judgment, thereby finding defendant contributorily liable as a matter of law.

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122. *See id.*

[U]nlike the Defendant in [*Netcom*], *Webbworld* did not function as a passive conduit of unaltered information. Instead, *Webbworld* functioned primarily as a store, a commercial destination within the Internet. Just as a merchant might re-package and sell merchandise from a wholesaler, so did *Webbworld* re-package (by deleting text and creating thumbnails) and sell images it obtained from the various newsgroups. In contrast to the defendants in [*Netcom*], *Webbworld* took "affirmative steps to cause the copies to be made." Such steps included using the ScanNews software to troll the Usenet for *Webbworld's* product.

*Id.*

"[Additionally], *Webbworld* exercised total dominion over the content of its site and the product it offered its clientele. As a shop owner may choose from what sources he or she contracts to buy merchandise, so, too, did *Webbworld* have the ability to choose its newsgroups sources." *See id.*

123. *See id.* at 553 ("In any event, having developed and launched the ScanNews software for commercial use, *Webbworld* cannot now evade [direct] liability by claiming helplessness in the face of its 'automatic' operation.").

*Netcom* also made an important step in applying the theory of contributory liability to the Internet. While the defendants in *Netcom* (the ISP and BBS) were not directly liable, the court held that sufficient evidence existed such that a jury could reasonably find these defendants contributorily liable for a third party's (Erlich) infringing postings passing through defendants' networks.<sup>124</sup> There, the ISP, while initially unaware of the infringing activity, received notice of the infringing activity from the plaintiffs.<sup>125</sup> Importantly, this notice raised the issue of the defendant-ISP's responsibility to verify the plaintiff's allegation of infringing activity occurring on the defendant's system.

### 1. Knowledge of Infringing Activity

The central issue in the *Netcom* court's analysis of contributory liability was whether the knowledge element was satisfied, not whether the defendant participated "enough."<sup>126</sup> The court held that the plaintiff's notice of the infringing activity to the ISP combined with copyright notices on many of the works posted to the Usenet acted to raise a triable issue of fact as to whether *Netcom* "knew or should have known" of the infringing activity occurring on its networks.<sup>127</sup> The court, however, mindfully cautioned that a party will *not* be deemed to have sufficient knowledge—actual or constructive—simply by an unsupported allegation by the plaintiff of infringing activity.<sup>128</sup> Thus, where an Internet operation cannot reasonably

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124. See *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1375, 1382 (N.D. Cal. 1995) (presenting facts sufficient to raise a question as to *Netcom*'s knowledge once it received a letter from plaintiffs informing defendant of the allegedly infringing activity on defendant's network. For the same reasons the court found plaintiffs' pleadings sufficient to raise an issue of contributory infringement as to defendant Klemesrud, the BBS operator).

125. See *Netcom*, 907 F. Supp. at 1374. Klemesrud, the BBS operator, similarly received notice from plaintiffs of the allegedly infringing activity. See *id.* at 1382. Thus, the court held that the analysis for the BBS operator's contributory liability was the same as that applied to the ISP. See *id.* Consequently, while this section analyzes the court's discussion of the ISP's contributory liability, the analysis applies equally to the BBS. See *id.*

126. See *id.* at 1374–75 ("If plaintiffs can prove the knowledge element, *Netcom* will be liable for contributory infringement since its failure to simply cancel Erlich's infringing message and thereby stop an infringing copy from being distributed worldwide constitutes substantial participation in Erlich's public distribution of the message."). As will be discussed later, the *Netcom* decision was decided prior to *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996). Thus, the *Netcom* court relied on *Apple Computer, Inc. v. Microsoft Corp.*, 821 F. Supp. 616, 625 (N.D. Cal. 1993), *aff'd* 35 F.3d 1435 (9th Cir. 1994) for the standard that the participation by the defendant must be "substantial" to constitute contributory infringement. *Fonovisa* held otherwise. *Fonovisa*, 76 F.3d at 264.

127. See *Netcom*, 907 F. Supp. at 1374.

128. See *id.* ("Although a mere unsupported allegation of infringement by a copyright owner may not automatically put a defendant on notice of infringing activity, *Netcom*'s position that liability must be unequivocal is unsupported.")

verify a plaintiff's claim of infringement occurring on the defendant's system, the defendants will not be deemed to have the knowledge requisite for a finding of contributory infringement.<sup>129</sup> However, the court also held that it is fair to impose some level of affirmative verification of the infringing activity on the defendant where facts—like works containing copyright notices posted to the defendant's system—exist, giving rise to a reasonable ability to verify the alleged infringing activity.<sup>130</sup>

Other courts have followed *Netcom* in at least finding that triable issues of fact existed as to whether defendant had the requisite knowledge of the infringing activity.<sup>131</sup> At least one court has seemingly gone one step further than *Netcom*, impliedly holding that operation of a BBS alone, without more, operates to impose constructive knowledge on the defendant BBS that infringing activity is occurring.<sup>132</sup> Consequently, ISPs and BBSs apparently at least have the requisite knowledge for imposing contributory liabil-

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129. *See id.*

The court is more persuaded by the argument that it is beyond the ability of a BBS operator to quickly and fairly determine when a use is not infringement where there is at least a colorable claim of fair use. Where a BBS operator cannot reasonably verify a claim of infringement, either because of a possible fair use defense, the lack of copyright notices on the copies, or the copyright holder's failure to provide the necessary documentation to show that there is a likely infringement, the operator's lack of knowledge will be found reasonable and there will be no liability for contributory infringement for allowing the continued distribution of the works on its system.

*Id.*

130. *See id.* at 1374–75.

Where works contain copyright notices within them, as here, it is difficult to argue that a defendant did not know that the works were copyrighted. . . . Thus, it is fair, assuming *Netcom* is able to take simple measures to prevent further damage to plaintiffs' copyrighted works, to hold *Netcom* liable for contributory infringement where *Netcom* has knowledge of *Erlich's* infringing postings yet continues to aid in the accomplishment of *Erlich's* purpose of publicly distributing the postings.

*Id.*

131. *See Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs. & N.W. Nexus, Inc.*, 983 F. Supp. 1167, 1179 (N.D. Ill. 1997) (finding issues of material fact precluded plaintiff's motion for summary judgment requesting the court hold an Internet Service Provider contributorily liable who stored co-defendant's Web page on its server); *Sega Enters. v. MAPHIA*, 948 F. Supp. 923, 932–33 (N.D. Cal. 1996) (holding BBS contributorily liable where BBS operator specifically solicited uploading and downloading of plaintiff's copyrighted video games by BBS subscribers to the BBS, and where BBS had undisputed knowledge of infringing activity).

132. *See Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503, 514 (N.D. Ohio 1997) (holding the defendant BBS liable for contributory infringement). As to the issue of knowledge the court stated:

Defendants admit that they encouraged subscribers to upload information including adult files. . . . Also, defendants had at least constructive knowledge that infringing activity was likely to be occurring on their BBS. Defendants were aware that PEI [plaintiff *Playboy Enterprises, Inc.*] was enforcing its copyrights against BBS owners. Moreover, *Playboy Magazine* is one of the most famous and widely distributed adult publications in the world. It seems disingenuous for defendants to assert that they were

ity where they receive notice that infringing activity is occurring on their systems, and the allegedly infringing works have visible copyright notices. Further, they potentially have the knowledge required to impose contributory liability simply by operating.

The effect of *Netcom* and subsequent cases defining the level of knowledge required for contributory liability is two-fold. First, copyright owners with works posted or likely to be posted somewhere on the Internet should be advised to place copyright notices on all of their posted or to-be-posted works. Second, the practical effect of *Netcom* on Internet operations is to virtually guarantee a finding that the operator of the Internet operation had—either actually or constructively—the requisite knowledge. This is because many pictures posted to the Internet already have copyright notices. Further, because attorneys should and likely will advise their clients to place copyright notices on their works after *Netcom*, an increasing number of pictures will have copyright notices.<sup>133</sup> That being so, if a plaintiff sends the defendant notice of the allegedly infringing activity, a defendant Internet operation maintains a high risk of being deemed to have sufficient knowledge for imposing contributory liability.

## 2. Participation in Infringing Activity

Beyond knowledge, liability for contributory copyright infringement also requires that the defendant “induce, cause or materially contribute” to the infringing activity.<sup>134</sup> In *Fonovisa, Inc. v. Cherry Auction, Inc.*,<sup>135</sup> the Ninth Circuit expanded the definition of “material” participation or contribution to the infringing activity, holding that providing the site and facilities known by consumers to be a location where infringing activity occurs is sufficient to establish contributory liability.<sup>136</sup>

There, the Ninth Circuit held the operators of a swap meet contributorily liable for acts of the individual vendors of the swap meet.<sup>137</sup> The vendors sold plaintiff’s copyrighted music recordings without the plaintiff’s

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unaware that copies of photographs from Playboy Magazine were likely to find their way onto the BBS.

*Id.*

133. Of course, a problem potentially affecting this analysis, and one which, the courts have yet to fully explore, is the removal of copyright notices by parties posting the pictures to the various networks.

134. *Gershwin Publ’g Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

135. 76 F.3d 259 (9th Cir. 1996).

136. *See id.* at 264 (“[W]e agree with the Third Circuit’s analysis . . . that providing the site and facilities for known infringing activity is sufficient to establish contributory liability.”) (citing *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59 (3d Cir. 1986)).

137. *See Fonovisa*, 76 F.3d at 264.

permission.<sup>138</sup> Because the swap meet operators clearly had knowledge that the infringing activity was occurring,<sup>139</sup> the sole issue as to the defendant's liability for contributory infringement was whether the defendant's provision of the space, utilities, parking, advertising, plumbing and customers for the benefit of the vendors of the swap meet constituted "material contribution" to the infringing activity.<sup>140</sup> In answering affirmatively, the court noted that the vendors would have encountered difficulty in carrying out the infringing activity without the defendant's provisions.<sup>141</sup> The court concluded that the swap meet, by providing these services, "actively strived" to provide the environment necessary to carry out the infringing activities.<sup>142</sup>

All of the cases decided after *Fonovisa* that have considered the applicability of contributory liability to third parties' operations on the Internet have contemplated the effect of *Fonovisa*'s holding.<sup>143</sup> Understandably, the reach of *Fonovisa* has allowed every court to consider the issue to hold at least that simply providing Internet facilities that facilitate the infringing activity could be found by a reasonable jury to satisfy the "material contribution" element of contributory liability.<sup>144</sup> Other courts have found the

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138. *See id.* at 261.

139. *See id.* ("There is also no dispute for purposes of this appeal that [the defendant] Cherry Auction and its operators were aware that vendors in their swap meet were selling counterfeit recordings in violation of Fonovisa's trademarks and copyrights.").

140. *See id.* at 264 ("The disputed issue is whether plaintiff adequately alleged that Cherry Auction materially contributed to the infringing activity.").

141. *See id.* ("Indeed, 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. These services include, *inter alia*, the provision of space, utilities, parking, advertising, plumbing, and customers.").

142. *See id.* ("[The swap meet operator] Cherry Auction actively strives to provide the environment and the market for counterfeit recording sales to thrive. Its participation in the sales cannot be termed 'passive . . . .'").

143. At least one court, however, did not find a need to address contributory liability once direct infringement was established. *See Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 939 F. Supp. 1032, 1044 (S.D.N.Y. 1996) (finding Web site operator liable for direct copyright infringement for posting infringing pictures).

144. *See Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs. & N.W. Nexus, Inc.*, 983 F. Supp. 1167 (holding that while contributory infringement was a viable theory upon which defendant Internet Service Provider could be liable, "disputed issues of material fact preclude[d] summary judgment for either [the plaintiff or the defendant] on this theory of liability"); *accord Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1374-75, 1382 (N.D. Cal. 1995) (finding ISP and BBS were possibly subject to liability for contributory infringement, even though it was decided after the district court decision but before the Ninth Circuit Court decision in *Fonovisa*).

[Defendant ISP] Netcom allows Erlich's infringing messages to remain on its system and be further distributed to other Usenet servers worldwide. It does not completely relinquish control over how its system is used, unlike a landlord. Thus, it is fair, assuming Netcom is able to take simple measures to prevent further damage to plaintiff's copyrighted works, to hold Netcom liable for contributory infringement . . . .



reach of *Fonovisa* sufficient to hold the provision of Internet facilities enabling infringing activity enough to constitute contributory infringement as a matter of law.<sup>145</sup>

Additionally, courts have stated in dictum that regardless of the *Fonovisa* decision, providing such facilities plus some additional activity—such as encouraging the infringing activity—satisfies the stricter interpretation of “substantial participation” used by other circuits.<sup>146</sup>

Liability based on the theory of contributory infringement has been consistently accepted by the courts in the online context. Thus, under the current case law, Internet operations are at great risk of being held liable for federal copyright infringement for activities occurring on or through their networks.

### C. Vicarious Infringement

Because plaintiffs have been successful in alleging contributory infringement, not many courts have needed to consider the applicability of vicarious infringement in the online context. Of the courts to consider the issue, however, the conclusions reached have been somewhat mixed. Importantly, the Ninth Circuit’s decision in *Fonovisa* alters the likely future of vicarious liability in the digital environment.

#### 1. Direct Financial Benefit Resulting from Infringing Activity

In addition to expanding the contributory liability doctrine, the Ninth Circuit in *Fonovisa* adopted a more lenient standard as to the relationship

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*Id.* at 1375. The court applied the same analysis to the BBS. *See id.* at 1382.

145. *See Sega Enters. v. MAPHIA*, 948 F. Supp. 923, 932–33 (N.D. Cal. 1996) (holding BBS operator liable for contributory infringement). The court noted that “[defendant] provided the facilities for copying the games by providing, monitoring, and operating the BBS software, hardware, and phone lines necessary for the users to upload and download games.” *Id.* at 933.

*See Playboy Enters., Inc. v. Russ Hardenburgh, Inc.* 982 F. Supp. 503, 514 (N.D. Ohio 1997) (holding BBS operator contributorily liable). Citing *Fonovisa*, the court noted that “Defendants clearly induced, caused, and materially contributed to any infringing activity which took place on their BBS.” *Id.*

*See Sega Enters. v. Sabella*, C93-04260, 1996 WL 780560, at \*7–9 (N.D. Cal. Dec. 18, 1996).

146. *See MAPHIA*, 948 F. Supp. at 932–33.

Even under an alternative and higher standard of “substantial participation,” [defendant BBS operator] is liable [for contributory infringement]. Under this standard, [defendant] is only liable if he knows of the users’ infringing actions, and yet substantially participated by inducing, causing or materially contributing to the users’ infringing conduct. In this case, [defendant] did more than provide the site and facilities for the known infringing conduct. . . . [Defendant’s] role in copying, including providing facilities, direction, knowledge, encouragement, and seeking profit, amounts to a prima facie case of contributory copyright infringement.

*Id.*

between the defendant's financial benefit and the infringing activity required for a finding of vicarious liability.<sup>147</sup>

In *Fonovisa*, the Ninth Circuit held that the swap meet operator both sufficiently promoted and controlled the infringing activity as well as received a financial benefit directly tied to and resulting from the infringing sales of its vendors.<sup>148</sup> As to the issue of financial benefit, the *Fonovisa* court held that the sale of pirated recordings by the swap meet's vendors constituted a "draw" for customers, thereby enhancing the attractiveness of the swap meet to potential customers.<sup>149</sup> This relationship was thus similar to the infringing performances of music supporting findings of vicarious liability of the entertainment venue operators in the "dance hall" line of cases.<sup>150</sup> Consequently, the court found that a direct tie sufficient for a finding of vicarious liability existed between the swap meet operator and the vendors' infringing sales of pirated music because: (1) the infringing vendors paid a daily rental fee to the swap meet operator to operate their booths; (2) each customer of the swap meet directly paid an admission fee to the defendant swap meet operator; and (3) customers seeking to purchase the infringing recordings directly made other incidental payments to the defendant swap meet operator for parking, food and other services.<sup>151</sup>

As with the other two theories, the *Netcom*<sup>152</sup> court was the first to consider the applicability of vicarious liability to an Internet Service Provider.<sup>153</sup> The *Netcom* court held that the evidence presented by plaintiffs raised a material question of fact as to defendant Netcom's right and ability to control Erlich's (the direct infringer) use of Netcom's Internet services.<sup>154</sup> The court, however, refused to hold the ISP, Netcom, vicariously liable for Erlich's infringing activities because no evidence existed that Erlich's infringing activity in any way enhanced the value of Netcom's serv-

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147. See Hayes, *Tidal Wave*, *supra* note 11, § III.C.3 (discussing *Fonovisa*'s effect on vicarious liability, stating: "It should be noted that the Ninth Circuit [subsequently] reversed [the district court's decision in] *Fonovisa*, and appears to have adopted a less demanding standard for financial benefit for purposes of vicarious liability . . .").

148. See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261-64 (9th Cir. 1996).

149. See *id.* at 263-64 ("In this case, the sale of pirated recordings at the Cherry Auction swap meet is a 'draw' for customers, as was the performance of pirated music in the dance hall cases and their progeny.").

150. See *id.*

151. See *id.*

152. *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1375-77, 1382 (N.D. Cal. 1995).

153. See *id.* at 1375-77, 1382 (applying vicarious liability to ISP and BBS).

154. See *id.* at 1376 ("[T]he court thus finds that plaintiffs have raised a genuine issue of fact as to whether Netcom has the right and ability to exercise control over the activities of its subscribers, and of Erlich in particular.").

ices to subscribers or attracted new subscribers.<sup>155</sup> Consequently, the requirement that a party “directly benefit financially” from the infringing activity in order to be held vicariously liable for the acts of another was not satisfied.<sup>156</sup>

While *Netcom* was initially significant for recognizing the applicability of the vicarious liability doctrine to online service providers,<sup>157</sup> the case is of limited use because it was decided before the Ninth Circuit decision in *Fonovisa*, and relied, rather, on the district court’s holding in *Fonovisa*.<sup>158</sup> Thus, it is unclear whether the *Netcom* court would have found a direct financial benefit had the case been decided after the Ninth Circuit’s decision in *Fonovisa*.<sup>159</sup> At least two cases decided after the court of appeals’ decision in *Fonovisa*, however, have considered what “direct financial benefit” means in the online context.<sup>160</sup>

The *Webbworld* cases<sup>161</sup> found the principal operators of a Web site vicariously liable for the infringing activities occurring on the site.<sup>162</sup> There, one defendant was the sole officer, director and shareholder of the company running the Web site,<sup>163</sup> and the other defendant conceived of the idea for the site, ran the day-to-day operations of the site and created the software that automatically searched the Internet and obtained the infringing images sold on the defendants’ Web site.<sup>164</sup> Relying on the Ninth Circuit’s decision in *Fonovisa*, the court concluded that the defendants’ financial interest in the infringing activity occurring on their Web site was sufficiently direct to support a finding of vicarious liability.<sup>165</sup> The court reasoned that, like *Fonovisa*, the plaintiff’s infringed photographs available for sale on defend-

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155. See *id.* at 1377 (“There is no evidence that infringement by Erlich, or any other user of Netcom’s services, in any way enhances the value of Netcom’s services to subscribers or attracts new subscribers.”).

156. See *id.* (“Because plaintiffs have failed to raise a question of fact on this vital element [of direct financial benefit], their claim of vicarious liability fails.”) (citations omitted).

157. See *id.* at 1375–77 (analyzing doctrine of vicarious liability).

158. The Ninth Circuit reversed the district court’s decision. See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 847 F. Supp. 1492 (E.D. Cal. 1994), *rev’d*, 76 F.3d 259 (9th Cir. 1996).

159. *Netcom* was decided before the Ninth Circuit’s decision in *Fonovisa* and, consequently, relied on the district court’s decision in *Fonovisa*. See *Netcom*, 907 F. Supp. at 1375–77. The district court’s decision in *Fonovisa* was reversed by the Ninth Circuit on appeal. See *Fonovisa*, 76 F.3d at 264, 265.

160. See *Marobie-FL, Inc. v. National Ass’n of Fire Equip. Distribs. & N.W. Nexus, Inc.*, 983 F. Supp. 1167, 1176 (N.D. Ill. 1997); *Webbworld II*, 991 F. Supp. 543 (N.D. Tex. 1997); *Webbworld I*, 968 F. Supp. 1171 (N.D. Tex. 1997).

161. See *Webbworld II*, 991 F. Supp. at 554; *Webbworld I*, 968 F. Supp. at 1177.

162. See *Webbworld II*, 991 F. Supp. at 554; *Webbworld I*, 968 F. Supp. at 1176–77.

163. See *Webbworld II*, 991 F. Supp. at 554; *Webbworld I*, 968 F. Supp. at 1176–77.

164. See *Webbworld II*, 991 F. Supp. at 554; *Webbworld I*, 968 F. Supp. at 1176–77.

165. See *Webbworld I*, 968 F. Supp. at 1176–77 (“[Based on the Ninth Circuit’s decision in *Fonovisa*], the court find that the financial interest of [the defendants in conducting their] infring-

ants' Web site enhanced the attractiveness of the defendants' Web site to potential customers.<sup>166</sup>

However, this case may be of limited use as well. While the court expressly relied on *Fonovisa*,<sup>167</sup> the entire purpose of the Web site was to sell adult pictures on the site by charging an access fee.<sup>168</sup> Regardless of the Ninth Circuit's decision in *Fonovisa*, it is hard to imagine that the defendant Web site operators could have maintained anything *but* a direct financial interest resulting from the infringing activity.

Comparatively, in *Marobie-FL, Inc. v. National Ass'n of Fire Equipment Distributors and Northwest Nexus, Inc.*,<sup>169</sup> the district court refused to hold an Internet Service Provider vicariously liable for the infringing postings of a Web site using the ISP's service.<sup>170</sup> The court reasoned that because the Web site's one-time setup fee and quarterly flat fee service payments to the defendant service provider did not change based on the number of visits to the infringing Web site, the infringing activity occurring on the Web site did not financially benefit the defendant service provider.<sup>171</sup> Thus, the court apparently felt that the service provider's financial interest was not tied *at all to any* visits to the co-defendant's Web site.<sup>172</sup> The service provider would receive the same payments regardless of whether zero or a million browsers visited the Web site, and regardless of whether they were visiting the site for the infringing material or for some other reason.<sup>173</sup> Curiously, even though this district court was not bound by

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ing activity [on their Web site] was sufficiently direct to support plaintiff's vicarious infringement claim.").

166. *See id.* ("[T]he Ninth Circuit [in *Fonovisa*] found it sufficient that the infringing materials likely enhanced the swap meet for its customers. The Ninth Circuit's reasoning applies as well to this case, in which plaintiff's photographs enhanced the attractiveness of the [defendants'] Website to potential customers.").

167. *See id.*

168. *See id.* at 1173.

169. 983 F. Supp. 1167 (N.D. Ill. 1997).

170. *See id.* at 1179 ("Accordingly, [the ISP defendant] cannot be held vicariously liable for [defendant-Web site operator's] infringement.").

171. *See id.*

[I]t is undisputed that NAFED [defendant Web site operator] paid Northwest [defendant ISP] a one-time set-up fee of \$20 and that since that time NAFED has paid Northwest a flat fee of \$67.50 each quarter. It is also undisputed that the fee Northwest receives has never changed based on how many people visit NAFED's Web Page or what is accessed. In other words, NAFED's infringement did not financially benefit Northwest.

*Id.*

172. *See id.*

173. *See id.*

*Fonovisa*, the court cited *Netcom*<sup>174</sup> (a district court decision within the Ninth Circuit) but *not Fonovisa*.<sup>175</sup>

One can begin to appreciate the lack of clarity as to when an Internet operation may be deemed to have a direct financial benefit in infringing activities occurring on its computers. Does an ISP that charges a static monthly fee for its services derive a "direct financial benefit" from any infringing behavior of a Web site? of a BBS customer? Do the advertising revenues that an ISP, BBS or Web site receives from advertisers advertising on their operations' Web pages constitute a financial benefit "directly" tied to the infringing behavior under *Fonovisa*? If so, is the practical effect that *all* Internet operations with advertisements are vicariously liable for any infringement occurring on their systems? These questions—important to understanding the scope of vicarious liability on the Internet—have yet to be addressed by the courts.

## 2. Right and Ability to Control Infringing Activity

In finding that the swap meet operator maintained the ability to exercise sufficient control over the premises and infringing activity of its vendors,<sup>176</sup> the Ninth Circuit in *Fonovisa* likened the situation in that case to the "dance-hall" line of cases.<sup>177</sup> The court noted that: (1) the vendors operated booths within the premises that the swap meet operators controlled and patrolled; (2) the swap meet operators possessed the ability to control the infringing activities of the vendors through their right to terminate the vendors' operations for any reason; and (3) the swap meet operators promoted the swap meet and controlled the access of customers to the swap meet area.<sup>178</sup> Courts have struggled to clearly define what circumstances constitute sufficient "ability to control" in the online context in order to impose vicarious liability.

Though *Netcom* was decided before the expansively-decided *Fonovisa*, the *Netcom* court still considered an Internet operation, which merely provided access to the Internet, to maintain the requisite right and

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174. *See id.*

175. The reason for this may have resulted from the fact that the plaintiff did not allege, either in its complaint or briefs, that the defendant service provider should be held vicariously liable for the copyright infringement of the Web site. *See id.* The court, however, apparently considered the issue *sua sponte*. *See id.* at 1179. ("Plaintiff does not claim, either in its complaint or briefs, that [the defendant ISP] Northwest is vicariously liable for copyright infringement. Nevertheless, the court will briefly address this issue since Northwest seeks summary judgment in its favor on this theory of liability.")

176. *See Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261–63, 264 (9th Cir. 1996).

177. *See id.* at 261–63, 264 ("In terms of control, the allegations before us are strikingly similar to those of *Shapiro* and *Gershwin* [the 'dance hall' cases].").

178. *See id.* at 262.

ability to control infringing activity occurring through use of its networks to potentially be liable for vicarious infringement.<sup>179</sup>

In *Netcom*, the court found that plaintiffs raised a material issue of fact as to whether Netcom (the ISP) had the right and ability to exercise control over the activities of its subscribers, and of the directly infringing poster, Erlich.<sup>180</sup> Importantly, the court was unconvinced by Netcom's argument that Netcom could not possibly screen all of the users' messages before they were posted given the enormous speed and volume of postings passing through the ISP's networks.<sup>181</sup> The court rejected Netcom's conclusion that Netcom did not exercise control over the content of its users' postings given the testimony of the plaintiff's expert that an easy software modification by Netcom could identify postings that contain particular words or come from particular individuals.<sup>182</sup> Additionally, the court noted that, contrary to Netcom's arguments, Netcom *could* possibly limit any particular individual's (such as Erlich's) access to Usenet without kicking off all 500 subscribers of the co-defendant Klemesrud's BBS.<sup>183</sup> As evidence, the court noted that Netcom had acted to suspend subscribers' accounts on over one thousand occasions and that Netcom had the technological ability to delete specific postings.<sup>184</sup>

Because *Netcom* was decided before the liberal interpretation of "right and ability to control" by the court of appeals in *Fonovisa*, one would expect subsequent cases to uniformly follow *Netcom*'s reasoning. Curiously, however, subsequent cases have not uniformly decided the "right and ability to control" issue as applied to the online context.

*Webbworld I* cited *Fonovisa* approvingly,<sup>185</sup> holding the operators of a Web site who utilized software to automatically select and post infringing pictures on their site possessed the requisite ability and right to control the infringing activity occurring on their Web site.<sup>186</sup> The court rejected (albeit without discussion) the defendant's arguments that the automated nature of the infringing activity eliminated the defendant's ability to control the in-

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179. See *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1375-77, 1382 (N.D. Cal. 1995). The court, however, did *not* find the defendant vicariously liable. See *id.* at 1377.

180. See *id.* at 1376 ("The court thus finds that plaintiffs have raised a genuine issue of fact as to whether Netcom has the right and ability to exercise control over the activities of its subscribers, and of Erlich in particular.").

181. See *id.*

182. See *id.*

183. See *id.*

184. See *id.*

185. See *Webbworld I*, 968 F. Supp. at 1176-77.

186. See *id.*; see also *Webbworld II*, 1997 WL 817312, at \*8-9.

fringing activity.<sup>187</sup> Importantly, the court noted that the relevant inquiry was not whether the defendants maintained control over those responsible for originally uploading the infringing images on the Internet,<sup>188</sup> but rather, whether the defendants had the right and ability to control what occurred on their Web site.<sup>189</sup>

*Marobie*<sup>190</sup> is the only other case to have considered vicarious liability in the context of the Internet. The court summarily stated, without any analysis or discussion, that it was unclear to what degree a service provider monitored, controlled or had the ability to monitor or control the contents of a Web site using its service.<sup>191</sup> The reason for the court's decision, however, may have resulted from the plaintiff's failure to allege, either in its complaint or briefs, that the defendant service provider should be held vicariously liable for the alleged copyright infringement occurring on their Web site.<sup>192</sup> The court, apparently, considered the issue *sua sponte*.

In sum, the doctrine of vicarious liability has not been extensively claimed by plaintiffs, and therefore, not fully explored by courts as applied to Internet activity. However, the reach of *Fonovisa* seems to imply that Internet operations are at a high risk of being found vicariously liable for infringing activities occurring on their networks. However, courts are not likely to need to employ the doctrine of vicarious liability, as contributory infringement seems sufficiently expansive to impose liability.<sup>193</sup>

#### IV. The Fair Use Defense—Not Security for Your Clients

"Fair use" is the "safety valve" of copyright law's strict liability nature. The "fair use" defense recognizes that rigid application of the copyright statute would at times hinder the purpose of the copyright laws to promote original and creative works for the benefit of society.<sup>194</sup> When a

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187. See *Webbworld I*, 968 F. Supp. at 1177 ("Defendants' . . . contentions that they lacked control because the process was automated, are unavailing.")

188. See *id.* ("That defendants had no control over those responsible for originally uploading the infringing images onto the Internet is not relevant to the issue of defendants' control over their infringing activity.")

189. See *id.* ("The only relevant question regarding the element of control is whether defendants had the right and ability to control what occurred on [their] Website.")

190. *Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs. & N.W. Nexus, Inc.*, 938 F. Supp. 1167 (N.D. Ill. 1997).

191. See *id.* at 1179.

192. See *id.*

193. See discussion *supra* Part III.B.

194. See *Campell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 576–80 (1994) (stating that 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") (citation omitted).

fair use defense is asserted, a court is required to consider four, non-exclusive factors in determining if, under the particular circumstances, a finding of infringement would be unfair or unreasonable and therefore undermine the "progress of science."<sup>195</sup> Thus, the defense is applied on a case-by-case basis and is grounded upon a "rule of reason."<sup>196</sup>

The four non-exclusive factors, codified at 17 U.S.C. § 107 ("§ 107"), are: (1) the purpose and character of the defendant's use of the allegedly infringed work, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work;<sup>197</sup> (3) the amount and substantiality of the portion used by the defendant 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.<sup>198</sup> Only a handful of courts have considered the fair use defense as applied to online service providers.

All of the courts that have expressly denied a finding of fair use<sup>199</sup> have concluded that all four factors weighed against the applicability of the defense.<sup>200</sup> All of the decisions involved commercial works that were completely copied and made available to users through the Internet.<sup>201</sup> Impro-

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195. See *id.*; see also LEAFFER, *supra* note 22, § 10.1.

196. See LEAFFER, *supra* note 22, § 10.1.

197. This factor relates to the "value of the materials used." *Acuff-Rose*, 510 U.S. at 576 (quoting *Folsom v. Marsh*, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (No. 4,901)). Additionally, this factor includes consideration of both (1) whether the allegedly infringed work is "published" or unpublished; and (2) whether the allegedly infringed work is information or creative. See *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1379 (N.D. Cal. 1995).

198. See 17 U.S.C. § 107 (1994).

199. See *Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs. & N.W. Nexus, Inc.*, 983 F. Supp. 1167, 1179 (N.D. Ill. 1997); *Sega Enters. v. MAPHIA*, No. CIV.A.93-4262CW, 1997 WL 337558 (N.D. Cal. June 9, 1997); *Sega Enters. v. Sabella*, No. 93-04260CW 1996 WL 780560 (N.D. Cal. Dec. 18, 1996); *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993).

200. See *Marobie*, 983 F. Supp. at 1175-76 (finding defendant Web site not entitled to fair use defense where Web site uploaded plaintiff's copyrighted software to defendant's Web site without plaintiff's permission); *Sega Enters. v. MAPHIA*, 948 F. Supp. 923, 933-36 (N.D. Cal. 1996) (in holding BBS not entitled to application of fair use defense for encouraging uploading and downloading of plaintiff's infringing video games, court noted that "All of the [four § 107] factors . . . weigh against the application of the fair use defense"); *Sabella*, 1996 WL 780560, at \*7-9 (holding BBS not entitled to application of fair use defense for encouraging uploading and downloading of plaintiff's infringing video games, court noted that "All of the [four § 107] factors . . . weigh [ ] against the application of the fair use defense"); *Frena*, 839 F. Supp. at 1557-59 (finding defendant BBS not entitled to fair use defense for enabling infringing images of plaintiff-Playboy Magazine's copyrighted photographs to be uploaded and downloaded on the defendant's BBS).

201. See *Marobie*, 983 F. Supp. 1167, 1179; *MAPHIA*, 1997 WL 337558 (Consent Judgment Order Granting Damages and Permanent Injunction Against Defendant Howard Silberg); *Sabella*, 1996 WL 780560; *Frena*, 839 F. Supp. 1552.



tantly, one case held that a *Web site* was not entitled to the fair use defense,<sup>202</sup> while the other cases held that the defense was not available to a BBS.<sup>203</sup> Consequently, the nature of the Internet operation is not dispositive as to the availability of the fair use defense. Rather, the courts appear to focus on the § 107 factors, considering the particular type of Internet service operation involved only as it applies to the § 107 factors.

The only cases finding a fair use defense available to online service providers support this notion.<sup>204</sup> The three *Religious Technology* cases<sup>205</sup> all found fair use available as a defense.<sup>206</sup> The *Netcom* decision noted that while the defendant ISP's use of the copyrighted material as part of its Usenet services was commercial, the ISP's services at the same time enabled the Internet to function, thereby promoting the goals of the Copyright Act by promoting dissemination of other creative works through its service.<sup>207</sup> In balancing the other factors, the court found that genuine issues of fact existed precluding a denial of the fair use defense as a matter of law.<sup>208</sup> Importantly, the court noted that differences existed between the ISP in *Netcom* and the BBSs in both *Frena* and *MAPHIA*.<sup>209</sup> Specifically, the court noted that the defendant ISP in *Netcom* did not have the same financial incentive as the defendant-BBSs in *Frena* and *Netcom*.<sup>210</sup> When combined with the factual questions raised as to the effect on any potential market that the unique nature of the copyrighted works at issue in *Netcom* might have created,<sup>211</sup> the court considered fair use a plausible argument.<sup>212</sup>

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202. See *Marobie*, 983 F. Supp. at 1175-76 (finding defendant Web site not entitled to fair use defense where Web site uploaded plaintiff's copyrighted software to defendant's Web site without plaintiff's permission).

203. See *MAPHIA*, 948 F. Supp. at 933-36; *Sabella*, 1996 WL 780560, at \*7-9; *Frena*, 839 F. Supp. at 1557-59.

204. See *Religious Tech. Ctr. v. F.A.C.T.NET, Inc.*, 901 F. Supp. 1519, 1522-26 (D. Colo. 1995); *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1379 (N.D. Cal. 1995); *Religious Tech. Ctr. v. Lerma*, 897 F. Supp. 260, 263 (E.D. Va. 1995).

205. See *Netcom*, 907 F. Supp. at 1379; *F.A.C.T.NET*, 901 F. Supp. at 1522-26; *Lerma*, 897 F. Supp. at 263.

206. See *Netcom*, 907 F. Supp. at 1379; *F.A.C.T.NET*, 901 F. Supp. at 1522-26; *Lerma*, 897 F. Supp. at 263.

207. See *Netcom*, 907 F. Supp. at 1379. "Netcom's use, though commercial, also benefits the public in allowing for the functioning of the Internet and the dissemination of other creative works, a goal of the Copyright Act." *Id.* (citations omitted).

208. See *id.* at 1381.

209. See *id.*

210. See *id.* at 1378-79.

211. The infringing works posted to the Usenet were portions of published and unpublished works of L. Ron Hubbard, the late founder of the Church of Scientology. See *id.* at 1365. The plaintiff held the copyrights for these works. See *id.*

212. See *id.* at 1381.

Fair use does not offer clients guaranteed protection from claims of copyright infringement in any circumstances, let alone as applied to online service providers. Indeed, the unique circumstances and nature of the works at issue in the *Religious Technology* cases arguably differentiate those cases for purposes of fair use precedent. The *Frena-Marobie-MAPHIA-Sabella* cases, on the other hand, present factual settings more representative of many of the infringing activities occurring over the Internet. Consequently, clients should be informed that the application of fair use is unpredictable in all circumstances, and especially so as applied to online service providers.

## V. Proposed Solutions at the National and International Levels

The copyright laws were not specifically written to address many of the issues presented by the Internet. Like past attempts to re-balance the interests of copyright owners and users in response to emerging technologies, the advancing technology of the digital environment, and the Internet in particular, has prompted both the United States Congress and international organizations to re-evaluate current copyright law's applicability to digital media and its success in maintaining a proper balance between authors and owners of copyrights on the one hand and society's interests in original and creative works on the other.

### A. The IITF White Paper<sup>213</sup>

#### 1. Origins, Goals and Relevance

In light of the emerging questions raised by the digital environment, and the emerging "information infrastructure" in particular, the Clinton Administration formed the Information Infrastructure Task Force ("IITF").<sup>214</sup> The IITF's primary goal was to recommend policies promoting the developing information infrastructure.<sup>215</sup>

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213. See WHITE PAPER, *supra* note 12. This report is substantially similar to the analysis and recommendations in the Working Group on Intellectual Property's "Green Paper." INFORMATION INFRASTRUCTURE TASK FORCE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS, INTELLECTUAL PROPERTY RIGHTS AND THE NATIONAL INFORMATION INFRASTRUCTURE PRELIMINARY DRAFT (July 1994). See Pamela Samuelson, *WIPO Panel Principal Paper: The U.S. Digital Agenda at WIPO*, 37 VA. J. INT'L L. 369, 379 n.65 (1997) (comprehensively discussing the United States's digital agenda at the WIPO convention in Geneva in December, 1996).

214. See Samuelson, *supra* note 213, at 379 (citing INFORMATION INFRASTRUCTURE TASK FORCE, THE NATIONAL INFORMATION INFRASTRUCTURE: AGENDA FOR ACTION (Sept. 15, 1993)).

215. See *id.* (citing INFORMATION INFRASTRUCTURE TASK FORCE, NATIONAL INFORMATION INFRASTRUCTURE PROGRESS REPORT 1-4 (1993-94) (discussing IITF goals) [hereinafter IITF PROGRESS REPORT]). Because of the emerging technology's importance to commerce, education, and

Towards that end, the IITF created the Working Group on Intellectual Property Rights ("Working Group"),<sup>216</sup> which completed the much anticipated "White Paper"<sup>217</sup> in September 1995. The White Paper analyzed current copyright laws as applied to the digital environment and suggested changes to those laws.<sup>218</sup> The suggested changes were intended to reduce the risks that the digital environment presents to copyright owners. The Working Group believed these changes were necessary to convince copyright owners to make their works commercially available on digital networks.<sup>219</sup>

While the White Paper received some favorable commentary, many criticized the work for a variety of reasons, including its arguably "high-protectionism" of copyright owners.<sup>220</sup> However, because the White Paper spurred much debate, both in the academic circles as well as in Congress, and because it continues to be a focal point both in national and international discussions on the future of the information infrastructure, a brief understanding of some of its specific proposals is valuable.

## 2. Proposed Liability of Online Providers

The Working Group strongly believed that online service providers should be strictly liable for infringing acts occurring on or through their

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communication among the public generally, the IITF promised to be an important step towards integrating digital media and the general public. *See id.*

216. *See id.* (citing IITF PROGRESS REPORT (discussing activities of different IITF Working Groups). The Commissioner of Patents and Trademarks was named chair of the Working Group on Intellectual Property Rights. *See* Samuelson, *supra* note 213, at 379.

217. *See* WHITE PAPER, *supra* note 12.

218. *See* Samuelson, *supra* note 213, at 379.

219. *See id.* at 379-80.

220. *See* Samuelson, *supra* note 213, at 379 n.65, 380-81 (citing Pamela Samuelson, *The Copyright Grab*, WIRED, Jan. 1996, at 134). The digital agenda of the WHITE PAPER was aimed to:

- (1) give copyright owners control over every use of copyrighted works in digital form by interpreting existing law as being violated whenever users make even temporary reproductions or works in the random access memories of their computers;
- (2) give copyright owners control over every transmission of works in digital form by amending the copyright statute so that digital transmissions will be regarded as distributions of copies to the public;
- (3) eliminate fair-use rights whenever a use might be licensed . . . ;
- (4) deprive the public of the 'first sale' rights it has long enjoyed in the print world . . . because the WHITE PAPER treats electronic forwarding as a violation of both the reproduction and distribution rights of copyright law;
- (5) attach copyright management information to digital copies of a work, ensuring that publishers can track every use made of digital copies and trace where each copy resides on the network and what is being done with it at any time;
- (6) protect every work technologically (by encryption, for example) and make illegal any attempt to circumvent that protection; [and] force online service providers to become copyright police . . . .

networks.<sup>221</sup> In rejecting arguments suggesting either exemptions from the strict liability standard, or, in the alternative, imposing a higher standard less likely to relieve online providers from liability,<sup>222</sup> the White Paper offered several legal as well as policy justifications for maintaining a strict liability standard for online providers.<sup>223</sup>

Importantly, the White Paper cited approvingly the *Frena*<sup>224</sup> decision for the proposition that BBSs can appropriately be held liable for direct infringement because, as a strict liability tort, intent is not required for infringement.<sup>225</sup> The White Paper also cited the earlier decision in *Sega v. MAPHIA*<sup>226</sup> as justification for applying both direct and contributory liability to a BBS operator, and online service providers in general.<sup>227</sup> The White Paper buttressed its opinion that online service providers could be held liable for infringements occurring on their networks by contending that: (1) reproductions of works in the random access memory of computers were already “reproductions” that copyright owners were entitled to control under the Copyright Act;<sup>228</sup> and that (2) digital transmissions should be considered “distributions” to the public which copyright owners had the right to exclusively control.<sup>229</sup> Acceptance of these two conclusions would virtually ensure that intermediate institutions, such as online service providers, could and would be held liable for infringements occurring on their networks.

As a matter of policy, the White Paper asserted that, as between two relatively innocent parties—copyright owners, whose works were being infringed online, and Internet Service Providers, who admittedly may encounter great difficulty in monitoring, controlling and preventing infringing activity on their networks—the best policy is to hold the service provider liable.<sup>230</sup> The White Paper asserted that holding intermediate institutions—such as online service providers—strictly liable was necessary to ensure the sufficient protection of copyright owners’ rights such that these owners would be willing to bestow their original and creative works through the

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221. See WHITE PAPER, *supra* note 12, at 114–24. *Id.* at 380–81.

222. See *id.*

223. See *id.*

224. *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993).

225. See WHITE PAPER, *supra* note 12, at 118–19.

226. 857 F. Supp. 679 (N.D. Cal. 1994).

227. See WHITE PAPER, *supra* note 12, at 119–24.

228. See *id.* at 64–66; see also Samuelson, *supra* note 213, at 382 n.75.

229. See WHITE PAPER, *supra* note 12, at 67–69, 213 (recommending U.S. copyright law be amended to clarify that digital transmissions are “distributions” of copies for purposes of the Copyright Act); Samuelson, *supra* note 213, at 392 n.131.

230. See WHITE PAPER, *supra* note 12, at 114–28, 116 (“Between these two relatively innocent parties, the best policy is to hold the service provider liable.”).

online environment.<sup>231</sup> Thus, according to the White Paper, any standard less than strict liability would reduce copyright owners' incentives to create, thereby decreasing the availability of these works to the public.<sup>232</sup> This imbalance would fail to meet the goals of copyright law.<sup>233</sup>

The digital agenda embodied in the White Paper is so controversial that the bills introduced to implement it as law were not reported out of subcommittee when offered to the U.S. Congress.<sup>234</sup> The online service provider community could not yet rest easy, however. While this initial attempt to legislate changes to the existing copyright laws apparently failed domestically, supporters of the White Paper took their recommendations to the international arena.<sup>235</sup>

## B. WIPO<sup>236</sup> and the WIPO Copyright Treaty<sup>237</sup>

Refusing to admit defeat, proponents of the White Paper attempted to convince the international community to include the White Paper's digital agenda in new treaties being discussed by WIPO in Geneva in 1996.<sup>238</sup> Indeed, the U.S. proposed that WIPO adopt a digital agenda almost identi-

231. *See id.* at 114–28.

232. *See id.*

233. *See id.*

234. *See* Samuelson, *supra* note 213, at 373 (citing NII Copyright Protection Act of 1995, H.R. 2441, 104th Cong. (1995); S. 1284, 104th Cong. (1995); *NII Copyright Protection Act of 1995: Hearings on H.R. 2441 Before the Subcomm. On Courts & Intellectual Property of the House Comm. on the Judiciary*, 104th Cong. (1996)).

235. *See generally* Samuelson, *supra* note 213, at 379 n.65 (comprehensively discussing the United States' attempt to implement its *Digital Agenda at WIPO* by attempting to convince the delegates to include the U.S. position in the new *WIPO Copyright Treaty*).

236. *See* Samuelson, *supra* note 213, at 369 n.1.

The World Intellectual Property Organization ("WIPO") is a specialized agency of the United Nations that has responsibility for, among other things, hosting discussions and negotiations concerning international intellectual property norms.

*Id.* (citing Sam Ricketson, *THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS: 1886–1986* (1987)). *See also* Hayes, *Tidal Wave*, *supra* note 11, § II.A.3, at n.22 (noting that WIPO is an organization within the United Nations commissioned to address issues of copyrights and trademarks). The final *WIPO Copyright Treaty* "was intended to be a 'special agreement' (or protocol) to supplement the major international copyright treaty, known as the Berne Convention, under article 20 of that convention." Samuelson, *supra* note 213, at 370 n.3 (citing Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, S. TREATY DOC. NO. 27, 99th Cong., 2d Sess., 828 U.N.T.S. 221 (1986) [hereinafter *Berne Convention*]).

237. *WIPO Copyright Treaty*, WIPO Doc. CRNR/DC/94 (Dec. 10, 1996).

238. *See generally* Samuelson, *supra* note 213 (comprehensively discussing the United States's attempt to implement its *Digital Agenda at WIPO* by attempting to convince the delegates to include the U.S. position in the new *WIPO Copyright Treaty*).

When the WHITE PAPER's legislative package [failed domestically], Lehman's reaction was not to reconsider what the U.S. position on these issues should be or to slow down the treaty making process on these issues until domestic consensus could be achieved.

cal to that embodied in the White Paper.<sup>239</sup> The U.S. delegation failed, however, to “end-run” Congress’s earlier rejection of the White Paper.<sup>240</sup> By the end of the WIPO discussions, none of the U.S.’s proposals as originally developed in the White Paper had been included in the WIPO Copyright Treaty.<sup>241</sup>

## 1. Proposed Article 7 Eliminated

Most significantly for online service providers, the final adopted version of the WIPO Copyright Treaty completely eliminated a proposed article 7.<sup>242</sup> As originally drafted, the proposed article 7<sup>243</sup> would not have relieved online service providers from potential liability for copies of infringing works temporarily made by the service provider’s network equipment as infringing works passed through those networks.<sup>244</sup> Consistent with the White Paper’s views,<sup>245</sup> the initial draft article 7(1) would have adopted the *MAI*<sup>246</sup> decision, thereby granting copyright owners the right to control temporary copies stored in a computer’s memory.<sup>247</sup> Draft article 7(2)<sup>248</sup>

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Rather, his response was to redouble efforts . . . [attempting to] get in Geneva an implementation of the digital agenda that he had not yet been able to get from Congress.

*Id.* at 429.

239. See Samuelson, *supra* note 213, at 372–73, 380–81 “The only new element in the U.S. digital agenda at WIPO as compared with the digital agenda reflected in the *White Paper*, was a late-added proposal by the U.S. delegation calling for a treaty to create a new form of legal protection for the contents of databases.” *Id.* (citing *Proposal of the United States of America on sui generis Protection of Databases*, WIPO Doc. BCP/CE/VII/2–INR/VI/2 (May 20, 1996)).

240. See Samuelson, *supra* note 213, at 434–39.

241. See *id.*

242. See *id.* at 390 (“The *WIPO Copyright Treaty* . . . contains no provision on temporary copying.”); Hayes, *Tidal Wave*, *supra* note 11, § II.A.3.(a) (“The proposed Article 7 was ultimately simply deleted entirely from the adopted version of the treaty.”).

243. As originally proposed, article 7(1) of the draft copyright treaty provided:

The exclusive right accorded to authors of literary and artistic works in Article 9(1) of the Berne Convention of authorizing the reproduction of their works shall include direct and indirect reproduction of their works, whether permanent or temporary, in any manner or form.

*Basic Proposal for the Substantive Provisions of the Treaty on Certain Questions Concerning the Protection of Literary and Artistic Works to Be Considered by the Diplomatic Conference on Certain Copyright and Neighboring Rights Questions*, WIPO Doc. CRNR/DC/4 (Aug. 30, 1996) [hereinafter *WIPO Draft Copyright Treaty*]. See Samuelson, *supra* note 213, at 384.

244. See Samuelson, *supra* note 213, at 384–85.

245. See *id.* at 382–83; WHITE PAPER, *supra* note 12, at 64–66.

246. *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993).

247. See Samuelson, *supra* note 213, at 382–83, 384–92; WHITE PAPER, *supra* note 12, at 64–66.

248. Draft article 7(2) stated:

Subject to the provisions of article 9(2) of the Berne Convention, it shall be a matter for legislation in Contracting Parties to limit the right of reproduction in cases where a temporary reproduction has the sole purpose of making the work perceptible or where

was included to limit the potential overbreadth of draft article 7(1).<sup>249</sup> Draft article 7(2) would have allowed the Contracting Parties<sup>250</sup> to limit the right of reproduction in defined circumstances.<sup>251</sup> The combined effect of the proposed article 7 would have enabled Contracting Parties to exempt from infringement the making of temporary copies necessary to view content on the Internet.<sup>252</sup> Because draft article 7(2) would not have allowed Contracting Parties to exempt from infringement the temporary copies made by a service provider's server computers,<sup>253</sup> and because of the breadth of draft article 7(1),<sup>254</sup> service providers lobbied against the article.<sup>255</sup>

However, while the WIPO Copyright Treaty does not contain any provision concerning temporary copies,<sup>256</sup> service providers *still* cannot be assured that they will not be held liable for infringing activity occurring on their networks. While article 7 was deleted, at the last minute, the U.S. delegation at WIPO proposed an "Agreed Statement" interpreting the state of digital reproductions.<sup>257</sup> The effect of the ultimately adopted Agreed

the reproduction is of transient or incidental nature, provided that such reproduction takes place in the course of use of the work that is authorized by the author or permitted by law.

*WIPO Draft Copyright Treaty*, *supra* note 243, art. 7(2); *see* Samuelson, *supra* note 213, at 384–85.

249. *See* Samuelson, *supra* note 213, at 384–92.

250. "Contracting Parties" are the signatory members to the *WIPO Copyright Treaty*. *See* Hayes, *Tidal Wave*, *supra* note 11, § II.A.3.(a).

251. *See* Samuelson, *supra* note 213, at 384–85; Hayes, *Tidal Wave*, *supra* note 11, § II.A.3.(a).

252. *See* Samuelson, *supra* note 213, at 385.

253. *See id.* "[Article 7(2)] was sufficiently narrowly drawn that it would not, for example, have relieved telephone companies or online service providers from potential liability for temporary copies of infringing material made in company equipment as the material passed through their systems en route from sender to recipient." *Id.*; *accord* Hayes, *Tidal Wave*, *supra* note 11, § II.A.1.

254. *See* Samuelson, *supra* note 213, at 384–85.

255. *See id.* at 384–87.

256. *See id.* at 390 ("The *WIPO Copyright Treaty* . . . contains no provision on temporary copying.").

257. *See id.* at 390–92. The adopted version states:

The reproduction right, as set out in article 9 of the Berne Convention, and the exceptions permitted, thereunder, fully apply in the digital environment, in particular to the sue of works in digital form.

*See id.* at 390 n.121 (citing *Agreed Statements Concerning the WIPO Copyright Treaty*, WIPO Doc. CRNR/DC/96 (Dec. 20, 1996) [hereinafter *Agreed Statements*]). Article 9(2) of the Berne Convention provides:

It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

Berne Convention, *supra* note 236, art. 9(2). Two of the three proposed sentences were passed. The deleted sentence would have stated that uploading and downloading of works by computers

Statement is to leave unanswered the question of whether temporary images stored in a computer's RAM infringes a copyright owner's right of reproduction.<sup>258</sup> Consequently, whether interim, temporary copies made during the course of transmission on a service provider's equipment are infringements of the copyright owner's reproduction right under the WIPO Copyright Treaty is similarly unclear.<sup>259</sup>

In sum, the international arena is likely to experience the same uncertainty experienced in U.S. courts as to whether online service providers can be held liable for infringing the right of reproduction of copyright owners when third parties use the service provider's networks to engage in infringing activities.<sup>260</sup> The liability of these service providers may depend on the implementing legislation enacted in each country.<sup>261</sup>

## 2. Article 8<sup>262</sup>

Online service providers also expressed concern over the adoption of draft article 8,<sup>263</sup> which granted copyright owners the exclusive right of authorizing any *communication* to the public of their works.<sup>264</sup> Online service providers were concerned that the exclusive right of communication would impose liability on the service providers because they arguably com-

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were reproductions within the meaning of the Berne Convention. See Samuelson, *supra* note 213, at 391.

258. See Hayes, *Tidal Wave*, *supra* note 11, § II.A.3.(a) ("[T]he Agreed Statement seems to leave virtually open ended the question of whether temporary images in RAM will be treated as falling within the copyright owner's right of reproduction."); Samuelson, *supra* note 213, at 390-92.

259. See Hayes, *Tidal Wave*, *supra* note 11, § II.A.3.(a) ("[W]hether interim copies made during the course of transmission constitute infringement may turn on the countries through which the transmission path passes, which is arbitrary under the current transmission technology of the Internet.").

260. See *id.*

261. See *id.*

262. See *WIPO Copyright Treaty*, *supra* note 237, art. 8. The adopted *WIPO Copyright Treaty* Article 8 reads in relevant part:

authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.

*Id.*

263. See Samuelson, *supra* note 213, at 397 n.156. "Telephone companies and online service providers had many of the same concerns about the draft treaty provision on the communication right as they had about the draft treaty provision on temporary copying." *Id.* (citing Ad Hoc Alliance for a Digital Future, *Suggested Revisions to the Chairman's Basic Proposal of the Treaty Formerly Known as the Berne Protocol* 1-2, (Oct. 31, 1996) <<http://www.ari.net/dfc/intl/euah1.html>> ("calling for a narrowing of draft article 10 so that merely providing facilities for transmission should not make a firm liable for infringement").

264. See *WIPO Copyright Treaty*, *supra* note 237, art. 8.



municated authors' protected works to the public when users of their services engaged the service providers' computers to transmit infringing works.<sup>265</sup> In response to this concern, delegates adopted another agreed statement interpreting article 8 to mean that providing services enabling the transmission of digital works was not intended to be construed as a communication to the public.<sup>266</sup>

The result of the adoption of article 8 in the final treaty, therefore, was to substantially alleviate the fears of online service providers.<sup>267</sup> When considered in light of the deletion of article 7,<sup>268</sup> the risk of being held liable for infringing activity occurring on their networks had not been increased by WIPO.

### 3. The Reach of the WIPO Copyright Treaty

While the WIPO Copyright Treaty did not eliminate the concerns raised by domestic court decisions as to online service providers' liability for copyright infringement,<sup>269</sup> the WIPO treaty did not adopt the White Paper's position that online service providers should be liable for infringing activity occurring on their networks.<sup>270</sup> Rather, WIPO arguably changed very little the law as developed by U.S. courts with respect to liability for copyright infringement of online services.<sup>271</sup>

Significantly, even though the WIPO treaty does not contain any of the U.S. delegation's proposals as originally offered, the treaty does reflect the

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265. See Samuelson, *supra* note 213, at 397 ("Under one interpretation, these firms could be viewed as communicating protected works to the public whenever they provided users with facilities for transmitting works.").

266. See *id.* ("[D]elegates to the diplomatic conference adopted an agreed-upon statement of interpretation to the *WIPO Copyright Treaty* which said that merely providing services for transmission of digital works should not be construed as a communication to the public.").

267. See *id.* "[Article 8 and the accompanying agreed-upon statement], along with the omission of article 7 from the final treaty, meant that telephone companies and online service providers could finally breathe easily about the copyright treaty that would emanate from Geneva." *Id.* (citations omitted).

268. See *id.*

269. See discussion *supra* Part III.

270. See Samuelson, *supra* note 213, at 434-39 (noting that the United States arguably experienced mixed success in promoting its *Digital Agenda at WIPO*).

271. See *id.*

Insofar as the original draft of article 7 would have made [online] service providers and other intermediate institutions liable for all user infringements, including those of which they knew nothing, the treaty's rejection of article 7 is consistent with U.S. caselaw. [Additionally], U.S. copyright law has long accorded copyright owners the right to transmit their works to the public. Hence, the treaty's endorsement of treating digital transmissions as communications to the public is consistent with U.S. copyright law. *Id.* at 436. (citing *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995); *Sega Enters. v. MAPHIA*, 948 F. Supp. 923 (N.D. Cal. 1996)).

goals of U.S. copyright law. Indeed, the WIPO treaty clearly attempts to balance the interests of copyright owners on the one hand, against the interests of society in original and creative works on the other.<sup>272</sup>

### C. Proposed and Pending Legislative Changes in the United States

In the past two years, four bills have been introduced in Congress that propose significant legislative changes in the copyright laws and consequently would affect the liability of online service providers. These bills vary as to exactly when an OSP would be liable for infringing acts taking place on their networks.

#### 1. H.R. 2180<sup>273</sup>

Introduced in 1997 by Representative Howard Coble (R-N.C.), H.R. 2180 attempted to clarify the circumstances under which OSPs may be held liable for infringements occurring on their networks, but which other parties directly committed. The legislation would have added a new section 512 to the current 1976 Act specifically limiting liability of OSPs.<sup>274</sup>

H.R. 2180 would have exempted a person who solely transmitted or otherwise provided access to material online from liability for direct copyright infringement *or* vicarious liability for the infringing acts of another, if the person did not: (1) initially place the material online; (2) generate, select or alter the content of the material; (3) determine the recipients of the material; (4) receive a financial benefit directly attributable to a particular act of infringement; (5) sponsor, endorse or advertise the material; and (6) know, and was not aware by notice or other information indicating that the material is infringing.<sup>275</sup> Importantly, the bill expressly stated that OSPs would have no affirmative obligation to seek information as to whether any particular material was infringing.<sup>276</sup> Additionally, H.R. 2180 limited liability for *contributory* infringement to injunctive relief, provided that such relief is technically feasible and economical to carry out.<sup>277</sup>

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272. See *id.* at 375. "[The *WIPO Copyright Treaty* reflects] an approach that strongly resembles the balancing-of-interests approach that has been traditional in U.S. copyright law. The *WIPO Copyright Treaty* even affirms 'the need to maintain a balance between the interests of authors and the larger public interest, particularly education, research and access to information.'" *Id.* (quoting *WIPO Copyright Treaty*, *supra* note 237).

273. On-Line Copyright Liability Limitation Act, H.R. 2180, 105th Cong. (1997).

274. See *id.* § 2.

275. See *id.*

276. See *id.*

277. See *id.*

## 2. H.R. 3209<sup>278</sup> / H.R. 2281<sup>279</sup>

On February 12, 1998, Representative Coble and Representative Goodlatte (R-Va) introduced H.R. 3209, a revised version of H.R. 2180.<sup>280</sup> On April 1, 1998, the House Judiciary Committee incorporated H.R. 3209 into H.R. 2281, the pending Digital Millennium Copyright Act.<sup>281</sup> The night before, however, representatives of copyright owners and online service providers reached an agreement on draft legislation concerning online copyright liability.<sup>282</sup> The agreement was similar to H.R. 3209, but differed slightly.<sup>283</sup> Ultimately, H.R. 2281 was amended to include this agreement.<sup>284</sup> On October 12, 1998, an amended version of H.R. 2281 was passed through both the House and Senate and was cleared for White House approval.

Like its predecessor, H.R. 2281 adds a new section 512 defining the circumstances in which OSPs would be liable for infringing activity occurring on their networks.<sup>285</sup> In short, H.R. 2281 is intended to codify the *Netcom* decision discussed previously and overrule the decision in *Frena*.<sup>286</sup>

Under H.R. 2281, an OSP would be exempt from liability for monetary relief for *direct* infringement based solely on the intermediate storage and transmission of material over the OSP's network<sup>287</sup> if: (1) the transmis-

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278. On-Line Copyright Infringement Liability Limitation Act, H.R. 3209, 105th Cong. (1998).

279. Digital Millennium Copyright Act of 1998, H.R. 2281, 105th Cong. (1998) (currently awaiting White House approval).

280. See H.R. 3209, 105th Cong. (1998); see also *New On-Line Copyright Infringement Bill Represents 'Common Base,'* 55 PAT. TRADEMARK COPYRIGHT 312-13 (1998) (discussing pending legislation in Congress concerning online liability); *H.R. 3209: On-Line Provider Liability*, 55 PAT. TRADEMARK COPYRIGHT 369 (1998) (discussing pending bill 3209).

281. See *House Judiciary Approves Copyright Reform for Digital Environment*, 55 PAT. TRADEMARK COPYRIGHT 519-20 (1998) (discussing legislative changes to H.R. 3209); WIPO Copyright Treaties Implementation Act, H.R. 2281, 105th Cong., tit. II (1997). The two bills are now collectively referred to as H.R. 2281, the "Digital Millennium Copyright Act of 1998." A companion bill, S. 2037, was introduced in the Senate. S. 2037 combined S. 1121, the Senate's bill implementing the WIPO Treaty, and the substance of the amended version of H.R. 2281. On September 17, 1998, H.R. 2281 passed the Senate in lieu of S. 2037.

282. See *Industry Groups Reach Accord On Online Copyright Liability Legislation*, 55 PAT. TRADEMARK COPYRIGHT 557-58, 564-67 (1998) (discussing new agreement). The agreement represents a settlement of disputes stalling the passage of H.R. 3209. See *id.*

283. See *id.*

284. See *id.*

285. Compare H.R. 3209, 105th Cong. § 2, with H.R. 2281, 105th Cong. § 202.

286. See *New On-Line Copyright Infringement Bill Represents 'Common Base,' supra* note 280, at 313 (noting Rep. Coble intended that H.R. 3209 overrule *Frena* to the extent that that case suggests such acts could constitute direct infringement).

287. These four exceptions to liability apply to "service providers" defined for the four exceptions to mean "an entity offering the transmission, routing, or providing of connections for digital

sion is initiated by another person; (2) the storage and transmission is carried out through an automatic technological process without any selection of that material by the provider; (3) any copy made of the material is not retained longer than necessary for the purpose of carrying out that transmission; and (4) the material is transmitted through the system or network without modification to its content.<sup>288</sup>

The bill would additionally limit a plaintiff's remedy against the OSP to injunctive relief when the OSP:

has adopted and reasonably implemented, and informed subscribers and account holders of the service provider's system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers; and accommodates and does not interfere with standard technical measures.<sup>289</sup>

Further, under § 512(c) of H.R. 2281, an OSP would be subject to only a limited injunction and not be liable for monetary damages for conduct not covered by the above circumstances when the provider: (1) does not have actual knowledge that the material or an activity using the material on the system or network is infringing, is not aware of facts or circumstances from which infringing activity is apparent and upon obtaining such knowledge or awareness acts expeditiously to disable access to the material;<sup>290</sup> or (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;<sup>291</sup> and (3) upon notification of claimed infringement responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.<sup>292</sup>

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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." H.R. 2281, 105th Cong. § 512(k)(1)(A) (1998). For all other purposes, the bill defines "service provider" to mean "a provider of online services or network access, or the operator of facilities therefore." See H.R. 2281, 105th Cong. § 512(k)(1)(B).

288. See H.R. 2281, 105th Cong. § 512(a).

289. *Id.* § 512 (i)(1)(A)–(B). "Standard technical measures" is defined as:

[those] technical measures that are used by copyright owners to identify or protect copyrighted works and have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process, [and] are available to any person on reasonable and nondiscriminatory terms and do not impose substantial costs on service providers or substantial burdens on their systems or networks.

*Id.* § 512 (i)(2)(A)–(C).

290. *Id.* § 512(c)(1)(A)(i)–(iii).

291. *Id.* § 512(c)(1)(B).

292. *Id.* § 512(c)(1)(C).

Additional provisions affect liability for (1) "caching"<sup>293</sup> and (2) "linking"<sup>294</sup> to infringing material. Where injunctive relief is granted, § 512(j) limits the scope of relief the court may grant.<sup>295</sup>

### 3. S. 1146<sup>296</sup>

S. 1146 is a counterpart bill to both H.R. 2180 and H.R. 2281.<sup>297</sup> While S. 1146 also suggests amending the current copyright laws by adding a § 512,<sup>298</sup> it takes a somewhat simpler, more direct approach.

The bill would exempt any person providing "electronic communications network services or facilities"<sup>299</sup> for direct, contributory or vicarious

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293. *Id.* § 512(b) (limiting the liability of OSPs to limited injunctive relief in certain defined circumstances); see Hayes, *Tidal Wave*, *supra* note 11, § III.B, defining "caching" as:

Caching is another activity that is, under current technology, virtually ubiquitous on the Internet. Caching (sometimes know as "mirroring," usually when it involves storage of an entire site or other complete set of material from a source) means storing copies of material from an original source site (such as a Web page) for later use when the same material is requested again, thereby obviating the need to go back to the original source for the material. The purpose of caching is to speed up repeated access to data and to reduce network congestion resulting from repeated downloads of data. The cached material is generally stored at a site that is geographically closer to the user, or on a more powerful computer or one that has a less congested data path to the ultimate user. The cached information is usually stored only temporarily, although the times may vary from a few seconds to a few days, weeks, or more.

*Id.*

294. "Linking" or "hypertext linking" refers generally to the process by which a computer user or browser clicks with a mouse on highlighted text on a Web page, which causes the browser to be transported through cyberspace to a new location on the Internet, often on an entirely different Web page. See H.R. 2281, 105th Cong. § 512(d) (limiting the liability of OSPs to limited injunctive relief in certain defined circumstances).

295. See H.R. 2281, 105th Cong. § 512(i). While H.R. 2281 divides the scope of relief a court may grant depending on the service provider's actions, the bill basically limits a court's injunctive relief to: (i) an order restraining the service provider from providing access to infringing material or activity residing at a particular online site on the provider's system or network; or (ii) an order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is engaging in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order, or (iii) such other injunctive relief as the court may consider necessary to prevent or restrain infringement of copyrighted material specified in the order; of the court at a particular online location, if such relief is the least burdensome to the service provider among the forms of relief comparably effective for that purpose. See *id.* § 512(j)(1)(A)(i)-(iii), (B).

296. Digital Copyright Clarification and Technology Education Act of 1997, S. 1146, 105th Cong. (1997). The bill was introduced in September 1997 by Senator John Ashcroft (R-Mo). See *New On-Line Copyright Infringement Bill Represents 'Common Base,' supra* note 280, at 313.

297. See *New On-Line Copyright Infringement Bill Represents 'Common Base,' supra* note 280, at 313 (noting that S. 1146 is a counterpart to both H.R. 2180 and H.R. 3209); H.R. 3209: *On-Line Provider Liability, supra* note 284, at 369 (noting that S. 1146 is a counterpart to both H.R. 2180 and H.R. 3209).

298. See S. 1146, 105th Cong. § 102.

299. *Id.*

liability from any copyright infringement arising out of the provision of those services and which infringement was caused by a user of those services.<sup>300</sup> Consequently, under S. 1146, an OSP will only be liable if it has failed to remove the infringing works after receiving notice of the infringing activity from the copyright holder.<sup>301</sup>

In sum, the legislative changes at both the national and international levels are beginning to attempt to resolve the many copyright issues presented in the online context. The legislation just passed in Congress and expected to be signed into law by President Clinton, would significantly alter the liabilities of OSPs under U.S. copyright law. How those changes will be affected by international agreements on the subject is uncertain.<sup>302</sup> In the end, and similar to its past reactions to technological advancements, H.R. 2281 is another example of Congress's efforts to maintain the proper balance between copyright owners and society's interest.

## **VI. The Applicability of the Current Law and Proposed Solutions to Specific Parties Operating on the Internet**

In addition to understanding the liability of OSPs in terms of legal categories, a copyright attorney should also find useful an analysis of the liability of OSPs dissected by the particular type of Internet activity in which it is engaged. Thus, the analysis that follows synthesizes OSP's risks of liability in relation to that OSP's *particular type* of Internet operation. The analysis includes both a summary of the risks of liability of the particular type of OSP under current case law as well as the liability that the particular type of OSP can expect in the future, given the current proposed and pending changes to national and international copyright laws.

### **A. Internet Service Providers**

#### **1. Operations Providing Only Access to the Internet**

Parties who purely provide access to the Internet, and nothing more, have the best chance of avoiding liability for copyright infringement. These operations operate truly automatically, and therefore seemingly do not act

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300. *See id.*

301. *See id.*; *see also* *New On-Line Copyright Infringement Bill Represents 'Common Base,' supra* note 280, at 313 (discussing S. 1146).

302. To be effective in the United States, the Senate must ratify implementing legislation. As discussed above, the Digital Millennium Copyright Act incorporates the necessary implementing legislation. However, future international agreements may require future amendments to U.S. copyright law. *See* WIPO Copyright and Performances and Phonograms Treaty Implementation Act of 1997, S. 1121, 105th Cong. (1997); WIPO Copyright Treaties Implementation Act, H.R. 2281, 105th Cong. (1997).

with the requisite volition the current trend in case law requires for a finding of direct infringement.<sup>303</sup> Further, pure access providers arguably offer a service promoting the underlying goals of copyright law.<sup>304</sup> Access providers promote an incredible dissemination of information to the public, thus benefiting the overall welfare of society.<sup>305</sup> Consequently, access providers may also be the only one of the three types of Internet operations capable of successfully claiming the fair use defense.<sup>306</sup>

Contributory liability offers the greatest risk of liability for access providers. Under current case law, an access provider will likely be found to have had the requisite knowledge of infringing activity by virtue of the existence of copyright notices on posted infringing pictures.<sup>307</sup> Additionally, the access provider will likely have been deemed to have substantially participated in the infringing activity by virtue of providing the network facilities.<sup>308</sup>

Pending legislation in Congress, however, appears likely to offer exemptions from liability for access providers. At least one proposed bill would apparently alleviate liability of access providers based on knowledge of the infringing activity by specifically exempting OSPs from requiring that they affirmatively determine whether any materials on their networks are infringing.<sup>309</sup> This change would alter current case law on the point.<sup>310</sup> Another pending bill would simply appear to eliminate liability of OSPs altogether absent a failure to remove an infringing work after notification.<sup>311</sup> Like issues faced in the courts, however, this bill does not identify what constitutes "sufficient notice."<sup>312</sup>

Similarly, current case law offers substantial risks as to vicarious liability even for pure access providers.<sup>313</sup> Pending legislation, however, would substantially limit vicarious liability.<sup>314</sup>

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303. See discussion *supra* Part III.A.

304. See discussion *supra* Part I.A.

305. See discussion *supra* Part I.B.

306. See discussion *supra* Part IV.

307. See discussion *supra* Part III.B.1.

308. See discussion *supra* Part III.B.2.

309. See H.R. 2281, 105th Cong. § 512(l)(1) (1998) (noting that liability is not premised upon "a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with subsection (i).") See discussion of H.R. 2281, 105th Cong. § 512(l)(1)(i) *supra* note 281.

310. See discussion *supra* Part III.B.1 (discussing effect of *Netcom* on knowledge element of contributory liability).

311. See Digital Copyright Clarification and Technology Education Act of 1997, S. 1146, 105th Cong. § 101(5).

312. See *id.*; *supra* Part III.B.1.

313. See discussion *supra* Part III.C.

314. See discussion *supra* Part V.C.

In sum, even operations that only provide access to the Internet are currently at high risk of being held liable for copyright infringement occurring on their networks. While pending legislation offers hopeful exemptions to this liability, the substantial discussion of OSP liability at WIPO,<sup>315</sup> combined with the adopted agreed statement as well as the White Paper's arguably protectionist agenda,<sup>316</sup> indicates that provisions imposing liability on OSPs for direct infringement may be adopted by the international community in the future.

## 2. Operations Providing Both Access and Content

Operations that provide both access to the Internet and content once on the Internet are at greater risk than those operations simply providing access. In addition to the risks noted above regarding pure access providers, parties that also provide content incur additional risks for several reasons.

Depending on the way the content is provided, a court is more likely to find a party providing content in which infringing works are found to have a more direct involvement in presenting the infringing material.<sup>317</sup> Thus, a finding of direct infringement is more likely against Internet operations providing content than for those operations providing only access.<sup>318</sup>

Additionally, liability for contributory infringement is more likely. Parties offering users content are more likely to at least have constructive knowledge of the content that they are providing users. Further, if the OSP is promoting its services based on the content it is offering, not only will this implicate a greater level of knowledge of their offerings, but will also imply a certain level of control in selecting, or at least generating, the infringing material.

Liability for contributory infringement will depend heavily on the legislation ultimately adopted. The Digital Millennium Copyright Act—recently signed by the President—limits the *remedy* for *contributory* infringement to limited injunctive relief. The courts must still determine *when* a party is contributorily liable.<sup>319</sup>

OSPs that provide content in addition to access have the added disadvantage of inherently maintaining greater control over the infringing activities. Thus, an OSP providing both access *and* content runs a greater risk of being held *vicariously* liable for infringing activity occurring on or through

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315. See discussion *supra* Part V.B.

316. See discussion *supra* Part V.A.

317. See *supra* notes 117–23 and accompanying text (discussing the *Webbworld* cases direct infringement).

318. See *supra* notes 117–23 and accompanying text.

319. See H.R. 2281, 105th Cong. § 512(c)(1)(a)(i)–(iii) (1998).



its networks. The OSP will certainly be deemed to maintain the ultimate control over what content it is providing to users. Additionally, the increasing commercial nature of the Internet presents an increased likelihood that courts will hold—especially after *Fonovisa*—that any party providing content receives a direct financial benefit from the infringing activity.<sup>320</sup> Thus, courts are likely to find that the infringing material provided by the OSP enhances the value of their site to consumers.<sup>321</sup> This increased risk is especially likely given consumers' wide understanding that the Internet offers many works "for free" for which the consumer would otherwise have to pay.<sup>322</sup> Thus, parties providing content are more likely to be considered by the courts closer to "dance-hall operators" than "landlords."<sup>323</sup> While passage of the Digital Millennium Copyright Act will limit the remedy for vicarious liability, H.R. 2281 does nothing to aid the courts in determining exactly *when* a party is vicariously liable.<sup>324</sup>

Finally, the policy considerations underlying the copyright laws do not weigh as heavily in favor of parties providing content as they do for parties providing purely access to the Internet. Pure access providers promote the dissemination of original and creative works in a manner that is arguably appropriate when balanced against any harm to copyright owners. However, the commercial nature of the Internet has led many parties also providing content to offer that content for self-interested, often financial reasons.<sup>325</sup> Such commercialism of the Internet may tip the balance of interests between authors and society against these authors. The different approaches taken by the pending legislation reflect this concern. In sum, providing any form of content likely increases a party's risks of liability for copyright infringement, both in the present and the future.

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320. See discussion *supra* Part III.C.1.

321. See discussion *supra* Part III.C.1 (discussing *Webbworld* cases). Cf. *Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs. & N.W. Nexus, Inc.*, 983 F. Supp. 1167, 1179 (N.D. Ill. 1997) (finding issues of material fact precluded plaintiff's motion for summary judgment requesting the court hold an Internet Service Provider contributorily liable who stored co-defendant's Web page on its server).

322. See Jason Chervokas, *Internet CD Copying Tests Music Industry*, N.Y. TIMES, Apr. 6, 1998, at D3 (noting consumers knowledge of "underground" networks providing infringing materials).

323. See discussion *supra* Part II.C (discussing generally the doctrine of vicarious liability).

324. See H.R. 2281, 105th Cong. § 512(c)(1)(B) (1998).

325. Of course, many sites on the Internet may be operated purely out of a desire to disseminate information, without the operators seeking or receiving any compensation or advertising revenues for doing so.

## B. Bulletin Board Operators

The courts have treated operators of BBSs virtually identically to pure access providers.<sup>326</sup> Apparently, few technical differences with legal significance exist between access providers and BBSs. Importantly, however, depending on judicial or technical interpretation, BBSs may not be exempt from liability for direct infringement<sup>327</sup> but, nonetheless, would be exempt from liability for caching,<sup>328</sup> vicarious<sup>329</sup> and contributory<sup>330</sup> liability and liability related to linking.<sup>331</sup> Thus, depending upon courts' determinations, BBSs may be subject to a *greater* risk of liability for direct infringement than Internet access providers. However, as noted above, BBSs, like access providers, still operate with significant risk of incurring liability for copyright infringement occurring on their networks, especially given their apparent exposure to liability for direct infringement as a result of H.R. 2281.

## C. Web Site Operators and Content Only Providers

Web site operators and operations that provide only content maintain the greatest risk of being held liable for copyright infringement. Depending on exactly how the operation is set up, Web site operators and pure content providers arguably satisfy the elements of all three theories of liability for copyright infringement.<sup>332</sup> Even if a court were to deny liability based on direct infringement, the knowledge and contribution to the infringing activity most certainly would lead to a finding of contributory liability. Indeed, these parties come the closest to common situations of copyright infringement occurring outside the digital environment (i.e. like the "traditional" direct infringement of reproducing a picture in a book without permission of the owner). The only difference in many of these Internet operations is that the infringements are occurring in digital form rather than in a tangible medium.

These Internet operations will be virtually unaffected by any pending legislation in Congress.<sup>333</sup> Additionally, in light of the aggressive approach taken by the United States at the WIPO convention in Geneva,<sup>334</sup> and in the

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326. See, e.g., *Religious Tech. Ctr. v. Netcom On-Line Communication Servs. Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995) (analyzing ISP and BBS similarly for purposes of liability for copyright infringement).

327. See H.R. 2281, 105th Cong. § 512(a).

328. See *id.* § 512(b).

329. See *id.* § 512(c)(1)(B).

330. See *id.* § 512(c)(1)(A)(i)-(iii).

331. See *id.* § 512(d).

332. See discussion *supra* Parts II and III.

333. No apparent exemption exists in H.R. 2281. See discussion *supra* Part V.C.

334. See discussion *supra* Part V.B.

Clinton Administration's White Paper,<sup>335</sup> as well as in the articles for the WIPO Copyright Treaty,<sup>336</sup> the international community does not appear ready to exempt Web sites and pure content providers from liability anytime soon. Indeed, the debate over how to legislate online liability to properly achieve copyright's goals appears to be centered on how to *not* exempt parties like Web site operators and content providers while leaving room to exempt other parties (such as access providers).

In sum, Web site operators and content providers can expect to be held liable under at least one, if not all three theories imposing liability for copyright infringement. This is true under current case law and will continue to be true under any of the currently proposed legislative changes.

## Conclusion

Whether representing a copyright owner or an accused copyright infringer, every attorney should understand the power of copyright law for protecting a client's intellectual property on the Internet. Indeed, almost every client is likely to either maintain some Internet operation or have a proprietary interest in material already uploaded or likely to be uploaded to the Internet.

Unfortunately for all of these clients, the rights of the respective parties are relatively uncertain. While the courts are beginning to develop a body of case law, the decisions have been far from consistent, and have not always been entirely coherent. Future legislative changes to the copyright laws by the United States Congress attempting to solve many of these uncertainties appear virtually certain. Discussion at the international level is also likely to continue. However, whether these changes achieve any real certainty remains to be seen.

Most valuable to the client, however, is an understanding of the *risks* of liability of particular Internet operations and the potential rights of parties with proprietary interests in works on the Internet. While this article analyzes current law and the effects of likely changes to it, the copyright attorney should understand that the law will continue to develop as the technology of the Internet changes. Understanding the underlying issues that the Internet presents for copyright law, however, will aid attorneys in advising clients how best to maximize their rights and minimize their risks.

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335. See discussion *supra* Part V.A.

336. See discussion *supra* Part V.B.