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# Contributory Liability for Access Providers: Solving the Conundrum Digitalization Has Placed on Copyright Laws

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# NOTE

## Contributory Liability for Access Providers: Solving the Conundrum Digitalization Has Placed on Copyright Laws

Wendy M. Melone\*

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### INTRODUCTION

With the explosion of bulletin board services (BBS)<sup>1</sup> on the Internet,<sup>2</sup>

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1. Currently at least 60,000 BBS operate in cyberspace with estimates as high as 100,000. Michael Bauwens, *What is Cyberspace?* COMPUTERS IN LIBRARIES, Apr. 1, 1994, at 42; THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS (Sept. 1995) [hereinafter THE WHITE PAPER]. When bulletin board users "chat" on the Internet, the material displayed or transmitted is often material protected under copyright laws. Richard Raysman & Peter Brown, *Internet Copyright Developments*, N.Y.L.J., Jan. 6, 1996, at 3.

liability concerns have pitted copyright holders<sup>3</sup> against bulletin board subscribers,<sup>4</sup> BBS operators (BBS), and access providers in an all out tug-of-war. Copyright proponents currently advocate a strict liability standard for copyright infringement. Such a standard would hold an Internet access provider liable even if it is unaware that infringing material has been placed on the Internet by a bulletin board subscriber. President Clinton recognized the difficulty of applying current copyright laws to the relatively new Internet arena and consequently formed the Information Infrastructure Task Force (IITF) in February 1993. The President also established the Working Group on Intellectual Property Rights (the Working Group). The Working Group, as part of the Information Policy Committee of the IITF, initially addressed intellectual property issues in its directive, *A Preliminary Draft of the Report of the Working Group on Intellectual Property Rights* (the Green Paper)<sup>5</sup> and subsequently in *The Report of the Working Group on Intellectual Property Rights* (the White Paper),<sup>6</sup> which finished two and one-half years of study and analysis of all significant issues involving

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2. The 10 to 40 million Internet users convey millions of messages on any given day. The number of Internet users is increasing by 15% every month. THE WHITE PAPER, *supra* note 1, at 116; Peter H. Lewis, *Strangers, Not Their Computers, Build a Network in Time of Grief*, N.Y. TIMES, Mar. 8, 1996, at A1; *NII Copyright Protection Act of 1995 (Part 2): Hearings on H.R. 2441 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary*, 104th Cong. 87 (1996) [hereinafter *NII Copyright Protection Act Hearings, Part 2*] (prepared statement of Garry L. McDaniels, President, Skills Bank Corporation, on behalf of the Software Publishers Ass'n).

3. See THE WHITE PAPER at 121 n. 390 (citing *Frank Music v. CompuServe Inc.*, 93 Civ. 8153 (S.D.N.Y., Dec. 19, 1995), a case which recently settled). *Frank Music* concerned the liability of CompuServe for accommodating the copyright infringement of musical works.

4. Bulletin board subscribers receive access to the Internet via their BBS operators (or on-line providers). The BBS operators gain their access to the Internet through access providers who have direct access to the Internet. As such, the access provider serves as a conduit between the BBS operator and the Internet but has no direct relation to the bulletin board subscriber.

5. Patent Commissioner Bruce A. Lehman chairs the Working Group subcommittee for the IITF. Twenty-seven governmental agencies participate on the IITF. Critics of both the Green Paper and the White Paper argue that the Working Group promotes broadening the exclusive rights of copyright holders without granting a similar increase in public access. Barbara Hoffman, *Digital Innovation Now Challenge Legal System: U.S. and Foreign Governments Study the Impact of Digital Technology on Existing IP Laws*, NAT'L L.J., Oct. 23, 1995, at C15.

6. THE WHITE PAPER, *supra* note 1, at 116. The currently proposed legislation following the White Paper has been scrutinized by a wide number of groups. See Pamela Samuelson, *The Copyright Grab*, WIRED 4.01, Jan. 1996, at 134, which specifically addresses the problems of making on-line providers copyright police. Interest groups that have criticized the current legislation as a "maximalist" approach" include the Digital Future Coalition, an umbrella organization to the Alliance for Public Technologies and the Electronic Frontier Foundation. Gary Chapman, *Copyright Bill Would Infringe on the Internet's Real Promise*, L.A. TIMES, May 20, 1996, at D7.

intellectual property.<sup>7</sup> These proposals only begin to scratch the surface of the ongoing disputes regarding copyright infringement,<sup>8</sup> leaving many unanswered questions about the proper assessment of the copyright-Internet conundrum resulting from digitalization.<sup>9</sup> The Working Group prompted the National Information Infrastructure (NII) Copyright Protection Act of 1995, which addresses the ramifications of digitalization on copyright law and is currently under committee review in both the House of Representatives and the Senate.<sup>10</sup> The relevant Internet changes involve defining and incorporating "transmissions" into current copyright laws to address the dissemination of information via computer access.<sup>11</sup>

Copyright holders argue that the strict liability standard set forth in copyright law<sup>12</sup> should continue to govern whether an access provider should be held accountable for a bulletin board subscriber's copyright infringement. Another argument recognizes vicarious liability<sup>13</sup> as the means to protect the copyrighted work while still encouraging Internet growth. Two district courts recently addressed the issue of copyright infringement by bulletin board subscribers and legal ramifications for the on-line provider.<sup>14</sup>

The primary focus of this Note is to discuss whether a large Internet

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7. *NII Copyright Protection Act Hearings, Part 2, supra* note 2, at 2 (opening statement of Rep. Carlos J. Moorhead, Subcomm. Chairman).

8. Infringement is a technical concept describing interference with the statutorily defined rights of a copyright holder. *United States v. LaMacchia*, 871 F. Supp. 535, 545 n.19 (D. Mass. 1994). *LaMacchia* illustrates the current loophole in protecting criminal copyright violations. See *NII Copyright Protection Act of 1995: Joint Hearing on H.R. 2441 and S. 1284 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary and the Senate Comm. on the Judiciary*, 104th Cong. 39-42 [hereinafter *NII Copyright Protection Act Hearings, Part 1*] (statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

9. Digitalization allows us to (1) store data, (2) manipulate data, and (3) transmit data in ways qualitatively and quantitatively unthought of previously. While digitalization has no boundaries, copyright law is territorial. Marshall Leaffer, *Speech on the Digital Revolution and Copyright at the Indiana University School of Law* (Jan. 25, 1996) [hereinafter *Leaffer*].

10. H.R. 2441, 104th Cong. (1995); S. 1284, 104th Cong. (1995). The bills are sponsored by Representative Moorhead and Senators Hatch and Leahy, respectively. See also *Criminal Copyright Improvement Act of 1995*, S. 1122, 104th Cong. (1995).

11. *NII Copyright Protection Act Hearings, Part 1, supra* note 8, at 40 (statement of Marybeth Peters).

12. 17 U.S.C. § 501(a) (1994) provides in part: "Anyone who violates any of the exclusive rights of the copyright owner . . . or of the author . . . or who imports copies or phonorecords into the United States . . . is an infringer."

13. See Kelly Tickle, Comment, *The Vicarious Liability of Electronic Bulletin Board Operators For the Copyright Occurring on Their Bulletin Boards*, 80 IOWA L. REV. 391 (1995); THE WHITE PAPER, *supra* note 1, at 109.

14. *Playboy Enterprises v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993); *Sega Enterprises v. Maphia*, 857 F. Supp. 679 (N.D. Cal. 1994).

access provider that allows the BBS to reach the Internet should be liable<sup>15</sup> for copyright infringement committed by a subscriber of the BBS. This issue was initially addressed, but not decided in *Religious Technology Center v. Netcom*.<sup>16</sup> As such, it remains an issue of first impression for a future tribunal.<sup>17</sup> This Note argues that an access provider should be held to a contributory liability standard,<sup>18</sup> not to a strict liability standard, for copyright infringements via a BBS. As set forth in copyright law, strict liability standards would frustrate the enormous success of the Internet if applied to access providers. Additionally, this Note illustrates how the traditional strict liability standard hinders the cyberspace<sup>19</sup> revolution. Moreover, vicarious liability is not an appropriate standard because the access provider does not maintain an agency relationship with the bulletin board subscriber.

First, this Note analyzes and rejects the solutions provided by the courts for the on-line provider. The courts have utilized two varying standards, yet still have found the BBS operators liable.

Second, the insufficiency of the relationship between the access provider and the subscriber will illustrate why vicarious liability is not a

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15. The proposed changes, which essentially could place access providers in the role of "deep pocket" defender, would chill Internet progress by implicating providers who cannot control "transmissions." *National Information Infrastructure Copyright Protection Act of 1995: Hearings on S. 1284 Before the Senate Comm. on the Judiciary*, 104th Cong. (1996) [hereinafter *Senate Hearings on S. 1284*] (statement of William W. Burrington, Asst. General Counsel and Director of Public Policy, America Online, Inc., on behalf of the Ad Hoc Copyright Coalition), available in Westlaw, 1996 WL 238583.

16. *Religious Tech. Center v. Netcom On-Line Comm. Services, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995) (denying summary judgment, judgment on the pleadings, and a preliminary injunction). What could have been a precedent setting case now leaves the issue of access provider liability undecided. The Church of Scientology settled their suit against Netcom on August 2, 1996. See *Netcom, Scientologists Settle Suit Over Internet Postings*, L.A. TIMES, Aug. 9, 1996 at D2. The out-of-court settlement concluded with Netcom posting a statement on its World Wide Web. "When we send intellectual property to our friends, it's possible to infringe on the rights of others without really thinking about it," it warned. "Before you post that funny monologue of Dave Barry's or the wonderful Dilbert cartoon or use that image of Kermit the Frog on your Web page, please remember that these materials are very likely to be proprietary and cannot be distributed without permission." Benjamin Pimentel, *Netcom Settles Scientology Copyright Suit*, S.F. CHRON., Aug. 5, 1996 at A22.

17. The United States District Court for the Northern District of California is the first court to address the access provider's liability.

18. Contributory infringement is not possible without an act of direct infringement. See 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12.04 [A][3][a] (1995).

19. Cyberspace is the space we take up when we communicate by computer. The net is vaguely defined as the superstructure of cyberspace. "It lives everywhere and nowhere; thus it is hard to find and hard to kill." Bauwens, *supra* note 1, at 42; Jon Carroll, *Understanding Cyberspace*, S. F. CHRON., May 25, 1994, at E8.

viable solution. Gauging the relationship between the access provider and one of its possibly millions of subscribers would prove disastrous for the courts and Congress, in ensuring the longevity and prosperity of the NII. This standard would further generate a deluge of unwarranted infringement litigation.

Third, this Note explains the necessity of gauging the access provider's role in copyright infringement under the contributory liability standard. The contributory liability standard, unlike the other standards, will not undermine the continual development of the Internet. Access providers will only be held accountable when they have notice of the ongoing infringement. This standard protects both the copyright holder's and the access provider's rights without destroying the goals and pursuits of either party.

### I. THE *PLAYBOY* AND *SEGA* APPROACHES

Two recent district court decisions, *Playboy Enterprises v. Frena*, and *Sega Enterprises v. Maphia*<sup>20</sup> tested the waters of copyright infringement for the on-line provider. *Playboy* and *Sega* used different standards to find each of the respective on-line providers liable for copyright infringement. Currently, these standards are under a great deal of scrutiny by Internet promoters, users, operators and access providers.

*Playboy* used the strict liability standard currently set forth in the Copyright Act of 1976.<sup>21</sup> In that case, Frena operated a BBS that facilitated the distribution of unauthorized copies<sup>22</sup> of *Playboy's* copyrighted photographs.<sup>23</sup> The BBS was accessible by Frena's customers for a fee or by those who bought specific products from the BBS operator.<sup>24</sup> The BBS permitted its customers to browse through the various directories as well as download<sup>25</sup> and store disseminated photographs<sup>26</sup> on their

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20. *Playboy*, 839 F. Supp. at 1552; *Sega*, 857 F. Supp. at 679.

21. 17 U.S.C. §§ 101-1101 (1994).

22. "'Copies' are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term 'copies' includes the material object, other than a phonorecord, in which the work is fixed." *Id.* § 101.

23. Digitalization prevents degradation of photographs so that they look like the originals. Leaffer, *supra* note 9.

24. *Playboy*, 839 F. Supp. at 1554.

25. Downloading is the means of transferring the computer-generated image from the bulletin board to the subscriber's computer while uploading reaches the opposite result. *Id.* at 1554 nn.1-3.

26. One hundred seventy computerized copies of *Playboy's* copyrighted photographs were available on Frena's BBS. *Id.* at 1554. *Playboy's* official website provides the sexy graphics which draw many of its current subscribers. The numerous picture and text files are

personal computer.<sup>27</sup> "Irrefutable evidence" illustrated that Frena was a direct infringer.<sup>28</sup> The *Playboy* court further stated that it was immaterial that Frena may have been unaware of the copyright infringement, as intent or knowledge are not elements of direct infringement under copyright law.<sup>29</sup> However, the court also could have applied the proposed contributory liability standard to find Frena liable. Frena met the contributory liability threshold for knowledge of the infringement. Frena admitted that *Playboy's* text was removed from the computer-generated copies and replaced with Frena's name and the BBS's name and phone number. Frena also admitted that the trademarks "PLAYBOY" and "PLAYMATE" were used as the file descriptors for the computer-generated photographs which lured many of his subscribers.<sup>30</sup> In applying the obsolete strict liability standard to on-line providers, the court failed to recognize that the statute was not promulgated to deal with the unknowing on-line provider. Some on-line providers permit millions of customers to send messages around the world<sup>31</sup> in a matter of minutes, sometimes seconds. The Copyright Act of 1976 does not include the operative language of contributory infringement or vicarious liability, but both standards have received support through case law.<sup>32</sup>

It is argued that liability may be justly imposed upon on-line providers because of their "deep pockets." However, this proposition is less than equitable as it allows the actual infringer to escape liability based solely upon the success of the medium. The copyright owners argue that, in a situation where the infringement involves two innocent parties, the on-line provider should bear the consequences for the infringement because it is in a better position to prevent violations.<sup>33</sup>

This argument is not persuasive, especially when the dispute involves an access provider as opposed to an on-line provider. First, neither the on-line provider nor the access provider are in a better position to stop the

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currently accessed at a rate of four million times a day. The pirating that *Playboy Enterprises* criticized on Frena's BBS now certainly occurs at least as frequently on their own website. James Coates, *On Internet, Copyrights Are Easy Prey for a Thief's Hungry Mouse: Digital Revolution Outpaces the Law*, CHICAGO TRIB., January 21, 1996, § 5, at 1.

27. *Playboy*, 839 F. Supp. at 1554.

28. *Id.* at 1558.

29. *Id.* at 1559. However, intent is relevant when the court fixes statutory damages.

30. *Id.* The court did use these concessions to find Lanham Act violations by the defendant.

31. Henry H. Perritt, Jr., *Symposium: The Congress, the Courts and Computer Based Communications Networks: Answering Questions About Access and Content Control*, 38 VILL. L. REV. 319, 329 (1993).

32. THE WHITE PAPER, *supra* note 1, at 109.

33. *Id.* at 117.

infringement. It is unrealistic to believe that preventative measures can be designed to stop an infringing message relayed in a matter of seconds. A bulletin board provider may have an easier time monitoring than an access provider. The access provider who provides the gateway to thousands of bulletin board operators,<sup>34</sup> and thus millions of customers,<sup>35</sup> to upload, download, or simply view the infringing material, is only tangentially related to any resulting copyright infringements.

Second, infringing material may be unrecognizable even if it is not disguised. For example, a subscriber may upload a story to a bulletin board including the name of the author, who may also own the copyright. The story may be uploaded into a file entitled "short stories." Another subscriber may then download that work into his own personal computer, remove the name, and then upload the short story onto another file for other subscribers to access. The story, which may not be as easily recognized as *Little Red Riding Hood*, may appear as if it is an original work of the subscriber who most recently uploaded the material. The on-line provider who monitors the medium does not recognize any infringement and thus takes no action. This example illustrates how the strict liability copyright statute fails to constrain both the on-line provider and the access provider.

The Working Group for the IITF encouraged the expansion of the strict liability standard in the *Green Paper* and the *White Paper*, the latter of which was published in September 1995. Immediately following its release, the NII Copyright Protection Act of 1995, which mirrors the *White Paper's* recommendations, was introduced in both the House of Representatives and the Senate.<sup>36</sup> The focus of the bills is to amend Title 17 "to adapt<sup>37</sup> the copyright law to the digital network environment of the national information infrastructure. . . ."<sup>38</sup> These proposed amendments<sup>39</sup>

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34. Prodigy and America Online and other large BBSs could not possibly monitor the thousands of messages placed on their systems daily. I. Trotter Hardy, *The Proper Legal Regime for "Cyberspace,"* 55 U. PITT. L. REV. 993, 1003 (1994).

35. "Interactivity undermines all premises in past on which copyright law was based. Interactivity means the reader can also be the author of the text and the watcher can also be the supplier of the text. The consumer can be the potential author and the potential infringer all rolled up into one." Leaffer, *supra* note 9.

36. NII Copyright Protection Act of 1995, H.R. 2441, 104th Cong.; NII Copyright Protection Act of 1995, S. 1284, 104th Cong.

37. The eighteenth century origin of "copyright," which involved a right to "copy" books, was interestingly enough, a reaction to new technologies as well. Leaffer, *supra* note 10.

38. H.R. 2441; S. 1284. Another bill, the Criminal Copyright Improvement Act of 1995 is an amendment to define "financial gain" to include the receipt of anything of value, including the receipt of other copyrighted works. It is currently under review in the Senate Judiciary Committee. Criminal Copyright Improvement Act of 1995, S. 1122, 104th Cong.



revise the definition of "publication" to include "by rental, lease, or lending or, *by transmission*".<sup>40</sup> Additionally, the definition of "transmit" is amended to include: "To 'transmit' a reproduction is to distribute it by any device or process whereby a copy or phonorecord of the work is fixed<sup>41</sup> beyond the place from which it was sent."<sup>42</sup> These amendments comport with the standard set forth in *Playboy* to hold an on-line provider strictly liable. However, this standard also imposes liability on a bulletin board operator as soon as a "transmission" is uploaded and fixed beyond the place from which it was sent from the subscriber's computer to the bulletin board.<sup>43</sup>

The second case addressing the liability of the on-line provider is *Sega Enterprises v. Maphia*.<sup>44</sup> For the purposes of a preliminary injunction,<sup>45</sup> Sega established a prima facie case for copyright infringement, even though it was not known which games were uploaded to or downloaded from the Maphia bulletin board. The 400 subscribers of the Maphia BBS<sup>46</sup> used the BBS to disseminate Sega's video games. Maphia sold "copiers" which were used to download the Sega games from the Maphia BBS. Information on the Maphia bulletin board provided the following information:

Thank you for purchasing a Console Back Up Unit [copier] from PARSEC TRADING. As a free bonus for ordering from Dark Age, you receive COMPLEMENTARY [sic] Free Download Ratio on our Customer Support BBS. This is if you cannot get a hold of Super-Nintendo or Sega Genesis games. You can download up to 10 megabytes, which is equal to approximately 20 normal-sized Super-

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39. These amendments do not create a new right for the copyright owner, rather they adapt to the digital network environment to ensure continued protection. *THE WHITE PAPER*, *supra* note 1, at 213-14.

40. 17 U.S.C. § 106(3) (1994) (emphasis added).

41. "Copyright is premised in the sacred idea of an author where ideas were fixed in a tangible medium of expression. Digitalization plays havoc on the notion of authorship and author where the dichotomy between users and authors is somewhat blurred now." Leaffer, *supra* note 9. The Copyright Act of 1976 states, "A work is 'fixed' in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. . . ." 17 U.S.C. § 101 (1994).

42. Leaffer, *supra* note 9.

43. See *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993) (holding that "copying for purposes of copyright law occurs where a computer program is transferred from a permanent storage device to a computer's random access memory").

44. *Sega Enterprises v. Maphia*, 857 F. Supp. 679 (N.D. Cal. 1994).

45. Similarly, in *Central Point Software, Inc. v. Nugent*, 903 F. Supp. 1057 (E.D. Tex. 1995), the court awarded injunctive relief when the BBS allowed, and often encouraged, its subscribers to unlawfully obtain Plaintiff's copyrighted computer software that had been posted on the BBS.

46. *Sega*, 857 F. Supp. at 683.

Nintendo or Genesis Games. After your 10 megabytes is used, you can purchase full months of credit for only \$35/month. You can also prepay and order either 1 year of free downloads for \$200/year or a lifetime of free downloads for only \$500.<sup>47</sup>

“[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer.”<sup>48</sup> Lack of knowledge as to when the copyrighted material will be uploaded to or downloaded from the bulletin board is no defense. The role in the copying, which includes maintaining facilities, direction, knowledge and support, is sufficient for contributory copyright infringement.<sup>49</sup> By providing an inducement for their subscribers and copier purchasers, Maphia undeniably acted as a contributory infringer.<sup>50</sup>

The *Sega* analysis takes the proper approach for determining the liability not only of an on-line provider, but also of an access provider. This approach does not impute liability upon the uncunning on-line provider but does place responsibility upon him should he receive notice of the infringement.

## II. THE INAPPROPRIATENESS OF APPLYING STRAIGHT VICARIOUS LIABILITY<sup>51</sup>

The proposal to impute liability upon the access provider under the theory of *respondeat superior* is analogous to the ludicrous idea of holding a grandfather liable for his thirty-year-old grandchild’s wrongdoing. Without the grandfather, the grandchild could not have come into being (albeit indirectly), just as the bulletin board subscriber cannot access the Internet until the BBS connects with the access provider. However, this farce is

47. *Id.* Furthermore, the Sega trademark appeared on the screen every time one of the software pirates played one of the previously downloaded games. As in *Playboy*, the Sega trademark was used on the file descriptions.

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

49. *Sega*, 857 F. Supp., at 686-87.

50. Defendants, like the BBS in *Playboy* unsuccessfully tried to invoke the fair use exception under 17 U.S.C. § 107, which considers four factors in determining fair use: “(1) purpose and character of use . . . (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or the value of the copyrighted work.” *Id.* at 687.

51. “A vicarious infringer is one who has (1) the right and ability to control the infringer’s acts, and (2) receives a direct financial benefit from the infringement.” David J. Loundy, *Internet Case Shows Copyright Act Needs Revision*, CHICAGO DAILY L. BULL., Dec. 14, 1995, at 6 (citing *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 306 (2d Cir. 1963)).

exactly what the copyright owners request of both Congress and the courts in securing copyright protection.

*Cubby, Inc. v. CompuServe, Inc.*,<sup>52</sup> dealt with the liability of a computer service company that provided its subscribers with access to news stories. The news stories, which were provided by an independent third party, contained defamatory statements. The subscribers paid CompuServe Information Service membership and on-line time usage fees to gain access to a plethora of sources, available through the service including "forums," composed of bulletin boards, interactive on-line groups, and topical databases.<sup>53</sup>

CompuServe did not deny that the statements placed on its Journalism Forum were defamatory. Rather, CompuServe contended that since it was not a publisher of the statements, it could not be held liable for statements that it did not know and had no reason to know about as a distributor.<sup>54</sup> "The requirement that a distributor must have knowledge of the contents of a publication before liability can be imposed for distributing that publication is deeply rooted in the First Amendment. . . ."<sup>55</sup> The material uploaded to CompuServe becomes available to its subscribers instantaneously, providing no opportunity for editorial control by CompuServe. Holding CompuServe accountable when it neither knew nor had reason to know of the defamatory material would be comparable to holding a library, bookstore, or newsstand liable for the same offense. Moreover, placing blame upon CompuServe "would impose an undue burden on the free flow of information."<sup>56</sup> The contributory liability standard, embraced by the court in *Cubby*, echoes the proper application for on-line providers and, more importantly, access providers.

The *Cubby* court refused to apply a vicarious liability standard. The Plaintiff argued that CompuServe should be held vicariously liable because of its agency relationship with CCI, which retained content control, and DFA, which provided the publication including the defamatory statements. "Under the principles of agency, a principal may be held vicariously liable for the acts of an agent if the latter acts in accordance with the former's control."<sup>57</sup> In *Cubby*, DFA maintained no relationship with CompuServe. Rather DFA's only contract was with CCI.<sup>58</sup> As such, the application of

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52. *Cubby*, 776 F.Supp. 135 (S.D.N.Y. 1991).

53. *Id.* at 137.

54. *Id.* at 138.

55. *Id.* at 139.

56. *Id.* at 140.

57. *Id.* at 142.

58. *Id.* at 143.

the vicarious liability standard was properly dismissed.

This relationship perfectly illustrates the role of the access provider in pending litigation and should signal to the courts and Congress why the access provider should not be liable. The access provider may be tangentially related to the infringement, but is in no way related to the infringer.

Contrary to the argument proffered by CompuServe, the Working Group has argued that on-line service providers act as electronic publishers.<sup>59</sup> Yet another disagreement surrounds whether an on-line provider could qualify for an exemption as a common carrier<sup>60</sup> that could not control transmissions or clientele.<sup>61</sup>

### III. SETTING THE RECORD STRAIGHT: *RELIGIOUS TECHNOLOGY CENTER V. NETCOM ON-LINE COMM. SERVICES* AND CONFLICTING LEGISLATION WITHIN THE NII COPYRIGHT PROTECTION ACT OF 1995

#### A. *Contributory Liability Is the Best Standard for Access Providers*

The best proposal for protecting the rights of the access provider, while still protecting the exclusive rights of the copyright holder, is to apply the contributory liability standard, as opposed to strict liability or vicarious liability. *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*<sup>62</sup> recently settled out-of-court.<sup>63</sup> *Religious Technology*

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59. THE WHITE PAPER, *supra* note 1, at 122.

60. 17 U.S.C. § 111 (1994) provides the exemptions for passive carriers. *See* NIMMER, *supra* note 20, § 12.04[B][3] (1995).

61. THE WHITE PAPER, *supra* note 1, at 122 n.392. The Communications Act of 1934 mandates a common carrier to furnish its services to the public upon a reasonable request. 47 U.S.C. § 201 (1994). However, the on-line provider or access provider reject this position due to the high level of regulation it entails. *See* Rex S. Heinke & Heather D. Rafter, *Rough Justice in Cyberspace: Liability on the Electronic Frontier*, COMPUTER LAW., July 1994, at 6. In *Religious Technology Center v. Netcom On-Line Comm. Services Inc.*, the access provider likens itself to a common carrier that simply serves as a passive conduit for the messages. 907 F.Supp. 1361, 1369 at n.12 (N.D. Cal. 1995).

62. *Religious Technology Center v. Netcom On-Line Comm. Services, Inc.*, 923 F. Supp. 1231 (N.D. Cal. 1995) (denying motions for summary judgment, judgment on the pleadings and a preliminary injunction, Nov. 21, 1995). Netcom is one of the largest Internet access providers in the United States. *Copyrights: BBS Owner and Internet May Be Contributorily Liable for User Copying*, BNA PATENT, TRADEMARK & COPYRIGHT LAW DAILY, Dec. 1, 1995.

63. The bulletin board operator and the bulletin board subscriber are not parties to the out-of-court settlement. Had the United States District Court for the Northern District of California reached the merits of the case, it would have been a precedent-setting case on the issue of liability for the access provider when a bulletin board subscriber posts infringing material. Tickle, *supra* note 13, at 391.

addressed whether an access provider should be liable for infringing work uploaded onto a BBS by a BBS subscriber. Dennis Ehrlich, a former minister of Scientology, voiced his criticism of the Church of Scientology on the Usenet newsgroup alt.religion.scientology. Ehrlich used copyrighted works of the late founder of the Church of Scientology, L. Ron Hubbard, without the permission of the Religious Technology Center (RTC). RTC holds copyrights to both Hubbard's published and unpublished works. Ehrlich posted the work on the Usenet newsgroup, having gained access to the Internet via Klemesrud's BBS.<sup>64</sup> Klemesrud does not have a direct link to the Internet, but obtains access via Netcom as the access provider.<sup>65</sup> Netcom would not only disconnect Ehrlich by terminating Klemesrud's access, but would also disconnect Klemesrud's other 500 paying customers.<sup>66</sup>

RTC wanted Netcom to be liable either directly, contributorily, or vicariously.<sup>67</sup> Netcom, unlike other on-line providers such as CompuServe, America Online, and Prodigy, neither creates nor controls the information retrievable by its subscribers.<sup>68</sup> Netcom does not monitor its postings.<sup>69</sup> This would implicate constitutional law-privacy issues.<sup>70</sup> The California court was heading in the proper direction of setting a contributory liability standard in *Netcom's* motion for summary judgment. Although copyright law uses a strict liability standard, 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>71</sup> However, since *Netcom* settled out-of-court, following the motion for summary judgment, the issue remains undecided.

Many compelling reasons mandated the adoption of the contributory liability standard. First, expansion<sup>72</sup> and innovation of the Internet would be deterred by the threat of liability whenever a subscriber uploads or downloads infringing material. The benefits of the Internet as an educational tool and the like would be tempered if a direct infringer's actions (subscrib-

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64. Hubbard's works were posted worldwide within a few hours of Ehrlich's initial posting. David J. Loundy, *Internet Case Shows Copyright Act Needs Revision*, 141 CHICAGO DAILY L. BULL. 244, Dec. 14, 1995, at 6.

65. *Id.*

66. *Id.*

67. *Id.*

68. *Id.*

69. *Id.*

70. These issues are not addressed in this Note.

71. Loundy, *supra* note 64, at 6.

72. However, the argument is also made that clarification in copyright law will encourage the economic prosperity of the Internet. See generally *NII Copyright Protection Act Hearings, Part 2, supra* note 2, at 2 (opening statement of Rep. Moorhead).

er) could pose a threat to an oblivious access provider. Moreover, the substantial benefit of the Internet substantially outweighs the likelihood of any harm resulting from sporadic infringements. However, the copyright owner's exclusive rights cannot be completely disregarded. The only equitable result mandates that liability be imputed solely upon the direct infringer.

*Sony Corp. of America v. Universal Studios, Inc.*,<sup>73</sup> provides useful insight for the instant discussion. In that case, the Court held that the manufacturer of videotape recorders, used to record and timeshift copyrighted programs for home use, did not prove a likelihood of nonminimal harm to the potential market. The videotape recorders were used primarily for substantial noninfringing uses and, thus, the manufacturer who sold the equipment committed no contributory infringement. "The sale of copying equipment . . . does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes, or indeed, is merely capable of substantial noninfringing uses."<sup>74</sup>

Furthermore, the remarks by defense counsel in *Netcom*, add further credence to the claim of inequity in current copyright law.<sup>75</sup>

What Scientology contends is that an Internet access provider, that does not in any way control content, has a duty to police alleged copyright violations anytime an aggrieved party tells them that their copyright has been violated. Clearly, if we do not have that, if we have to reach each message that someone complains about and act as both jury and executioner, it will be a tremendous burden to the Internet in terms of cost and impeding free expression.<sup>76</sup>

The access provider should not be permitted, however, to escape liability altogether. It should be held liable when it knows or has reason to know of the infringing material and, even though it has the means, makes no effort to stop the violation. Especially problematic is knowledge by the access provider who must disconnect all subscribers simply to disconnect one of the bulletin board operator's subscribers. The contributory liability standard, unlike vicarious liability, is founded on the relationship to the

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73. 464 U.S. 417 (1984).

74. *Id.* at 418. The Court also stated that constructive knowledge that the videocassette recorders might be used to violate Copyright laws does not constitute vicarious liability.

75. "There are three ways that providers can obtain knowledge of an infringement: (1) if there is a copyright notice on the message; (2) if the person making the complaint can prove that they hold the copyright to the item; or (3) if there cannot be a fair use defense for posting the material," *Court Tackles Copyright Infringement on the Net: Ruling Helps Define Duties of Service Providers in Infringement Cases*, 1 INTERNET WEEK 34, Dec. 4, 1995, at 10.

76. Elizabeth Wasserman, *Scientology Suit Watched For Effects in Cyberspace*, PORTLAND OREGONIAN, November 12, 1995, at A20.

infringing activity rather than the relationship to the infringer.<sup>77</sup> This standard will not force the access provider to find a needle in a haystack, in its search for infringing material in thousands of messages or postings. The preliminary ruling in *Religious Technology* provides for this standard.<sup>78</sup>

### B. *The NII Copyright Act of 1995 Imposes Impossible Burdens Upon Access Providers*

The NII Copyright Act of 1995 (1995 Act)<sup>79</sup> eliminates the current balance between copyright protection and fair use as applied to access providers. This is because the 1995 Act adheres to the strict liability standard of the Copyright Act of 1976 to address copyright concerns on the Internet. The NII Copyright Act of 1995 does not directly<sup>80</sup> address the liability of the access provider,<sup>81</sup> but holds the access provider to the strict liability standard by incorporating "transmissions",<sup>82</sup> including the multitude of Internet transmissions, as violative of the 1976 Act. Although the Copyright Act must adapt to respond to the huge success of the Internet, a bright line strict liability standard will deter rather than encourage the current advances made possible by the Internet.<sup>83</sup> Access provider liability should be left to the courts to ensure a thorough analysis of the imposition of sanctions on access providers when subscribers commit an infringing act. Congressional leaders must realize that the *White Paper* is not sacrosanct and the proposals set forth therein should evoke much skepticism since they place an undue burden on Internet access providers.<sup>84</sup>

The frustration expressed by copyright owners, in policing the

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77. THE WHITE PAPER, *supra* note 1, at 111.

78. Shari Steele, the Staff attorney for the Electronic Frontier Foundation, stated that the judges requirement of a contributory liability standard is a marvelous ruling for access providers. Andrew Blum, *Judge Says Access Provider Can Be Liable For Infringement. Both Sides Pleased*, NAT'L. L.J., Dec. 11, 1995, at A6. One intellectual property specialist predicted that Netcom would not be held liable because it has no duty to police the material transmitted via its access lines. Andrew Blum, *Scientology Search Case Before Judge Church Says Ex-Minister Put Its Data On Internet*, NAT'L L.J., Mar. 6, 1995, at A7.

79. See generally *NII Copyright Protection Act, Part 1*, *supra* note 8, at 39-40 (statement of Marybeth Peters).

80. *Id.*

81. *NII Copyright Protection Act Hearings, Part 2*, *supra* note 2, at 196-97 (statement of Richard Robinson, Chairman, President, and CEO, Scholastic, Inc., on behalf of the Assoc. of American Publishers).

82. 141 CONG.REC. S14,550-53 (daily ed., Sept. 28, 1995) (statement of Sen. Orrin Hatch).

83. See *Senate Hearings on S. 1284*, *supra* note 15 (statement of Daniel Burton, Vice President of Government Relations of Novell, Inc.) available in Westlaw, 1996 WL 238585.

84. See Pamela Samuelson, *The Copyright Grab*, WIRED 4.01, Jan. 1996, at 134.

continuum of the Internet, also poses problems in the prevention and termination of infringing activity. One solution may be to implement the same type of collective licensing utilized by owners of music copyrights to halt violations in restaurants and clubs.<sup>85</sup> Another solution may arise with the advent of encryptive devices to access ("access right") the copyrighted material.<sup>86</sup> The burden of discovering potential infringement should not fall on the access provider simply because it provides the conduit to complete an Internet transaction.

The standard encouraged by the copyright owners and the Working Group also may be violative of the Constitution by requiring the access providers to monitor communications to prevent the threat of strict liability under the copyright law. The Electronic Communication Privacy Act<sup>87</sup> was enacted to protect the privacy of communications including those which occur in the digital environment.<sup>88</sup> The privacy concern also demonstrates that the access provider does not necessarily stand in the best position to serve as the copyright infringement watchdog for the benefit of copyright owners.

Most importantly, the liability threat to the unculpable access provider will significantly raise the cost of Internet access. Currently, access to the Internet is readily attainable for millions of Americans who currently subscribe to one of the over 60,000 bulletin boards throughout the country. However, when these subscribers violate copyright laws and force on-line providers and access providers to bear the cost, the customers indirectly bear the expense. Furthermore, many of the bulletin boards, which are not as large as America Online, CompuServe, and Prodigy may be forced out of business by one adverse judgment resulting from a subscriber's infringement of a copyright.

Strict liability would also be a hindrance to technological growth. If the access providers and other Internet players are not provided with incentives to advance current technological means, subscribers will not

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85. Jane C. Ginsburg, *Putting Cars on the "Information Superhighway": Authors, Exploiters, and Copyright in Cyberspace*, 95 COL. L. REV. 1466, 1488 (1995).

86. Another suggestion includes heavier collectivization and a copyright clearinghouse for the copyright owners. Leaffer, *supra* note 9.

87. 18 U.S.C. §§ 2510-2710 (1994).

88. Novell, one of the leading computer software companies, endorses the current legislation in the NII Copyright Act of 1995, but recognizes the on-line providers concerns in (1) screening all transmitted material for potential copyright infringements and (2) the triggering effect such action would have on the Constitutional issue of privacy. However, the company agrees with the findings in the White Paper that the on-line providers controlling position should result in responsibility for detecting the infringing material. *Hearings on S.1284, supra* note 15 (statement of Daniel Burton) available in Westlaw, 1996 WL 238585.



necessarily receive the most advanced services. Furthermore, the strict liability standard provides no incentive for providers to educate customers about copyright infringement if the customers recognize that they are not liable for such violations.

Although the current copyright statute provides for strict liability, the decision of the Working Group to adopt the same standard must be criticized. Case law, providing the primary guidance in applying the two alternative standards to the strict liability standard, should have been more heavily relied upon.<sup>89</sup> The changes in the digital environment make the strict liability standard alone an abhorrence. It is manifestly unjust to hold access providers liable when there are no feasible methods currently available to prevent the transgressions of their subscribers.

### CONCLUSION

The Working Group's pragmatic attempt to use the Copyright Act of 1976 as a foundation for addressing the changes in the digital environment fails the Internet and the access provider terribly by maintaining a strict liability standard. A strict liability standard should not be maintained for the access provider because the access provider maintains a relationship with the on-line provider and not one of the millions of subscribers to the thousands of bulletin boards throughout the country. Furthermore, the Working Group expects the access provider to be held accountable for a subscriber's infringing activity, yet does not provide any means to the proposed end goal. Unlike obscene statements that may be recognized via a software program implementation, copyright infringement is easily disguised.

The proposal set forth holding the access provider liable, when the access provider knows about the infringing activity, recognizes that the access provider can stop the infringing activity, but does not place a duty to police the thousands of daily noninfringing Internet activities. This latter responsibility should fall on the copyright owner in an effort to deter infringement. The copyright owner still has the opportunity to place the responsibility on the access provider. The copyright owner must initially notify the infringer that the uploaded or downloaded material is infringing. If this step proves unsuccessful, the BBS should be notified and, only as a final step, ask for the access provider's intervention. This approach prevents

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89. Compare *Playboy Enterprises v. Frena*, 839 F. Supp. 152 (M.D. Fla. 1993); *Sega Enterprises v. Maphia*, 857 F. Supp. 679 (N.D. Cal. 1994), *Cubby, Inc. v. CompuServe*, 776 F. Supp. 135 (S.D.N.Y. 1991), *Sony Corp. of America v. Universal Studios, Inc.*, 464 U.S. 417 (1984), and *Religious Technology Center v. Netcom On-Line Comm. Services*, 907 F. Supp. 1361 (N.D. Cal. 1995), *supra* notes 15, 18, 22, 54 and 75.

the access provider from making a determination of whether the material is infringing, encourages continued technological endeavors to ensure a greater, faster, and improved Internet, and fairly places responsibility for monitoring copyright infringement in light of the speed, quality, and efficiency of the digital environment.

