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Using the Digital Millennium Copyright Act to Limit Potential Copyright Liability Online

Jonathan A. Friedman

Francis M. Buono

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Using the Digital Millennium Copyright Act to Limit Potential Copyright Liability Online

Jonathan A. Friedman, Esquire & Francis M. Buono, Esquire [✉]

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I. INTRODUCTION

{1} Any online service provider ("OSP"), including a website operator, that accepts user postings or includes content from other parties on its website or online service is at risk that it will be held liable if such third-party content infringes the copyright of another party. Liability for copyright infringement is an expensive proposition and can run into the millions of dollars. Thus, an OSP must be vigilant in limiting its potential liability in connection with such third-party content.

{2} Recognizing that limiting the potential copyright liability of OSPs for third-party content is essential to the continued flourishing of the Internet, Congress, in 1998, enacted the Digital Millennium Copyright Act ("DMCA") to address this and other issues.^[1] Title II of the DMCA creates four new limitations on liability for copyright infringement by websites and other OSPs, which are, in effect, safe harbors for specified OSP activities.^[2] Each limitation entails a complete bar on monetary damages for direct, contributory, and vicarious infringement, and restricts the availability of injunctive relief in various ways.^[3] If an OSP activity falls outside of these safe harbors, then the traditional copyright analysis will determine whether the activity in fact constitutes infringement and whether the OSP has recourse to any of the defenses that are available to copyright defendants generally, such as fair use or innocent infringement.^[4]

{3} Section A of this article describes in greater detail how an OSP qualifies for the safe harbor protections of the DMCA. Section B and the attached chart then provides a step-by-step guide for removing infringing material from an OSP's system consistent with these safe harbor protections. Finally, Section C summarizes current case law involving copyright infringement claims against OSPs.

A. Qualifications for Safe Harbor Protection

{4} The first safe harbor provision applies to an OSP's storing of material on its system at the request of a user (such as material posted on a message board, in a chat room, or on a user's personal webpage).^[5] The second safe harbor provision covers circumstances where an OSP refers users to material at other online locations, for

example, by means of a search engine or a hyperlink. [6] The third safe harbor provision applies to an OSP that is temporarily storing on its servers (or "caching") online materials from other websites. [7] The fourth safe harbor provision covers cases where an OSP provides conduit service to users, such as delivering e-mail between parties, without content modification. [8]

{5} To qualify for any of these four safe harbors, an OSP must, as a threshold matter: (1) adopt, reasonably implement, and inform its users and account holders of a policy that provides for the termination from the system or network of "repeat infringers;" and (2) configure its system or network to accommodate, without interference, standard copyright protection technologies used to protect copyrighted works. [9] The OSPs that satisfy these threshold requirements may then be entitled to each separate safe harbor protection under the circumstances discussed below. [10]

1. Safe Harbors for Storing or Linking to Infringing Material

{6} As noted above, the DMCA establishes one safe harbor for the storing of infringing material at the direction of a user, and a second safe harbor for referring or linking users to a site containing infringing materials. An OSP will be entitled to the protection of either of these safe harbors under the following circumstances: [11]

- (a) The OSP must lack actual knowledge of the material's infringing nature and cannot be aware of "facts or circumstances from which infringing activity is apparent." [12] Upon gaining "knowledge or awareness" of infringement, the OSP must act expeditiously to remove or block access to such material; [13]
- (b) The OSP must not "receive a financial benefit directly attributable to the infringing activity" in cases where the OSP "has the right and ability to control that activity;" [14] and
- (c) The OSP must comply with the notice and take-down provisions described in Section B of this article when removing or blocking infringing material. [15]

2. Safe Harbor for System Caching

{7} The DMCA establishes a third safe harbor to limit an OSP's liability for system caching. [16] Caching refers to a process whereby an OSP makes a temporary copy of popular online material requested by a user so that the OSP can deliver that copy to subsequent users more quickly and efficiently. [17] AOL, @Home, and other major OSPs, for example, perform caching functions. An OSP will qualify for the caching safe harbor under following circumstances: [18]

- (a) The OSP's storage of the cached material must be made through an "automatic technical process" for the purpose of providing the material to subsequent users who request the material; [19]
- (b) The OSP must transmit the cached material to subsequent users without modifying its content; [20]
- (c) The OSP must comply with rules about updating the cached material "when specified by the person making the material available online in accordance with a generally accepted industry standard data communications protocol;" [21]
- (d) The OSP must not interfere with technology that returns "hit" information to the person who posted the material, where such technology meets certain requirements; [22]
- (e) The OSP must limit users' access to the material in accordance with conditions on access imposed by the person who posted the material (*e.g.*, password protection); [23]

(f) The OSP must remove or block any material that has been posted without a copyright owner's authorization *after* the OSP has been notified that the material has been removed or blocked at the originating site; [24] and

(g) The OSP must comply with the notice and take-down provisions described in Section B of this article when removing or blocking infringing material. [25]

3. Safe Harbor for Conduit Service

{8} The fourth safe harbor applies to the transmission, routing, and transient storage or copying of information, such as e-mail, as it moves from one point on a network to another at someone else's request. [26] Essentially, this safe harbor applies to OSPs whose role in the intermediate transmission or storage of copyrighted materials is merely as a passive conduit of the material. An OSP will qualify for the conduit safe harbor under the following circumstances. [27]

(a) The transmission of the material must be initiated by a person other than the OSP; [28]

(b) The transmission, routing, and storage of the material must be carried out by an "automatic technical process without selection of the material by the [OSP];" [29]

(c) The OSP must not determine the recipients of the material; [30]

(d) The OSP must not make any copy of the material ordinarily accessible to anyone other than the intended recipients, and must not keep any copy for longer than reasonably necessary for the OSP's transmission, routing, or connection; [31] and

(e) The OSP must transmit the material without modifying its content. [32]

B. Step-by-Step Guidelines for Removing Infringing Material in Order to Limit Liability under the DMCA

{9} This section describes the specific steps an OSP should take in order to benefit from the first three safe harbor provisions of the DMCA described above.

[33] There are four steps in this proposed procedure, and each is outlined below.

{10} **1. Step #1: Designating an Agent.** As a preliminary matter, an OSP must designate a person who will receive notifications of alleged copyright infringement. [34] The OSP must: (a) file the name and address of its designated agent and certain other particulars with the Copyright Office; (b) pay a \$20 fee to the Copyright Office; and (c) post the name and other contact information of the designated agent on its online service.

{11} **2. Step #2: Notification of Infringement.** The DMCA requires that an infringement notification sent by a copyright owner (or the owner's authorized agent) to an OSP substantially comply [35] with six elements to be considered effective under the DMCA. Specifically, the notification must:

(a) include an electronic or physical signature of the person authorized to act on behalf of the owner of the copyright interest; [36]

(b) contain a description of the copyrighted work that is alleged to have been infringed, including the electronic location, such as the URL (*i.e.*, the webpage address), where the copyrighted work exists, or a copy of the copyrighted work; [37]

(c) identify the URL web address or other specific location where the allegedly infringing material is located;

[38]

(d) provide the address, telephone number, and e-mail address of the notifying party; [39]

(e) include "a statement by the notifying party that it has a good faith belief that the" disputed use "is not authorized by the copyright owner, its agent, or the law;"

[40] and

(f) must contain a statement by the notifying party, made under penalty of perjury, that the information in the notice is accurate and that the notifying party is the copyright owner or the owner's authorized agent. [41]

{12} Because the statute creates some ambiguity as to when the notice requirements might be satisfied or when an OSP is deemed to have knowledge of the infringing material, an OSP should inform users about these six elements, for example, through a link on its website. Posting the notice requirements will help facilitate an OSP's efforts to remove infringing material as quickly as possible. The OSP should also establish a process to seek information from copyright owners or their authorized agents if some, but not all, of the notification requirements are satisfied. [42]

{13} **3. Step #3: "Take Down" Procedures.** Once the OSP receives sufficient notification of a copyright infringement under Step #2 above, or otherwise becomes aware of the infringing material, it must "expeditiously" take down or block access to the material. [43] Under the DMCA, an OSP that in good faith removes or blocks access to allegedly infringing material is exempt from any liability for such removal or blocking. [44]

{14} **4. Step #4: Notice and Putback.** After the OSP removes or blocks material stored on its system under Step #3, it must then take the additional actions outlined below. First and foremost, the OSP's designated agent must take reasonable steps to promptly notify the user who posted the allegedly infringing material that the OSP has removed or blocked such material. [45] Second, the user may then send a "counter-notification" to the OSP's designated agent, stating that the removal or blocking was the result of a mistake or a misidentification of the material. [46] The counter-notification must be in writing and must substantially comply with certain formal requirements. [47] Third, if the counter-notification substantially complies with the statutory requirements, then to remain exempt from liability for the "take down," the OSP must: (a) promptly provide a copy of the counter-notification to the copyright owner (or authorized agent) who sent the original infringement notification under Step #2 above; and (b) inform that person that the OSP will restore the removed material in ten to fourteen business days of receiving the counter-notification. [48] Finally, unless such copyright owner (or authorized agent) then notifies the OSP that he or she has filed a court action seeking to restrain the alleged infringement, the OSP must replace or unblock the material within ten to fourteen business days of receiving the counter-notification. [49]

{15} If an OSP follows the step-by-step process set forth above, it will receive the benefits of the first three safe harbor provisions of the DMCA, thereby avoiding potentially significant liability for copyright infringement. To further assist OSPs in qualifying for these safe harbor protections, attached as Appendix A is a chart which may be used to track the OSP's compliance with the various steps; attached as Appendix B is a sample form published by the Copyright Office for designating an agent to receive notifications of claimed infringement; and attached as Appendix C is a sample copyright agent information page to be posted on the OSP's website.

C. Case Law on Service Provider Liability for Copyright Infringement

{16} This Section provides an overview of how courts have generally treated infringement claims against OSPs. It is important to note, however, that no cases have yet been decided under Title II of the DMCA. The

existing case law will, therefore, apply if an OSP's activities fall outside the limitations on liability specified in the DMCA. The case law may also be helpful in suggesting how a court might construe various requirements under the DMCA. For example, existing authority can be used to demonstrate how a court might determine if an OSP has received direct financial benefit under the first two safe harbors discussed in Section A of this article.

{17} Courts have generally identified three types of copyright infringement that might apply to an OSP: (a) direct infringement; (b) contributory infringement; and (c) vicarious infringement. [\[50\]](#) The cases described below generally involve traditional OSPs, such as AOL or CompuServe, and electronic bulletin board services ("BBS"), which are akin to the message board services offered on many websites today.

1. Direct Infringement

{18} Direct copyright infringement consists of the unauthorized exercise of one of the exclusive rights of the copyright holder provided in Section 106 of the Copyright Act, including, among other things, the exclusive right to: (a) reproduce a copyrighted work; (b) distribute copies of the copyrighted work to the public by sale or other transfer of ownership; and (c) display the copyrighted work publicly. [\[51\]](#) Direct infringement does *not* require intent or any particular state of mind, although willfulness is relevant to the award of statutory damages. [\[52\]](#) Consequently, courts have generally viewed the statute as imposing strict liability on violators.

{19} To sustain a case of direct copyright infringement, the plaintiff must first satisfy two threshold requirements. The plaintiff must first prove ownership of a valid copyright, and second, the copying by the defendant of constituent elements of the work that are original. [\[53\]](#) To prove the *copying* element, the plaintiff may either produce direct evidence that defendant copied the plaintiff's material, or create an inference that copying occurred by showing that the defendant had access to the protected work, and the two works are substantially similar. [\[54\]](#) Once the plaintiff has satisfied these threshold requirements, "the plaintiff can then establish direct infringement by proving the defendant *used* the alleged copies in ways described [under Section 106]." [\[55\]](#)

{20} Federal courts are divided on how to apply this strict liability standard to the Internet context, particularly where OSPs or BBSs merely act as passive conduits for information, including copyrighted information, posted by their subscribers. Some courts have chosen to apply the standard rigidly, finding liability where the service provider has done no more than supply a platform for subscribers to post information. In *Playboy Enterprises, Inc. v. Frena*, for example, the district court held that the BBS violated Playboy's exclusive rights to display and to distribute its photographs when subscribers posted copyrighted photographs on the service. [\[56\]](#) The court concluded that "it does not matter that [the defendant] claims he did not make the copies himself." [\[57\]](#)

{21} Most other courts, however, have read a volitional element into the strict liability standard. In *Religious Technology Center v. Netcom*, the court declined to find a BBS liable for direct infringement based simply, as a subsequent court noted, "on the creation of a space where infringing activity (*i.e.*, the posting of Scientology materials) occurred." [\[58\]](#) The *Netcom* court analogized the service to a "copying machine" that "automatically and uniformly creates temporary copies of all data sent through [its system]." [\[59\]](#) So long as the service "did not take an affirmative action that directly resulted in copying plaintiff's works other than installing and maintaining a system" for subscribers' postings, there is no infringement. [\[60\]](#) Other courts have adopted the *Netcom* approach. [\[61\]](#)

2. Contributory Infringement

{22} Even if the OSP or BBS is not found liable for direct copyright infringement, it may nonetheless be held secondarily liable under a claim of contributory or vicarious infringement. While not provided for in the Copyright Act, courts have recognized both types of infringement and established standards for reviewing

such claims through case law. Contributory copyright infringement will be discussed in this section, vicarious infringement in the next.

{23} Contributory infringement imposes liability where one person *knowingly* "induces, causes, or materially contributes to the infringing conduct of another,"

[62] and its participation in the infringing activity is substantial. [63] A plaintiff may prove the knowledge element if it can show that the defendant knew or should have known of the infringement after receiving notice from the plaintiff. [64]

{24} Many of the contributory infringement cases in the Internet context have involved Sega, the manufacturer of computer video games. In *Sega Enterprises Ltd. v. MAPHIA*, for example, a federal district court enjoined a BBS from allowing users to post and to exchange copyrighted SEGA video games. [65] The defendant in *MAPHIA* had directed and encouraged users to upload and to download Sega games. [66] Sega has won or settled other cases involving the pirating of its games. [67] In another case that was eventually settled, CompuServe, a major OSP, was sued for contributory infringement because it did not stop users from posting and exchanging copyrighted musical works on its service. [68]

3. Vicarious Infringement

{25} In *Netcom* the court determined that "[a] defendant is liable for vicarious liability for the actions of a primary infringer where the defendant (a) has the right and ability to *control* the infringer's acts and (b) receives a *direct financial benefit* from the infringement." [69] Furthermore, the court went on to state that "[u]nlike contributory infringement, knowledge is not an element of vicarious liability." [70] Courts have held that third parties, such as a department stores and swap meet owners, may be liable for the infringing activities of independent vendors on their premises. [71]

{26} To satisfy the "control" element of a vicarious infringement claim, a plaintiff may show that the defendant, for example, imposed certain rules and regulations on the primary infringer; [72] possessed a right to terminate the infringer's activities; [73] controlled the access customers had to the activities of the infringer;

[74] and/or generally promoted the commercial activities on its premises. [75] Courts have been more divided on what constitutes "direct financial benefit" for purposes of satisfying the second element of vicarious infringement. Some courts have required that the financial benefit be tied directly to the infringing activity, such as commissions from the sale of infringing materials. [76] Hence, under this approach, fixed fee payments for space or services that are unrelated to the nature of the infringing activity, such as fixed monthly rental payments, will be insufficient to establish direct financial benefit. Other courts, however, have established a much lower threshold. In these cases, defendants that charged fixed rental fees were nonetheless found liable because the infringing activity led to higher revenues for the defendants. [77]

{27} At least three Internet-related cases address claims of vicarious infringement. In two of those cases, the courts found inadequate evidence to satisfy the "direct financial benefit" element. [78] In *Netcom*, for example, the court said that the generalized benefits that flowed from the BBS's lax oversight of posted materials (*i.e.*, allegedly attracting more infringers/subscribers to its service) did not establish a direct financial benefit. [79] Likewise, in *Mairobie-FL v. NAFED*, the court held that the monthly fixed payments made by the primary infringer to the defendant to host its website also failed to satisfy the requirement, particularly since the payments were unrelated to the number of visits to the infringing site. [80]

{28} However, in a third case, *Playboy Enterprises, Inc. v. Webworld, Inc.*, a federal district court did find the defendants directly and vicariously liable for the posting of copyrighted Playboy images on their website. [81] The defendants operated a website that offered subscribers, for a flat monthly fee, access to pornographic

images and photographs that the defendants had obtained from selected adult-oriented Internet newsgroups. [82] As to the claim of vicarious liability, the court concluded that two of the defendants -- the owner and the manager of the site --- had the right and ability to exercise control over the infringing activity given their respective positions in the company, and that the two defendants also received direct financial benefit from the infringing activity because they each collected a percentage of the net profits from the site. [83]

II. CONCLUSION

{29} Title II of the DMCA has received mixed reviews in the legal community. Some have lauded the measure as a reasonable compromise between OSPs and copyright holders. [84] According to this view, the Act will help promote Internet use and e-commerce by relieving OSPs from the significant costs associated with policing their websites for infringing material, while at the same time encouraging OSPs and copyright holders to work cooperatively to limit such infringing activity. [85] Others, however, have contended that the DMCA gives an unfair and unnecessary advantage to OSPs in copyright disputes. [86] Under this view, the Act merely shifts the costs of monitoring websites for infringing materials from OSPs to copyright holders, and places OSPs at a competitive advantage over non-OSPs, which do not enjoy the safe harbor protections of the DMCA. [87]

{30} In fact, there are already efforts under way to address legislatively another perceived failing of the Act. As noted above, an OSP will be entitled to the protection of the safe harbors for storing or linking to infringing material if the OSP lacks actual knowledge of the material's infringing nature and is not aware of facts or circumstances from which infringing activity is apparent. Consequently, eBay, the leading web-based auction service, claims that this provision discourages OSPs from monitoring the content posted to their sites for fear of violating this knowledge-based standard and inviting an infringement suit, and has proposed amending the DMCA expressly to immunize OSPs that choose to monitor content if they miss an item that infringes a copyright. [88]

{31} Notwithstanding the ongoing debate about its relative merits and shortcomings, the DMCA is in full force and effect and will likely remain so for some time. The DMCA is a complex law, but one which confers special benefits on OSPs that satisfy its safe harbor requirements. Hence, practitioners are well advised to study and understand its provisions and to implement mechanisms, such as those described above and depicted in the attached chart, to effectively address copyright infringement notices under the DMCA and therefore qualify for its safe harbor protections.

III. APPENDICES

APPENDIX A

TRACKING CHART TO QUALIFY FOR FIRST THREE SAFE HARBORS UNDER DIGITAL MILLENNIUM COPYRIGHT ACT

NOTIFICATION

COUNTER-NOTIFICATION

Date	OSP	Copyright	Subscriber/	Description	Date	OSP	Date	OSP	Date	If no notice
------	-----	-----------	-------------	-------------	------	-----	------	-----	------	--------------

receives notification of alleged copyright infringement	Owner Contact Information: (1) name (2) e-mail address (3) mail address (4) phone number (5) fax number	Infringer Contact information: (1) name (2) e-mail address (3) mail address (4) phone number (5) fax number	of copyrighted work, including URL	receives written counter-notification to subscriber/ infringer	sends copy of counter-notification to copyright owner	copyright owner advises OSP that suit has been filed to restrain infringement	received from copyright owner regarding lawsuit, date OSP puts back/unblocks subscriber's material (must be within 10-14 business days of receipt of counter-notification)
---	--	--	------------------------------------	--	---	---	--

Identification of electronic address (such as the URL) where infringing material is located

Date infringing material is taken down or blocked by OSP

Date OSP notifies subscriber/infringer that material has been taken down or blocked

- 1.
- 2.
- 3.

APPENDIX B

Interim Designation of Agent to Receive Notification of Claimed Infringement

- **Full Legal Name of Service Provider:**
- **Alternative Name(s) of Service Provider (including all names under which the service provider is doing business):**
- **Address of Service Provider:**
- **Name of Agent Designed to Receive Notification of Claimed Infringement:**
- **Full Address of Designated Agent to which Notification Should be Sent (a P.O. Box or similar designation is not acceptable except where it is the only address that can be used in the geographic location):**
- **Telephone Number of Designated Agent:**
- **Facsimile Number of Designated Agent:**
- **Email Address of Designated Agent:**
- **Signature of Officer or Representative of the Designating Service Provider:**
- **Date:**
- **Typed or Printed Name and Title:**

Note: This Interim Designation Must be Accompanied by a \$20 Filing Fee Made Payable to the Register of Copyrights.

APPENDIX C

COPYRIGHT AND COPYRIGHT AGENT INFORMATION

Company respects the intellectual property of others, and we ask you to do the same. Company may, in appropriate circumstances and in its sole discretion, terminate the Company's service account ("Account") or access to specific services offered by the Company to users who infringe the intellectual property rights of others.

If you believe that your work has been copied and is available on the Company's service in a way that constitutes copyright infringement, please provide Company's Copyright Agent with the following information:

- an electronic or physical signature of the person authorized to act on behalf of the owner of the copyright interest;
- a description of the copyrighted work that you claim has been infringed, including the URL (i.e., the Web page address) or other electronic address of the location where the copyrighted work exists, or a copy of the copyrighted work;
- identification of the specific location on the Company's service where the material that you claim is infringing is located;
- your address, telephone number, fax number, and e-mail address;
- a statement by you that you have a good faith belief that the disputed use is not authorized by the copyright owner, its agent, or the law; and
- a statement by you, made under penalty of perjury, that the above information in your notice is accurate and that you are the copyright owner or authorized to act on the copyright owner's behalf.

Company's Copyright Agent for notice of claims of copyright infringement on the Company's service is who

can be reached as follows:

- By mail:
- By phone: (____) ____-____
- By facsimile: (____) ____-____
- By e-mail: _____@_____.

ENDNOTES^[**]

[*]Jonathan A. Friedman, Esquire and Francis M. Buono, Esquire are associates in the Washington, D.C. office of Willkie Farr & Gallagher, specializing in communications and Internet law and policy. They are contributors to *Emerging Issues in Internet Law* (Willkie Farr & Gallagher, 1999).

[**]. **NOTE:** All endnote citations in this article follow the conventions appropriate to the edition of THE BLUEBOOK: A UNIFORM SYSTEM OF CITATION that was in effect at the time of publication. When citing to this article, please use the format required by the Seventeenth Edition of THE BLUEBOOK, provided below for your convenience.

Jonathan A. Friedman & Francis M. Buono, *Using the Digital Millennium Copyright Act to Limit Potential Copyright Liability Online*, 6 RICH. J.L. & TECH. 18 (Winter 1999-2000), at <http://www.richmond.edu/jolt/v6i4/article1.html>.

[1]. See Online Copyright Infringement Liability Limitation Act, Title II of the Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (to be codified at 17 U.S.C. § 512) [hereinafter "DMCA"].

[2]. The DMCA defines a "service provider," in relevant part, as a "provider of online services or network access, or the operator of facilities thereof." 17 U.S.C.A. § 512(k)(1) (West 1999). Such a definition would appear to encompass OSPs that provide online services, although the precise coverage of the DMCA has yet to be litigated. See *id.* The legislative history also states that the definition includes, for example, "providing Internet access, e-mail, chat room and webpage hosting services." H.R. Rep. No. 105-551, at 65 (1998).

[3]. See 17 U.S.C.A § 512(a),(b) (West 1999).

[4]. See § 512(l).

[5]. See § 512(c).

[6]. See § 512(d).

[7]. See § 512(b).

[8]. See § 512(a).

[9]. See § 512(i). The DMCA defines such technologies as "technical measures that are used by copyright owners to identify or protect copyrighted works" and "have been developed pursuant to broad consensus of

copyright owners and service providers," "are available to any person on reasonable and nondiscriminatory terms, and do not impose substantial burdens on [OSPs]." § 512(i)(2).

[10]. Each safe harbor relates to a separate and distinct function, and a determination of whether an OSP qualifies for one safe harbor has no effect on a determination of whether it qualifies for any of the other three.

[11]. These safe harbors track, in certain respects, the elements for contributory, vicarious, and direct copyright infringement under traditional copyright law. See Section C of this article for further discussion. For example, the first prong of the safe harbor test goes to the OSP's "knowledge" of the infringement -- a critical element in a claim for contributory infringement -- while the second prong goes to control and financial benefit -- elements for a claim of vicarious liability. Finally, the third prong goes to actual notice of infringement. In a claim for direct copyright infringement, a defendant may raise an innocent infringer defense, under which the defendant may avoid, in certain circumstances, liability for statutory damages for "infringing acts committed before receiving actual notice that registration for the work has been made."

17 U.S.C.A. § 405(b) (West 1999) (emphasis added).

[12]. § 512(c)(A)(ii). The DMCA provides that an OSP need not monitor its service or affirmatively seek facts indicating infringing activity in order to claim the protections of these safe harbors, although, as the legislative history states, an OSP's monitoring of its site will not disqualify it from safe harbor protection either. *See* H.R. Conf. Rep. No. 796, 105th Cong., 2d Sess., at 32 (1998). An OSP's awareness of infringing activity includes subjective and objective components (*i.e.*, subjective as to whether the OSP was aware of the facts and circumstances indicating infringement, and objective as to whether the infringing activity would have been apparent to a reasonable person). *See* H.R. Rep. No. 105-551, at 56 (1998).

[13]. 17 U.S.C.A. § 512(c)(A)(iii) (West 1999). The DMCA immunizes OSPs from any claim based on its removal or disabling of access to such material under this provision. The immunity is available even if the material or activity is ultimately determined not to be infringing.

[14]. § 512(c)(B) (West 1999). According to the legislative history, an OSP would not be considered to receive a "financial benefit" where the infringer makes the same kind of payment as non-infringing users. Consequently, receiving a one-time set-up fee and flat periodic payments would not constitute receiving a "financial benefit," nor would receiving fees based on length of the message or by connect time. A "financial benefit" would arise, however, where the value of the service lies in providing access to infringing material. *See* H.R. Rep. No.105-551, at 56 (1998). The legislative history does not address arrangements where one site pays an OSP to provide a link to its site, and the linked-to site contains infringing material. The OSP arguably gains a direct financial benefit from such an arrangement, but it may be difficult to show that the OSP has the right and ability to control such infringing activity on the linked-to site.

[15]. *See* 17 U.S.C.A. § 512(c)(C) (West 1999).

[16]. *See* § 512(b).

[17]. For example, an OSP may cache news reports for the CNN website that are frequently accessed by OSP users. The OSP will then update the cached material on a regular basis.

[18]. The caching safe harbor and the conduit safe harbor described below respond in part to the strict liability standard imposed for direct copyright infringement under federal copyright law.

[19]. § 512(b)(1)(C).

[20]. *See* § 512(b)(2)(A).

[21]. § 512(b)(2)(B).

[22]. § 512(b)(2)(C).

[23]. *See* § 512(b)(2)(D).

[24]. *See* § 512(b)(2)(E)(emphasis added).

[25]. *See* § 512(b)(2)(E).

[26]. *See* § 512(a).

[27]. The notice and take-down provisions do not apply for this safe harbor. The underlying policy reason is that conduit providers have little or no control over material that passes through their systems and, therefore, should have no legal obligation to remove or block it.

[28]. *See* § 512(a)(1).

[29]. § 512(a)(2).

[30]. *See* § 512(a)(3).

[31]. *See* § 512(a)(4).

[32]. *See* § 512(a)(5).

[33]. As noted above, the notice and take-down provisions described in this section do not apply to the fourth safe harbor for conduit service.

[34]. *See* § 512(c)(2).

[35]. According to the legislative history, "substantial compliance" means that technical errors in the notification (*e.g.*, misspelling a name; supplying an outdated area code if the phone number is accompanied by an accurate address; or supplying an outdated name if accompanied by an e-mail address that remains valid for the copyright owner or representative) will not disqualify a copyright owner from the statutory protections. *See* H.R. Rep. No. 105-551, at 57 (1998).

[36]. *See* § 512(c)(3)(A)(i).

[37]. *See* § 512(c)(3)(A)(ii).

[38]. *See* § 512(c)(3)(A)(iii).

[39]. *See* § 512(c)(3)(A)(iv).

[40]. § 512(c)(3)(A)(v).

[41]. *See* § 512(c)(3)(A)(vi).

[42]. The statute provides that a defective notice provided to the designated agent may be considered in evaluating the OSP's knowledge of the infringing activity if: (1) the complaining party included in the notice information concerning the identification of the copyrighted work and the identification of the allegedly infringing material, and information sufficient for the OSP to contact the complaining party; and (2) the OSP

does not promptly attempt to contact the person making the notification or take other reasonable steps to assist in the receipt of notification that substantially complies with the notice requirement. See H.R. Rep. No. 105-551, at 58 (1998).

[43]. 17 U.S.C.A. § 512(b)(2)(E) (West 1999). The statute does not define the term "expeditiously." The legislative history notes that "[b]ecause the factual circumstances and technical parameters may vary from case to case, it is not possible to identify a uniform time limit for expeditious action." H.R. Rep. No. 105-551, at 56 (1998).

[44]. See 17 U.S.C.A. § 512(b)(2)(E) (West 1999).

[45]. See § 512(g)(2)(A). The statute does not specify a time frame for such "prompt" notification. Also, the legislative history suggests that "reasonable steps" may include sending an e-mail notice to the user, and notes further that OSP's should not have to "search beyond the four corners of a subscriber's posting or their own [subscription] records for that subscriber in order to obtain contact information." H.R. Rep. No. 105-551, at 58 (1998).

[46]. The DMCA provides for liability for knowing material misrepresentation in such a counter-notification.

[47]. See 17 U.S.C.A. § 512(g)(3) (West 1999). The counter-notification must include: (1) "a physical or electronic signature of the user;" (2) identification of the material that has been removed or blocked; (3) "a statement under penalty of perjury, that the subscriber has a good faith belief that the material was removed or blocked as a result of mistake or mis-identification;" (4) the user's name, address, and telephone number; and (5) "a statement that the user consents to the jurisdiction of Federal District Court for judicial district in which the address is located," and also consents to service of process by the designated agent of the OSP.

§ 512(g)(3)(A)-(D). The legislative history provides that the substantial compliance standard for counter-notifications shall be identical to the standard for notifications described above. See H.R. Rep. No. 105-551, at 61 (1998).

[48]. The statute does not specify a time period for informing the copyright owner (or authorized agent) of the counter-notification, nor does it specify how the OSP is to correspond with the copyright owner (or authorized agent). The fact, however, that the OSP must restore the allegedly infringing material within ten to fourteen days of receiving the counter-notification suggests that the OSP must move quickly to inform the copyright owner (or authorized agent).

[49]. See 17 U.S.C.A. § 512(g)(2)(C) (West 1999).

[50]. See *infra* notes 54-58.

[51]. See 17 U.S.C.A. § 106 (West 1998).

[52]. See § 504(c).

[53]. See *Playboy Enters., Inc. v. Russ Hardenburgh*, 982 F. Supp. 503, 508 (N.D. Ohio 1997), *citing* *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991).

[54]. See *Hardenburgh*, 982 F. Supp. at 509.

[55]. *Id.* at 508 (emphasis added).

[56]. *Playboy Enters., Inc. v. Frena*, 839 F.Supp. 1552, 1556-57 (M.D. Fla. 1993).

[57]. *Id.* at 1556.

[58]. Hardenburgh, 982 F. Supp at 512 (discussing Religious Tech. Ctr. v. Netcom, 907 F. Supp 1361 (N.D. Cal 1995)).

[59]. Religious Tech. Ctr. v. Netcom, 907 F. Supp 1361, 1369 (N.D. Cal 1995).

[60]. *Id.* at 1368.

[61]. *See, e.g.*, Hardenburgh, 982 F. Supp. at 512-14 (citing Netcom approvingly, but nonetheless finding the defendant liable because he became an 'active participant' in the infringement process when he: (1) encouraged subscribers to upload Playboy pictures onto his system; and (2) screened uploaded files for posting); Marobie-FL, Inc. v. NAFED and Northwest Nexus, Inc., 983 F. Supp. 1167, 1178 (N.D. Ill. 1997), *citing* Netcom approvingly, and finding that web hosting service that stored infringing material in its hard drive was not liable because it "only provided the means to copy, distribute or display plaintiff's works, much like the owner of a public copying machine used by a third party to copy protected material."

[62]. Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1162 (2d Cir. 1971).

[63]. *See* Netcom, 907 F. Supp. at 1375, *citing* Apple Computer, Inc. v. Microsoft Corp., 821 F.Supp. 616, 625 (N.D. Cal. 1993), *aff'd* 35 F.3d 1435 (9th Cir. 1994)).

[64]. *See id.* at 1374.

[65]. *See* 857 F. Supp. 679, 690-91 (N.D. Cal. 1994).

[66]. *See id.* at 686-87.

[67]. *See, e.g.*, Sega Enterprises Ltd v. Sabella, 1996 U.S. Dist. LEXIS 20470 (N.D. Cal. 1996) (granting summary judgment for Sega for copyright infringement by BBS provider); Sega of America v. The Ghetto, No. 93-CV-4261 (N.D. Cal. 1995) (infringement case settled by parties).

[68]. *See* Frank Music v. CompuServe, 93 Civ. 8153 (S.D.N.Y., settled Dec. 19, 1995).

[69]. Netcom, 907 F. Supp. at 1375 (emphasis added). The concept of vicarious copyright infringement has its roots in the so-called "dance hall" cases from the Depression Era, where operators of entertainment venues were held liable for the infringing performances of others because the operators: (1) could control the premises; and (2) obtained a direct financial benefit from the audience, who paid to enjoy the infringing performance. *See, e.g.*, Buck v. Jewell-LaSalle Realty Co., 283 U.S. 191 (1931); Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co., 36 F.2d 354 (7th Cir. 1929).

[70]. *Id.*

[71]. *See, e.g.*, Shapiro, Bernstein and Co. v. H.L. Green Co., 316 F.2d 304 (2d Cir. 1963) (holding owner of department store chain liable for sales of counterfeit recordings by concessionaire); Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996) (holding that plaintiffs adequately stated a claim that owners of swap meet were vicariously liable for sales of counterfeit recordings by independent vendors); Polygram Int'l Publ'g, Inc. v. Nevada/TIG, Inc., 855 F.Supp. 1314 (D. Mass. 1994) (concluding that the organizer of a trade show had the right and ability to control performances which infringed upon a music copyright and that the organization gained financial benefit from the show).

[72]. *See* Polygram, 855 F. Supp. at 1329.

[73]. See *Fonovisa*, 76 F.3d at 262.

[74]. See *Polygram*, 855 F. Supp. at 1329.

[75]. See *id.*; see also *Fonovisa*, 76 F.3d at 262-64.

[76]. See, e.g., *H.L. Green*, 316 F.2d at 308 (noting that department store owner received ten to twelve percent commission from the direct infringer's gross receipts).

[77]. See, e.g., *Fonovisa*, 76 F.3d at 263 (noting the defendants reaped substantial financial benefits from admission fees, concession stand sales, and parking fees, all of which flow directly from customers who want to buy the counterfeit recordings from the swap meet vendors); see also *Boz Scaggs Music v. KND Corp.*, 491 F. Supp. 908, 913 (D. Conn. 1980) (finding the radio station operated for profit and it did not matter whether the unauthorized performances were performed for profit or a loss).

[78]. *Mairobie-FL*, 983 F. Supp. at 1179 (denying *Mairobie-FL*'s motion for a summary judgment); *Netcom*, 907 F. Supp. at 1377.

[79]. *Netcom*, 907 F. Supp. at 1377.

[80]. See 983 F. Supp. 1167, 1179 (N.D. Ill. 1997).

[81]. See *Webbworld*, 991 F. Supp. 543 (N.D. Tex 1997), *aff'd* 168 F.3d 486 (5th Cir. 1999).

[82]. See *id.* at 549.

[83]. See *id.* at 553-54.

[84]. See, e.g., Christian C.M. Beams, "The Copyright Dilemma Involving Online Service Providers: Problem Solved . . . for Now," 51 FED. COMM. L. J. 823, 845-46 (May 1999) (noting that the DMCA was "fair" outcome for OSPs and copyright holders); Mark E. Harrington, "On-Line Copyright Infringement Liability for Internet Service Providers: Context, Cases & Recently Enacted Legislation," 1999 B.C. INTELL. PROP. & TECH. F. 060499 (June 4, 1999) (noting that the DMCA provided benefits to both ISP's and copyright holders); Jennifer L. Kostyu, "Copyright Infringement on the Internet: Determining the Liability of Internet Service Providers," 48 CATH. U. L. REV. 1237, 1269-76 (Summer 1999) (noting that the DMCA protects the interests of service providers, copyright owners, and the public).

[85]. The legislative history makes note of both policy goals as well. See H.R. Rep. No. 105-551 at 49-50 ("Title II preserves strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment. At the same time, it provides greater certainty to service providers concerning their legal exposure for infringements that may occur in the course of their activities.").

[86]. See, e.g., Daniel R. Cahoy, "New Legislation Regarding On-Line Service Provider Liability for Copyright Infringement: A Solution in Search of a Problem?," 38 IDEA 335 (1998) (arguing that then-pending DMCA was unnecessary because courts were already addressing problem of online infringement). During congressional hearings on the DMCA, several witnesses representing the interests of copyright holders complained that the pending legislation would force copyright holders, rather than OSP's, to police websites for infringing material. See also WIPO Copyright Treaties Implementation Act; and Online Copyright Liability Limitation Act: Hearing on H.R. 2281 and H.R. 2280 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary, 105th Cong., 1st Sess. (1997) (statements of John Bettis, Allee Willis, et al.).

[87]. *See* Matt Richtel, EBay Says Law Discourages Auction Monitoring, N.Y. Times, Dec. 10, 1999 (noting statement of plaintiff's attorney in California lawsuit involving eBay).

[88]. *See id.* EBay's interpretation is subject to debate. On the one hand, the legislative history provides in relevant part that the DMCA "is not intended to discourage the service provider from monitoring its service for infringing material" and that "[c]ourts should not conclude that the service provider loses eligibility for limitations on liability [under the DMCA] solely because it engaged in a monitoring program." H.R. Rep. No. 105-551 at 73. On the other hand, the statutory language does not provide clear guidance on when such a monitoring program might implicate the knowledge-based standard.

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