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Copyright Infringement on the Internet: Can the Wild, Wild West Be Tamed?

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Allweiss: The Internet

COPYRIGHT INFRINGEMENT ON THE INTERNET: CAN THE WILD, WILD WEST BE TAMED?

The Internet,¹ the phenomenon of the twentieth century, seems easily comparable to the old Western American frontier of the nineteenth century. The frontier was a new, uncharted territory that offered new freedoms never before experienced. It also provided new dangers, and fostered the attitude of "every man for himself." Because these new freedoms bordered so close to anarchy, the long arm of the law was needed to regulate them.

The United States successfully brought the entire wild frontier under its control. A century later, our Congress has chosen not only to neglect the goal of bringing law and order to the wastelands of the Internet, but to take the exact opposite approach toward this new frontier.²

The Internet is a new medium of communication unlike any other before it, but its capabilities leave it open to widespread abuse.³ If the integrity of our federal laws is to be preserved, they must apply to the Internet as they do to all other media of communication.⁴

These laws certainly include the area of copyright infringement. The Internet allows information to be sent anywhere at any time, and not always with the rightful owner's permission.⁵ Internet

¹ The Internet is a worldwide computer network governed by no single legal or government entity. Mary Ann Shulman, Comment, *Internet Copyright Infringement Liability: Is an Online Access Provider More Like a Landlord or a Dance Hall Operator?*, 27 GOLDEN GATE U.L. REV. 555, 556 n.5 (1997). It links millions of computers in corporations, schools, and other entities together through telephone wires. *Religious Technology Center v. Netcom*, 907 F. Supp. 1361, 1365 n.2 (N.D. Cal. 1995).

² Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998).

³ "With the growing popularity of the Internet, incidents of online fraud, theft, piracy, and infringement have grown correspondingly." April M. Major, *Copyright Law Tackles Yet Another Challenge: The Electronic Frontier of the World Wide Web*, 24 RUTGERS COMPUTER & TECH. L.J. 75, 75 (1998).

⁴ "[T]he necessity of online regulation requires that lawmakers be flexible and innovative in their approach to preventing and remedying legal injuries that have been cognizable in other contexts for decades." *Id.* at 75-76.

⁵ *Id.* at 76.

Service Providers (hereinafter ISPs)⁶ are the entities that have the most control over the flow of information, yet they disavow any affirmative responsibility to protect ownership rights. Furthermore, courts do not always find them directly liable for the infringement of those rights,⁷ and Congress recently limited their liability for copyright infringement by passing the Digital Millennium Copyright Act of 1998.⁸ Has Congress forgotten its constitutional power to promote “science and useful arts?”⁹

The Digital Millennium Copyright Act exempts ISPs from monetary liability for the five distinct functions of providing conduit service, caching, providing web space, linking, and taking down allegedly infringing materials in good faith.¹⁰ It was meant to settle an ongoing dispute between copyright owners and ISPs over what level of liability, if any, should be imposed on ISPs for copyright infringement.¹¹ On one side, the ISPs expressed concern that they would be held liable for the actions of subscribers, even if they were unaware of those actions.¹² Arguing against holding ISPs directly liable for the actions of third parties, they compared their situation to that of telephone companies which are not held liable when customers send infringing faxes through the phone lines.¹³ They also argued that monitoring subscribers’ actions

⁶ There are two types of ISPs: local access providers and commercial online services. Access providers lease their facilities to allow their customers to subscribe to a regional network that links to the Internet (such as Netcom and PANIX). Shulman, *supra* note 1, at 559 n.26. Commercial online services provide Internet access, but additionally provide content services through their own network for their subscribers (such as America Online and CompuServe). Shulman, *supra* note 1, at 559 n.26.

⁷ See, e.g., *Religious Technology Center v. Netcom*, 907 F. Supp. 1361 (N.D. Cal. 1995).

⁸ Pub. L. No. 105-304, § 202(a), 112 Stat. 2860, 2877-86 (1998).

⁹ U.S. CONST. art. I, § 8, cl. 8. This provision states, in pertinent part: “The Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” *Id.*

¹⁰ § 202(a), 112 Stat. at 2877-86.

¹¹ H.R. REP. NO. 105-551 (II) (1998), *available at* 1998 WL 414916.

¹² Joan Gilsdorf, Comment, *Copyright Liability of On-Line Service Providers*, 66 U. CIN. L. REV. 619, 631 (Winter 1998).

¹³ *Id.*

would be an invasion of privacy and would also be impossible to accomplish.¹⁴

Still other ISP advocates argued that ISPs should be entirely exempt from any liability.¹⁵ This argument once again uses an analogy to telephone carriers, since they operate as “mere conduits for digital transmissions.”¹⁶ While the telephone carriers may qualify for exemption under existing law,¹⁷ ISPs never would have been able to claim the same form of exemption because most Internet communications are not the same kind of “secondary transmissions” that are sent through phone or fax.¹⁸

Without any exemptions for copyright infringement liability, ISPs would be governed by the same liability as all other media.¹⁹ The ISPs and their supporters believed their argument was the one truly supported by the Constitution,²⁰ insisting that the “free exchange of ideas and facilitating the progression of art and science, not the maximizing the return for creators,” was the true goal of copyright.²¹ Contrary to their interpretation of the

¹⁴ *Id.* at 631-32.

¹⁵ *Id.* at 632.

¹⁶ *Id.*

¹⁷ 17 U.S.C. § 111(a)(3) (1994). This statute provides, in pertinent part:

The secondary transmission of a primary transmission embodying a performance or display of a work is not an infringement of copyright if . . . the secondary transmission is made by any carrier who has no direct or indirect control over the content or selection of the primary transmission or over the particular recipients of the secondary transmission, and whose activities with respect to the secondary transmission consist solely of providing wires, cables, or other communications channels for the use of others

Id.

¹⁸ Gilsdorf, *supra* note 12, at 633.

¹⁹ *Id.*

²⁰ U.S. CONST. art. I, § 8, cl. 8.

²¹ Gilsdorf, *supra* note 12, at 633. Additionally, they argued that increased copyright protection would force them out of business, or at the very least lessen the ready availability of certain information. *Id.* at 633-34. They also objected to the idea that those ISPs not forced out of business would regulate what their subscribers did, as a “kind of privatized Big Brother.” *Id.* at 634. Apparently, they failed to realize that the free exchange of creative expression receives the

Copyright Clause, both the goals of free exchange and protection of original works are consistent with each other, as the framers intended.²²

However, copyright owners had their own legitimate fears as well. They felt that less copyright regulation on the Internet would “result in a loss of control” over their posted copyrighted creations.²³ They argued that if copyright owners were not given adequate protection for their works, and they consequently lost “control over their works,” they would no longer have the incentive to create, thus inhibiting their desire to contribute to the Internet.²⁴

Additionally, ISPs are uniquely positioned able to control and enforce copyright laws in a way that copyright owners cannot.²⁵ They can implement and execute their own anti-infringement policies, warn their subscribers against infringement, and “use hardware and software tools to determine if infringing works have been posted.”²⁶ Moreover, they are able to receive notice of infringing activity, and are “in the best position to *quickly stop* infringing activities” as they occur on their systems.²⁷

Copyright owners still encountered a division in their ranks -- some believed that traditional copyright liability should apply, with no exemptions, and others thought that only strict liability should be imposed.²⁸ However, both groups opposed any exception for ISPs claiming to be “mere conduits,” likening such exemption to a “protected telephone monopoly.”²⁹

Furthermore, providing an “innocent infringer” defense for ISPs would undermine any real protection copyright holders could

most support when those who express those creations receive a certain amount of protection for them.

²² See U.S. CONST. art. I, § 8, cl. 8.

²³ Gilsdorf, *supra* note 12, at 634.

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.* at 634-35.

²⁷ *Id.* at 635.

²⁸ *Id.* Copyright holders agreed that while clarification of the existing copyright infringement law was valid, complete exemption was not. *Id.*

²⁹ *Id.*

expect to obtain.³⁰ Since ISPs are also the main beneficiaries of the growth of the Internet, they should accept their responsibility for the infringing action that occurs, and not be encouraged to look the other way, allowing copyright infringement to take place on their systems.³¹

Now that Congress has spoken, it would seem that the ISPs have had their way, and that protecting creators' copyrights is not important enough. Since this new legislation has provided ISPs with a qualified immunity that is unavailable to other forms of media, and has left many copyrighted works unprotected, it should be held unconstitutional.³² Those in favor of this new law would justify this immunity because the Internet is more difficult to control, due to its lack of physical borders.³³ But no matter what the medium, copyrighted works deserve the same protection that they are entitled to in all other forms of media, and those who operate the medium are obligated to ensure against infringement.

This article will describe the application by federal courts of all three levels of copyright infringement to the Internet. Part I will provide a general overview of the Internet.³⁴ Part II will discuss the different theories of copyright infringement, and analyze how and why contributory and vicarious liability have been applied to website owners and bulletin-board operators.³⁵ Part III will analyze the case law that existed prior to the enactment of the Digital Millennium Copyright Act.³⁶ Part IV will dissect the recently enacted amendments, analyze the effect they could have on Internet-based intellectual property, and explain why they should be struck down.³⁷

³⁰ *Id.* By the same token, strict liability applies to information providers such as bookstores and photocopying services. *Id.* at 636. They also promote "the free exchange of ideas," like ISPs, but they have received no exemption from copyright infringement liability. *Id.*

³¹ *Id.* To allow one class of ISPs to refuse to take responsibility would be to encourage willful blindness. *Id.*

³² *Reno v. American Civil Liberties Union*, 521 U.S. 844 (1997).

³³ See Shulman, *supra* note 1, at 592-93.

³⁴ See *infra* notes 37-52 and accompanying text.

³⁵ See *infra* notes 53-115 and accompanying text.

³⁶ See *infra* notes 116-217 and accompanying text.

³⁷ See *infra* notes 218-310 and accompanying text.

I. THE INTERNET

The Internet began as a military operation called ARPANET, the network of the Advanced Research Project Agency.³⁸ This system was designed to enable military computers to communicate with university computers and defense contractors' computers, even if portions of the network were destroyed in wartime.³⁹ This system set the example for the later development of several networks that linked with each other and "now enable[s] tens of millions of people to communicate with one another and to access vast amounts of information from around the world."⁴⁰

Users can access the Internet in many different ways. These include networks provided by universities, corporations, and even libraries and bookstores.⁴¹ In addition, several ISPs provide access not only to the Internet, but to their own individual networks.⁴²

The Internet provides many different communication avenues, including the World Wide Web, chat rooms, and newsgroups.⁴³ These methods can transmit text, sound, photographs, artwork, and video clips.⁴⁴ Newsgroups serve groups of subscribers, available through Usenet, allowing messages to be read by thousands of people at once, and providing for exchanges of information on various topics.⁴⁵ Newsgroups receive nearly 100,000 postings every day.⁴⁶

The World Wide Web, the most well known tool on the Internet, is made up of various documents stored in different computers

³⁸ *Reno*, 521 U.S. at 849-50.

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.* These services include America On-Line, Microsoft Network, Prodigy, and CompuServe. *Id.*

⁴³ *Id.* at 851.

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.* BBS operators automatically delete these postings "at regular intervals." *Id.*

worldwide.⁴⁷ These documents include “webpages,” which contain information and allow the user to communicate with the website’s operator.⁴⁸ They also provide “links” to many other documents around the Web.⁴⁹ Using Transfer Connection Protocol (hereinafter “TCP”), every connection to a webpage “retrieves a copy of the specified file.”⁵⁰ Through a process known as “caching,” a browser that links to a webpage actually downloads the information, and temporarily stores it in the computer’s memory.⁵¹

Most Web pages allow free access, but some require membership from one of the commercial ISPs.⁵² The Internet, as a whole, provides a large stage that is accessible to a world-wide audience, and authors or publishers can choose to provide their material to all of the Internet, or confine access to those who purchase subscriptions.⁵³

II. COPYRIGHT ISSUES ON THE INTERNET

With so much information so readily available at the click of a mouse, it would seem a daunting task to provide adequate copyright protection for it all. Notwithstanding its distribution advantages for registered content, copyright owners still have cause for concern with the ever-present risk of “widespread

⁴⁷ *Id.* at 852.

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ See Major, *supra* note 3, at 82.

⁵¹ *Id.*

⁵² *Reno*, 521 U.S. at 852-53. This distinction is significant for finding infringement liability. Major, *supra* note 3, at 95 (citing *Sony Corp. of America v. Universal Studios, Inc.*, 464 U.S. 417 (1984)). In *Sony*, the Supreme Court held that videotaping televised programs was a fair use, in part, because the copyrighted program was shown to the public “entirely free of charge.” *Sony*, 464 U.S. at 449. From this holding, some have inferred that the fair use exception would similarly protect free websites from infringement liability, but might not so limit the liability of pay-sites. Major, *supra* note 3, at 95.

⁵³ *Reno*, 521 U.S. at 853.

unauthorized distribution" of their work.⁵⁴ It would seem that an underground movement of cyberspace "outlaws" has grown to take advantage of this new medium, with its generous access to "free" material, and this movement "neither understands nor respects the concept of copyright."⁵⁵

Given the astronomical number of users who access the Internet at one time or another, it would appear difficult for ISPs to monitor and regulate Internet transmissions, for the sake of searching and destroying infringing material.⁵⁶ However, since they would play the role of sheriff to the aforementioned outlaws, it is only fair that they make a good-faith attempt to prevent copyright violations in the global village as they invite new settlers to join.

Traditional copyright infringement law has found multiple areas of liability: direct, and secondary infringement theories, which include contributory and vicarious liability. These areas will be examined separately.

A. LIABILITY FOR INFRINGEMENT

DIRECT INFRINGEMENT

Direct copyright infringement requires (1) ownership of a valid copyright, and (2) copying of the copyrighted material.⁵⁷ Unlike

⁵⁴ Monica P. McCabe, et al., *Internet Copyright Infringement: Congress, Courts Address Liability of Third Parties*, N.Y. L.J., August 10, 1998, Intellectual Property at S1. For a recent overview of the new amendments, see David Goldberg & Robert J. Bernstein, *An Expansive Set of Revisions*, N.Y. L.J. November 20, 1998, at 3.

⁵⁵ McCabe, et al, N.Y. L.J., August 10, 1998, at S1.

⁵⁶ *Id.*

⁵⁷ *Playboy Enterprises, Inc. v. Webbworld*, 991 F. Supp. 543, 550 (N.D. Tex. 1997), *aff'd*, No. 98-10097 (5th Cir. January 8, 1999). The *Webbworld* court also held that the operator of a website that sold unauthorized copies of photographs did not function "as a mere conduit." *Id.* at 552. Because defendant "took affirmative steps" to infringe plaintiff's copyright, exercised total control over its website's content, and was able to choose the newsgroups it downloaded its pictures from, it was directly liable. *Id.* at 552-53. See also *Michaels v. Internet Entertainment Group*, 5 F. Supp. 2d 823, 830-31 (C.D. Cal. 1998). In *Michaels*, a singer and an actress sued to enjoin the owners of an adult website from digitizing and distributing a stolen videotape that depicted the two

contributory infringement, knowledge or intent is absolutely irrelevant to this cause of action.⁵⁸ The material in question must be original, must show sufficient creativity, and must be fixed “in a tangible medium of expression.”⁵⁹

A copyright certificate serves as *prima facie* evidence of ownership, while copying is established when any one or more of the copyright owner’s six exclusive statutory rights have been infringed.⁶⁰ However, because direct evidence of copying is almost never available, a plaintiff usually satisfies that element by proving that defendant had access to the protected work, and that there was substantial similarity between the work protected and the work appropriated.⁶¹ If the plaintiff is unable to prove access, he

plaintiffs together. *Id.* at 828-29. The court issued a preliminary injunction after it found a clear case of direct infringement, and rejected the defense of implied license. *Id.* at 830-31. *See also* Scanlon v. Kessler, 11 F. Supp. 2d 444, 447 (S.D.N.Y. 1998). In *Scanlon*, a photographer sued a website operator for displaying copyrighted photographs he had taken without crediting him as the photographer. *Id.* at 446. Although the court did not find willful infringement, it did find direct infringement. *Id.* at 447-48.

⁵⁸ *Id.* (citing Religious Technology Center v. Netcom, 907 F. Supp. 1361, 1367 (N.D. Cal. 1995)).

⁵⁹ *See* Shulman, *supra* note 1, at 566. *See also* 17 U.S.C. § 102(a) (1994).

⁶⁰ *Webbworld*, 991 F. Supp. at 550-51. *See* 17 U.S.C. § 106 (1994). This section provides, in pertinent part:

[T]he owner of copyright has the exclusive rights to do and to authorize any of the following:

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

Id.

⁶¹ *Webbworld*, 991 F. Supp. at 551.

can overcome it by showing not only a substantial but a “striking similarity” between the work protected and the work appropriated.⁶²

An early case that successfully utilized this theory in the setting of the Internet was *Playboy Enterprises, Inc. v. Frena*.⁶³ Playboy, the well-known gentlemen’s magazine, brought actions for copyright and trademark infringement against the operator of a bulletin board service.⁶⁴ Defendant’s bulletin board service (hereinafter “BBS”) contained unauthorized uploaded copies of photographs that were originally published in plaintiff’s magazine.⁶⁵ Frena argued that he himself did not post those pictures, but his subscribers did,⁶⁶ and that as soon as he received notice, he removed them.⁶⁷

After finding that access and substantial similarity had been established,⁶⁸ the court held that Frena violated Playboy’s exclusive distribution and display rights.⁶⁹ Frena’s defense of fair use⁷⁰ was rejected. The court analyzed the first factor of purpose,

⁶² *Id.*

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

⁶⁴ *Id.* at 1554. A bulletin board service is a virtual message-board, accessible by modem, that allows net-surfers to download pictures that other surfers have uploaded (for a fee, in this case). *Id.* To download is to copy the image from the BBS to a user’s own computer’s hard drive. *Id.* at 1554 n.1. To upload is to transfer an image from a personal computer to a BBS. *Id.* at 1554 n.3.

⁶⁵ *Id.* at 1554.

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Id.* at 1556.

⁶⁹ *Id.* “There is no dispute that Defendant Frena supplied a product containing unauthorized copies of a copyrighted work.” *Id.* “Defendant’s display of [Playboy’s] copyrighted photographs to subscribers was a public display. Though limited to subscribers, the audience consisted of ‘a substantial number of persons outside of a normal circle of family and its social acquaintances’” *Id.* (citing 2 MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 8.14[C], at 8-169 (1993)). See 17 U.S.C. § 101(1); §§ 106(3), (5) (1994).

⁷⁰ 17 U.S.C. § 107 (1994). This section provides in pertinent part:

[T]he fair use of a copyrighted work, including such use by reproduction . . . for purposes such as criticism, comment, news reporting, teaching . . . scholarship, or research, is not an infringement on copyright. In determining whether the use

and held that since the BBS was only available to those who paid a monthly fee, the purpose of Frena's use was completely commercial.⁷¹ With regard to the second factor, the nature of the work, being entertainment and fantasy, also militated against fair use.⁷² With regard to the third factor, the amount of the taking, the court found that appropriating the photographs from Playboy magazine was taking the most essential part of the publication, no matter how small the degree of taking.⁷³

The fourth factor, and one of the most determinative, is the possible market effect on plaintiff's original work, as well as derivative works.⁷⁴ The court reasoned that this sort of copying

made of a work in any particular case is a fair use the factors to be considered shall include-

- (1) the purpose and character of the use . . .
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

Id.

⁷¹ *Frena*, 839 F. Supp. at 1558. "One who distributes copyrighted material for profit is engaged in a commercial use even if the customers supplied with such material themselves use it for personal use." *Id.*

⁷² *Id.* If a work is more appropriately characterized as entertainment, it is less likely that a claim of fair use will be accepted. *Id.* (citing *New Era Publications v. Carol Publishing Group*, 904 F.2d 152 (2d Cir. 1990)).

⁷³ *Id.* The *Frena* court additionally stated that:

The Court is not implying that people do not read the articles in [plaintiff's] magazine. However, a major factor to [Playboy's] success is the photographs in its magazine. By pirating the photographs for which [Playboy] has become famous, Defendant Frena has taken a very important part of [Playboy's] copyrighted publications.

Id.

⁷⁴ *Id.* "[A] proper application of fair use does not impair materially the marketability of the copied work." *Id.* The Supreme Court had held at one time that this factor was the most important of the four. *Harper & Row, Inc. v. Nation Enterprises, Inc.*, 471 U.S. 539, 566-67 (1985). More recently, the Court has held that market effect "is a matter of degree, and the importance of this factor will vary, not only with the amount of harm, but also with the relative strength of the showing on the other factors." *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590 n.21 (1994). While the *Frena* court held to the traditional *Harper & Row* rule, other jurisdictions have recognized the *Acuff-*

could have a negative effect on the market for Playboy's publication by preempting its magazine sales.⁷⁵ The court then held defendant liable for direct copyright infringement, reasoning that intent or knowledge was an issue for damages,⁷⁶ not for liability.⁷⁷

Notwithstanding the wide-open-spaces nature of the Internet, copyright laws still apply to it.⁷⁸ Nevertheless, many courts declined to follow the example that *Frena* set forth.⁷⁹ Rather than find ISPs directly liable, certain courts elected instead to impose the lesser sanctions of contributory liability and vicarious liability, which impose liability on ISPs when their participation in the infringing activities has only been indirect, or even passive.⁸⁰

Rose footnote as a modification of that rule. See *Leibovitz v. Paramount Pictures, Inc.*, 137 F.3d 109, 113 (2d Cir. 1998) (recognizing that the *Harper & Row* classification was "conspicuously absent" from the *Acuff-Rose* opinion); *Castle Rock, Inc. v. Carol Publishing, Inc.*, 150 F.3d 132, 145 (2d Cir. 1998) (recognizing that the "Supreme Court has recently retreated" from holding that the fourth factor of fair use was the most important).

⁷⁵ *Id.* at 1559. Even if Playboy had not planned to post its own pictures on the Internet, *Frena's* action uprooted demand for its published magazine, thus denying plaintiff substantial revenue it would otherwise gain.

⁷⁶ See 17 U.S.C. § 504(c) (1994).

⁷⁷ *Frena*, 839 F. Supp. at 1559. The court granted summary judgment for plaintiff on the copyright claim, as well as for trademark infringement and unfair competition under the Lanham Act. *Id.* at 1563.

⁷⁸ See Major, *supra* note 3, at 93.

⁷⁹ Monica P. McCabe, et al, *Internet Copyright Infringement: Congress, Courts Address Liability of Third Parties*, N.Y. L.J., August 10, 1998, at S10.

⁸⁰ *Id.* Even when a website owner was found directly liable for copyright infringement, this finding was distinguished from that of an ISP. While an ISP would act as a mere provider of access, a website selling and repackaging images obtained from newsgroups demonstrated the active involvement required for a finding of direct liability. *Playboy Enterprises, Inc. v. Webbworld*, 991 F. Supp. 543, 552 (N.D. Tex. 1997), *aff'd*, No. 98-10097 (5th Cir. January 8, 1999). Additionally, a website owner has less territory to cover, and can theoretically exercise more control and discretion over his small piece of cyberspace than a BBS owner, or even an ISP. This is evidence of the trend to find only secondary liability for ISPs that do not actively involve themselves with the material that others transmit through their service. Since there is no element of volition, directly liability would ultimately be unwarranted. See *Religious Technology Center v. Netcom Online Communication Services, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995).

B. SECONDARY LIABILITY THEORIES

In its original form, the text of the Copyright Act said nothing about secondary liability. A provision for the acts of third parties was added under the Semiconductor Chip Protection Act of 1984,⁸¹ but this is not applicable generally to copyrightable works.⁸² Case law has stated, however, that even if secondary liability is not expressly provided for in the statute, it still does exist, because it has been imposed in practically every area of the law.⁸³ Furthermore, giving the copyright holder the exclusive right “to authorize” others to exercise his exclusive Section 106 rights establishes liability against those who permit others to engage in infringement without any authority of the copyright owner.⁸⁴

Since the enactment of the Digital Millennium Copyright Act,⁸⁵ secondary liability against ISPs has been nearly abandoned.⁸⁶ The following cases will illustrate how courts imposed secondary liability before the amendments were enacted.

1. CONTRIBUTORY INFRINGEMENT

A defendant is contributorily liable for copyright infringement if he (1) “knew or should have known” about the infringing conduct,

⁸¹ 17 U.S.C. § 905(3) (1994).

⁸² 3 NIMMER ON COPYRIGHT, § 12.04[A], at 12-66 (1998).

⁸³ *Id.* (citing *Sony Corp. v. Universal Studios, Inc.*, 464 U.S. 417, 435 (1984)).

⁸⁴ *Id.* at 12-66-67. See *Michaels v. Internet Entertainment Group, Inc.*, 5 F. Supp. 2d 823, 830-31 (C.D. Cal. 1998) (holding that where musician and actress held copyright for videotape of them together, and defendant could not raise the defense of a non-exclusive license, defendant was liable for direct infringement). See also *Scanlon v. Kessler*, 11 F. Supp. 2d 444 (S.D.N.Y. 1998) (finding direct infringement against a website that published unauthorized photographs).

⁸⁵ Pub. L. No. 105-304, 112 Stat. 2860 (1998).

⁸⁶ The new safe-harbor provisions “protect qualifying service providers from liability for all monetary relief for direct, vicarious and contributory infringement.” H.R. CONF. REP. NO. 105-796, at 73 (1998), *reprinted in* 1998 U.S.C.C.A.N. 645, 655. See *infra* notes 217-51 and accompanying text, explaining how the provisions of the new section expressly eliminate monetary liability for engaging in acts that constitute contributory infringement.

and (2) “induced, caused or materially contributed to the infringing conduct of another.”⁸⁷ It can be established either by conduct that furthers the infringement or by contribution of any tools that “provide the means to infringe.”⁸⁸ The United States Supreme Court has long established the rule that one who intentionally and purposefully participates in infringing actions, but does not actually commit the infringing actions himself, is contributorily liable.⁸⁹

Additionally, at least one commentator has opined that when one furnishes facilities that allow for infringing copies of a protected work to be made, and either knows or should know that another intends to make infringing use of those copies, contributory liability exists.⁹⁰ This test could be easily applied to include the owners of a website or BBS that know or should know that their facilities lend themselves to the making of unauthorized copies, but nevertheless permit, or even encourage, the activity to occur.

⁸⁷ See *Sega Enterprises Ltd. v. MAPHIA*, 857 F. Supp. 679, 686 (N.D. Cal. 1994) (holding that even without actual knowledge of specific infringing activities, defendant is liable for contributory infringement due to encouragement, and provision of the means for others to infringe). See also Shulman, *supra* note 1, at 571.

⁸⁸ NIMMER, *supra* note 82, § 12.04[A][2], at 12-72. Occasionally, vicarious infringement will not be found because the requirements of supervision and direct financial benefits are absent. See *id.* § 12.04[A][2][a], at 12-73. Even so, contributory liability may still exist, if the secondary actor in question acts with knowledge, and his secondary acts serve to assist the direct infringer. *Id.*

⁸⁹ Shulman, *supra* note 1, at 572 (citing *Kalem Co. v. Harper Bros.*, 222 U.S. 55 (1911)). The Second Circuit articulated the modern test used to find contributory infringement. *Gershwin Publishing Corp. v. Columbia Artists Management*, 443 F.2d 1159 (2d Cir. 1971). A concert promoter was sued for managing and promoting artists who performed songs that infringed plaintiff's copyright. *Id.* at 1160. The court found him liable, holding that not only did he know that the artists would directly infringe copyrighted works, but he provided the space and time for them to commit the infringement. *Id.* at 1162-63.

⁹⁰ NIMMER, *supra* note 82, § 12.04[A][2][b], at 12-75. Examples include the operator of a duplication facility that allowed customers to duplicate copyrighted audio tapes on blank tapes provided, even if the customers committed the actual duplication. *Id.* (citing *A & M Records, Inc. v. Abdallah*, 948 F. Supp. 1449 (C.D. Cal. 1996); *Elektra Records Co. v. Gem Elec. Distribs., Inc.*, 360 F. Supp. 821 (E.D.N.Y. 1973)).

Sega Enterprises Ltd. v. MAPHIA amply demonstrates this point.⁹¹ In *Sega*, a BBS invited its subscribers to download the programs to copyrighted video games available on its service, and to purchase special software that would enable the subscribers to save the games on their hard drives or floppy disks.⁹² The court granted a preliminary injunction,⁹³ and found that this activity had the effect of decreasing plaintiff's sales of the cartridges on which it stored its own video games.⁹⁴ Therefore, the court granted a preliminary injunction on the grounds of direct and contributory infringement.⁹⁵ MAPHIA asserted the defense of fair use, but the court rejected it, finding that all four factors weighed against defendant.⁹⁶

However, when Sega subsequently moved for a permanent injunction, the court⁹⁷ held that there was no direct infringement.⁹⁸ Although Sega had certainly shown that those who operated the

⁹¹ 857 F. Supp. 679 (N.D. Cal. 1994).

⁹² *Id.* at 683-84. The evidence showed that defendants charged fees for downloading privileges, or gave certain privileges to those subscribers who uploaded Sega games to their BBS. *Id.*

⁹³ *Id.* at 682.

⁹⁴ *Id.* at 684.

⁹⁵ *Id.* at 686. The court held that uploading of game programs to the bulletin board, and the subsequent downloading to users' computers was direct infringement. *Id.* The court also cited to *Frena* for the rule that the provision of facilities, knowledge, and encouragement of copying constituted contributory infringement. *Id.* at 687 (citing *Playboy v. Frena*, 839 F. Supp. 1552, 1555-56 (M.D. Fla. 1993)).

⁹⁶ *Id.* at 687-88. The purpose of making multiple copies of a game, so users need not purchase additional cartridges weighed against fair use. *Id.* at 687. As in *Frena*, when the nature of the work is more entertainment and fantasy than it is fact or news, it weighs against fair use. *Id.* The amount/substantiality factor was also not satisfied because the copies contained the *entire* game programs. *Id.* Lastly and most importantly, the court found that should this unauthorized copying become widespread, it would have an "immeasurable adverse effect on the market" for Sega's copyrighted programs.

⁹⁷ Judge Willken, the same District Judge who held that Sega had made out a *prima facie* case of direct infringement for a preliminary injunction, wrote the opinion.

⁹⁸ *Sega Enterprises, Ltd. v. MAPHIA*, 948 F. Supp. 923, 932 (N.D. Cal. 1996) (citing *Religious Technology Center v. Netcom*, 907 F. Supp. 1361 (N.D. Cal. 1995)).

MAPHIA BBS were aware of the infringing uploading or downloading, it could not show that defendants “directly caused the copying to occur.”⁹⁹ Therefore, the court concluded that contributory infringement was the appropriate cause of action, not direct infringement.¹⁰⁰

Judge Willken then asserted that this order for a permanent injunction was consistent with his earlier order, which granted the preliminary injunction.¹⁰¹ In the earlier order, the holding was that *someone* had directly infringed Sega’s games, and defendant “knew, facilitated, and encouraged” the infringement.¹⁰² Judge Willken stated that her earlier finding was that such conduct specifically amounted to contributory infringement, but that no equivalent finding was issued for direct infringement.¹⁰³ The court also held that “[t]o the extent that order can be read to suggest that [defendant] may be liable for direct copyright infringement, it is clarified and superseded by this order.”¹⁰⁴

⁹⁹ *Id.* at 932.

¹⁰⁰ *Id.*

¹⁰¹ *Id.* at 932 n.5.

¹⁰² *Id.*

¹⁰³ *Id.* The portion of the decision concerning direct infringement read:
 9. Sega has established a prima facie case of direct copyright infringement under 17 U.S.C. § 501. Sega has established that unauthorized copies of its games are made when such games are uploaded to the MAPHIA bulletin board, here with the knowledge of Defendant Scherman. These copied games are thereby placed on the storage media of the electronic bulletin board by unknown users.

Id. at 686. The court does not mention contributory infringement until Point 11 of the findings of fact. *Id.* Point 12 states that even if MAPHIA did not know exactly when these game programs would pass through its BBS, its provision of the facilities, and its encouragement of the infringing activity constituted contributory infringement. *Id.* at 686-87.

¹⁰⁴ The hearing for a permanent injunction came after another court in the Northern District of California had decided *Religious Technology Center v. Netcom*, 907 F. Supp. 1361 (N.D. Cal. 1995). As will be shown, this case resulted in a setback for copyright holders, as well as a grievous error in judgment made in the favor of ISPs. See *infra* notes 115-49 and accompanying text.

Nevertheless, the *Sega* court renewed its earlier finding that MAPHIA was liable for contributory infringement.¹⁰⁵ Direct infringement had certainly been committed by the BBS users, but contributory infringement was found to have been committed by defendant, because defendant undisputedly had knowledge of the users' infringing conduct.¹⁰⁶ The court found that providing the facilities necessary for infringing activity was sufficient to establish contributory infringement.¹⁰⁷ Additionally, defendant "substantially participated" in this piracy by soliciting and encouraging subscribers to upload illegally obtained game programs, and advertising copying devices to make the copying easier.¹⁰⁸

2. VICARIOUS INFRINGEMENT

This form of liability does not require the plaintiff to prove participation or knowledge.¹⁰⁹ The only necessary elements are

¹⁰⁵ *Sega*, 948 F. Supp. at 932. "Although the Copyright Act does not expressly impose liability on anyone other than direct infringers, courts have long recognized that in certain circumstances, liability for contributory infringement will be imposed." *Id.* (citing *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261 (9th Cir. 1996)).

¹⁰⁶ *Id.* at 932-33.

¹⁰⁷ *Id.* at 933 (citing *Fonovisa*, 76 F.3d at 264).

¹⁰⁸ *Id.* Because the court found contributory infringement to be sufficiently established, it declined to address vicarious liability. *Id.* For the same reasons as in earlier decisions, the fair use defense was found to be unavailing. *Id.* at 933-35. Additionally, the court found that the infringement, albeit not direct, was willful, entitling *Sega* to statutory damages. *Id.* at 936. *See* 17 U.S.C. § 504(c)(2) (1994). However, the court refused to grant the maximum amount of \$100,000, finding that \$5000 per infringement was the appropriate price for video game piracy. *Id.* at 940 (citing *Nintendo of America, Inc. v. Dragon Pacific Int'l*, 40 F.3d 1007, 1010 (9th Cir. 1994)).

¹⁰⁹ NIMMER, *supra* note 82, § 12.04[A][1], at 12-68. "Lack of knowledge that the primary actor is actually engaged in infringing conduct is not a defense under these circumstances." *Id.* *See also* *Playboy Enterprises, Inc. v.*

that defendant (1) had “the right and ability” to exercise control over the directly infringing party, and (2) also had a “financial interest” in the activity.¹¹⁰

Vicarious copyright infringement has been defined under two different theories: the relationship of a landlord and tenant, and the conduct of a dance-hall operator.¹¹¹ A landlord who leases property to a direct copyright infringer is not liable, because the landlord relinquishes control of the property through the lease, and receives no financial benefit from the infringing activity, apart from the usual rent payments.¹¹²

However, a court may find a landlord liable for a tenant’s infringing conduct, if the landlord is involved with the infringing conduct. Thus, if a landlord receives not only a flat rental fee from

Webbworld, 991 F. Supp. 543, 553-54 (N.D. Tex. 1997), *aff’d*, No. 98-10097 (5th Cir. January 8, 1999).

¹¹⁰ See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996); *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963).

¹¹¹ See *Fonovisa*, 76 F.3d at 262; see also NIMMER, *supra* note 82, § 12.04[A][1], at 12-69. This section provides in pertinent part:

[T]he lessor of a theater is not liable . . . for infringing performances that may occur in the theater, nor is the landlord of premises where infringing works are sold rendered an infringer simply by reason of such relationship. By contrast, the owner of a place of entertainment who actively operates or supervises the operation of the establishment is liable for infringements occurring on the premises. When an orchestra engages in infringing performances, the owner and operator of the premises may be held liable for such infringement, although he pays the orchestra nothing, and grants to them the exclusive right to select the music to be performed . . . [i]n fact, cases have upheld liability under those circumstances even when the infringing acts occurred without the owner’s authority, and against his orders (footnotes omitted).

Id. at 12-69-70. See also *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 907 F. Supp. 1361, 1375 (N.D. Cal. 1995); *Gershwin Publishing Co. v. Columbia Artists Mgt., Inc.*, 443 F.2d 1159, 1161-62 (2d Cir. 1971).

¹¹² See Shulman, *supra* note 1, at 575-76 (citing *Deutsch v. Arnold*, 98 F.2d 686 (2d Cir. 1938)).

a tenant,¹¹³ but also part of the tenant's gross revenue, the financial interest required for vicarious infringement is established.¹¹⁴

Likewise, dance hall operators are vicariously liable for infringement by entertainers in their hall because "they exercise control by leasing the premises or hiring the bands and *receive profits* from patrons who pay to attend performances (emphasis added)."¹¹⁵ Therefore, a plaintiff must prove that defendant has the power to monitor and control users' postings, and also has a direct financial interest in the infringing acts they commit. The defendant will then be deemed to be a dance-hall operator rather than a landlord.¹¹⁶

As the next section will demonstrate, both contributory and vicarious liability became the more preferred methods of finding copyright infringement liability against ISPs.

III. RECENT TRENDS IN THE LAW

A STRANGER BLOWS INTO TOWN . . . *RTC v. NETCOM*

*Religious Technology Center v. Netcom On-Line Communication Services, Inc.*¹¹⁷ was decided between the *Sega* preliminary injunction order and the permanent injunction order, and may

¹¹³ *Netcom*, 907 F. Supp. at 1376 (citing *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 306 (2d Cir. 1963)).

¹¹⁴ William O. Ferron et al., *On-Line Copyright Issues: Recent Case Law and Legislative Changes*, 14 NO. 2 COMPUTER LAW. 14 (February 1997) (citing *Roy Export Co. v. Trustees of Columbia Univ.*, 344 F. Supp. 1350 (S.D.N.Y. 1972)).

¹¹⁵ See Shulman, *supra* note 1, at 576. They can, however, be deemed to lack such financial interest when the performer in question only pays the owners a flat fee, and where the owners themselves pay the performers the entrance fee. Ferron, *supra* note 114.

¹¹⁶ See Shulman, *supra* note 1, at 577. Better yet, a landlord who receives more than a flat fee from his infringing tenants. See Ferron, *supra* note 114. See also *Netcom*, 907 F. Supp. at 1376. "[A] landlord who has the right and ability to supervise the tenant's activities is vicariously liable for the infringements of the tenant where the rental amount is proportionate to the proceeds of the tenant's sales." *Id.* Vicarious liability is not available when the "landlord" rents space only on a fixed fee, that is independent from the tenant's activities, because this does not amount to a direct financial benefit. *Id.*

¹¹⁷ 907 F. Supp. 1361.

account for the difference in the two orders. Though we move to the “sacred” from the “profane,” this plaintiff faced the same unlawful appropriation as those previously mentioned.

After *Frena* and *Sega*, President Clinton charged a commission to implement his administration’s “vision for the National Information Infrastructure” and recommend amendments to the Copyright Act.¹¹⁸ This report found that ISPs are in a much better position to stop copyright infringement at its source, and recommended changes to benefit copyright holders, including strict copyright liability for ISPs.¹¹⁹ The report concluded that overall, existing copyright legislation provided sufficient protection for intellectual property in this new arena, but certain amendments were needed to provide more copyright protection.¹²⁰ However, it advised against limiting the infringement liability of ISPs. The Commission feared that limited liability would encourage ISPs to willfully permit infringement by subscribers, and to neglect any attempt to prevent the risk of infringement through tracking tools or even educating subscribers.¹²¹ As we will see, certain changes were made, but not those envisioned.¹²²

The case that may have prompted these amendments was *Netcom*.¹²³ A former minister of the Church of Scientology¹²⁴

¹¹⁸ INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE, THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS (1995). This report is better known as the “White Paper.”

¹¹⁹ *Id.* at 117.

¹²⁰ *Id.* at 211-12. The Group recommended that every digitized work be given express protection whenever the work was e-mailed or uploaded or downloaded to another location. *Id.* at 217 n.43. Most significantly, it sought to maintain the strict liability standard against ISPs reasoning that even if they cannot monitor all content in their system, booksellers have been held strictly liable for selling books that infringed copyright. *Id.* at 116.

¹²¹ *Id.* at 122-23. Additionally, it reasoned that it could not identify all the situations in which reduced liability was warranted. *Id.* See Gilsdorf, *supra* note 12, at 636-40 for a concise summary of this report, which represented persuasive authority in this area until recently.

¹²² Digital Millennium Copyright Act, Pub. L. No. 105-304, § 202(a), 112 Stat. 2860, 2877-86 (1998). See *infra* notes 216-50 and accompanying text.

¹²³ 907 F. Supp. 1361.

began posting copyrighted Scientologist material on the newsgroup¹²⁵ alt.religion.scientology, for the purpose of criticizing the church's teachings.¹²⁶ This particular newsgroup was not directly linked to the Internet, but it could be connected to it through Netcom, an ISP.¹²⁷

RTC tried reasoning with their brother-turned-astray, and then asked Netcom to keep him off its system.¹²⁸ The service responded by requiring proof from plaintiff that it owned the copyrights, which plaintiff rejected as unreasonable.¹²⁹ Netcom also argued that removing this infringer from the Internet would mean denying access to everyone who subscribed to the newsgroup.¹³⁰

After RTC commenced suit, and Netcom moved for summary judgment, the court considered all three levels of liability.¹³¹ The court held that there was no direct liability, because Netcom did not actually perform the copying itself.¹³² The court reasoned that holding Netcom directly liable would be unreasonable and would create too many separate acts of infringement.¹³³ The court, refusing to follow *Frena*, stated that the newsgroup does no more than automatically create a copy at the direction of others. The court also required a higher showing of volition or causation than *Frena* deemed necessary.¹³⁴

Moreover, the court held that storage of infringing copies on the BBS, and retransmission to other storage facilities did not directly

¹²⁴ The Church of Scientology is a religious organization founded on the writings of L. Ron Hubbard, author of such books as *DIANETICS* and *ETHICS AND THE CONDITIONS*.

¹²⁵ A newsgroup is a BBS that is linked onto a worldwide network called Usenet. They are accessible through America On-Line, as well as other ISPs.

¹²⁶ *Netcom*, 907 F. Supp. at 1365-66.

¹²⁷ *Id.* at 1366.

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Id.* at 1367.

¹³² *Id.* at 1368.

¹³³ *Id.* at 1369.

¹³⁴ *Id.* at 1370. The court also held that Netcom's failure to heed warnings after plaintiff gave notice was irrelevant to direct liability, but relevant for contributory liability. *Id.*

violate the right to reproduce¹³⁵ when a third party who actually did commit direct infringement, uploaded the copies (as the *Netcom* court interpreted it).¹³⁶ The *Netcom* court also rejected the *Sega* court's preliminary finding of direct infringement, reasoning that the reference to defendant MAPHIA's knowledge of infringing activity lent itself to contributory, and not direct, infringement.¹³⁷

The *Netcom* court went on to distinguish *Frena* on its facts, holding that unlike some other ISPs,¹³⁸ Netcom did not "create or control the content" that its subscribers were able to view and transfer.¹³⁹ All Netcom did was provide access.¹⁴⁰ Because the subscriber committed direct infringement, the court rejected a rule that could find "countless parties" liable, when their only role was setting up a system that was "necessary" for the Internet to function.¹⁴¹

In addition, the *Netcom* court distinguished between those ISPs which simply provide access and those which create their own content in addition to providing access to the Internet and Usenet.¹⁴² It would seem that before the Copyright Act was amended on October 28, 1998,¹⁴³ the well-known ISPs such as

¹³⁵ 17 U.S.C. § 106(1) (1994).

¹³⁶ *Netcom*, 907 F. Supp. at 1370-71.

¹³⁷ *Id.* at 1371. "[K]nowledge is not an element of direct infringement." *Id.* See *supra* notes 55-60 and accompanying text. The *Netcom* court reasoned that Judge Willken was most likely referring to the direct infringement of the subscribers to MAPHIA's BBS, not defendant itself. *Netcom*, 907 F. Supp. at 1371. See *Sega v. Sabella*, No. C 93-04260 CW, 1996 WL 780560, at *6-*7 (N.D. Cal. December 18, 1996).

¹³⁸ See Shulman, *supra* note 1, at 559 n.26.

¹³⁹ *Netcom*, 907 F. Supp. at 1372.

¹⁴⁰ *Id.* The *Netcom* court further held that:

Finding such a service liable would involve an unreasonably broad construction of public distribution and display rights. No purpose would be served by holding (access providers) liable . . . *even though they might be in some sense helping to achieve the Internet's automatic 'public distribution' and the users' 'public' display of files* (emphasis added).

Id.

¹⁴¹ *Id.*

¹⁴² *Id.*

¹⁴³ Digital Millennium Copyright Act, Pub. L. No. 105-304, § 202(a), 112 Stat. 2860, 2877-86 (1998).

America On-Line and CompuServe were on notice that *Netcom* could not and would not apply to them.¹⁴⁴

The court, however, did find a question of fact regarding defendant's liability for contributory infringement.¹⁴⁵ Here, the court began to borrow the "landlord" distinction from the theory of vicarious liability, finding that there was a degree of control that *Netcom* held over the use of its system.¹⁴⁶ The court found that defendant was not aware of the infringement before plaintiff notified it, but it "knew or should have known" about it after the notification.¹⁴⁷

Notwithstanding the requirements of inducement and causation, the *Netcom* court required *substantial* participation.¹⁴⁸ Because defendant did not completely give up its control of its premises, and could have easily taken the appropriate action to stop the infringement, the court dismissed defendant's summary judgment claim against contributory infringement.

Although the court found a question of fact on the contributory infringement issue, it still discussed the claim of vicarious infringement.¹⁴⁹ It found an additional issue of fact concerning *Netcom*'s ability to control the actions of its subscribers, but rejected plaintiff's claim that defendant received a direct financial benefit from the infringement, since defendant only received fixed fees from its subscribers.¹⁵⁰

¹⁴⁴ *Netcom* and Netscape do not provide voice recordings that "Welcome" subscribers as they sign on, or announce "You've Got Mail," as America Online does. This makes America Online much more than a passive conduit, or an owner of a copying machine that allows others to make their own copies.

¹⁴⁵ *Netcom*, 907 F. Supp. at 1375.

¹⁴⁶ *Id.* at 1374.

¹⁴⁷ *Id.* See *Sega v. Sabella*, No. C 93-04260 CW, 1996 WL 780560, at *7-*8 (N.D. Cal. December 18, 1996).

¹⁴⁸ *Netcom*, 907 F. Supp. at 1375.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 1376-77. Plaintiff argued that *Netcom* still received a benefit from its refusal to take any action against its infringing subscribers, thus attracting them to use their service. The court, however, rejected this argument. *Id.* at 1377. The plaintiff introduced a statement of *Netcom*'s attorney that defendants feared that they would lose business if they took any action against the directly infringing subscriber in question. *Id.* The court held that even if this evidence was admissible over defendant's hearsay objection, it did not prove that *Netcom*

The *Netcom* case, in distinguishing *Frena* and reinterpreting *Sega*, marked a turning point as to the governance of this uncharted territory. Even if the ISP could not be held directly liable without affirmative infringing conduct, it could still be held liable on a secondary basis for allowing copyright infringement to take place through its system. In other words, the sheriff would not be charged as an accomplice for allowing the bank robbers to get away, but he would be charged with obstruction of justice for letting them rob the bank once he received word of their intentions. While this would not provide the same level of deterrence as direct infringement, it would still supply a substantial amount of incentive to keep the ISPs focused on protection of copyright.

It should be noted that the *Netcom* court relied upon the district court's opinion in *Fonovisa, Inc. v. Cherry Auction, Inc.*,¹⁵¹ which was later reversed by the Ninth Circuit.¹⁵² On appeal, the *Fonovisa* court expanded the element of direct financial benefit for the purpose of vicarious infringement, and held that providing facilities was a material contribution to another's infringing conduct.¹⁵³ In *Fonovisa*, a California flea market charged daily rent to individual vendors, charged parking fees to customers, provided parking, and maintained the right to terminate any lease at will.¹⁵⁴ The flea market was well aware that vendors were selling bootlegged recordings of Latin American songs on its premises.¹⁵⁵ However, when an action was brought for all three levels of liability, the trial court found that vicarious liability was not met because the collection of a flat rental fee was not a direct financial interest in copyright infringement activity.¹⁵⁶ Likewise, it

directly financially benefited from the infringement. *Id.* In the end, the case was settled before reaching trial. See Shulman, *supra* note 1, at 561.

¹⁵¹ 847 F. Supp. 1492 (E.D. Cal. 1994).

¹⁵² 76 F.3d 259 (9th Cir. 1996), *rev'g* *Fonovisa*, 847 F. Supp. 1492. This case dealt with a flea market, rather than the Internet itself, but it is relevant on the issues of vicarious and contributory infringement. See Shulman, *supra* note 1, at 585.

¹⁵³ *Fonovisa*, 76 F.3d at 264.

¹⁵⁴ *Id.* at 261.

¹⁵⁵ *Id.*

¹⁵⁶ *Id.* at 262. The trial court held that the flea market acted "as an absentee landlord," having relinquished control of its rented property. *Id.*

concluded that contributory infringement was not satisfied because renting booth space did not constitute substantial participation.¹⁵⁷

On appeal, the Ninth Circuit reversed.¹⁵⁸ With regard to contributory infringement, the court held that by providing “a site, plumbing, utilities, parking, advertising, and customers for the illicit sales,” the flea market had materially contributed to their lessees’ activities.¹⁵⁹ With regard to vicarious infringement, the court found that the flea market had broad authority to police the premises, whether they actually fulfilled this duty or not.¹⁶⁰ The court also held that, like dance hall operators, the flea market benefited from the number of customers who were attracted to their site to purchase pirated material.¹⁶¹

Based on this more recent development, Mary Ann Shulman uses her comment to apply the *Fonovisa* rule to the *Netcom* fact pattern.¹⁶² She theorizes that a court applying *Fonovisa* would find that an ISP had the right to control by its right to terminate a subscriber’s account, and enforce contractual duties that forbade copyright infringement by any subscriber.¹⁶³ However, her assertion that this analysis cannot be used against an ISP because of the volume of material received, and the lack of physical borders to the Internet appears questionable.¹⁶⁴ According to Shulman, the *right* to control is a separate sub-element from the *ability* to control, and *Fonovisa* simply combined them both.¹⁶⁵ In arguing that ISPs might not have the ability to control the premises, she expresses uncertainty over the satisfaction of this

¹⁵⁷ *Id.* at 264.

¹⁵⁸ 76 F.3d 259.

¹⁵⁹ *Id.* at 264. The court held that it would not be as easy to conduct the infringing activity had there been no swap meet. *Id.*

¹⁶⁰ *Id.* at 262-63.

¹⁶¹ *Id.* at 263-64. “Besides the flat fee Cherry Auction collected for booth rental, the court found that the swap meet operator collected admission fees, parking fees and concession sales, flowing directly from customers who came to buy the counterfeit recordings at bargain basement prices.” *Id.* at 264.

¹⁶² Shulman, *supra* note 1, at 509-99.

¹⁶³ *Id.* at 592.

¹⁶⁴ *Id.* at 592-93.

¹⁶⁵ *Id.* at 593.

element.¹⁶⁶ This argument seems to beat a hasty retreat, considering that the ISP could not assign itself the right to control if it lacked the ability to control.

In finding a direct financial benefit for vicarious liability, Shulman noted how much revenue the flea market took in from infringement-seeking customers.¹⁶⁷ Likewise, she correctly noted, a court would find that an ISP such as Netcom received a direct financial benefit from the increase in memberships and subscriptions, even if they were flat fees.¹⁶⁸ She concluded that if the *Fonovisa* rule were applied in *Netcom*, in spite of the differences between both cases, defendant Netcom would have been found vicariously liable.¹⁶⁹ Perhaps she wished to illustrate the arguments of both sides, but in doing so, she only succeeded in illustrating that the argument against vicarious liability for ISPs is incorrect. Even though she disagreed with applying the law of *Fonovisa* to a *Netcom* scenario, she had no choice but to admit that a court hearing such a case still would apply it.

The new amendments still provide a small allowance for vicarious liability in the areas of websites, chatrooms, and links, that is unavailable for conduit or caching functions.¹⁷⁰ However, as will be discussed, the vicarious liability in question will be applied according to *Netcom*, not to *Fonovisa*.¹⁷¹

¹⁶⁶ *Id.* at 593. This is clearly an error. According to Nimmer, vicarious liability is not confined to control over the physical premises where the infringement occurs. NIMMER, *supra* note 82, § 12.04[A][1], at 12-71. Additionally, a sponsor of a broadcast who does not control the program's content cannot be liable for the program's infringement, but it may be if it had "the power to supervise and control" the program's content. *Id.* at 12-72.

¹⁶⁷ Shulman, *supra* note 1, at 594.

¹⁶⁸ *Id.* Once again, Shulman tried to retreat from her own proposition that the swap meet analogy is accurate. She argued that ISPs do not receive additional revenue from subscribers who download infringing material. *Id.* Additionally, an increase in subscribers would not benefit Netcom itself, because many other Usenet message boards had the same material posted. *Id.* In spite of these weak attempts to justify some type of immunity for ISPs, Shulman ultimately cannot profess them to be the winning arguments. *Id.*

¹⁶⁹ *Id.* at 595.

¹⁷⁰ Digital Millennium Copyright Act, Pub. L. No. 105-304, § 202(a), 112 Stat. 2860, 2879-81 (1998).

¹⁷¹ See *infra* note 237 and accompanying text.

Other commentators have suggested that the two cases are more easily reconcilable.¹⁷² Although the flea market was aware of the infringing activity, knowledge is an element of contributory, not vicarious infringement.¹⁷³ Additionally, both Netcom and Cherry Auction received financial benefits from transactions that were not related to the infringing conduct.¹⁷⁴ However, under *Fonovisa*, an ISP that takes in advertising fees whenever subscribers hit certain sites en route to other content could be liable if that content includes infringing material.¹⁷⁵ Certainly, this ad revenue is more of a *direct* financial benefit to an ISP than parking fees that infringement-conscious customers paid to Cherry Auction.¹⁷⁶ Moreover, if an ISP has the ability to monitor any content in its system, the requirement of control could be satisfied.¹⁷⁷ This view correctly finds that ISPs can profit directly and substantially from activities that they have the ability to control, thus exposing them to vicarious liability.

Still, another school of thought rejects *Fonovisa*'s applicability to the Internet's digital setting.¹⁷⁸ The argument is that an ISP should not be treated the same as dance hall operators or flea market owners for the purpose of determining vicarious liability.¹⁷⁹ However, this argument fails because it is based on the reasoning that most ISPs charge subscribers for time, rather than for the

¹⁷² Keith Stephens & John P. Sumner, *Catch-22: Internet Service Providers' Liability for Copyright Infringement Over the Internet*, 14 NO. 5 COMPUTER LAW. 1, 5 (May 1997). Cf. Ian C. Ballon, *Pinning the Blame in Cyberspace: Towards a Coherent Theory For Imposing Vicarious Copyright, Trademark and Tort Liability for Conduct Occurring Over the Internet*, 18 HASTINGS COMM. & ENT. L.J. 729, 748 (Summer 1996).

¹⁷³ See Stephens, *supra* note 172, at 5. See Religious Technology Center v. Netcom, 907 F. Supp. 1361, 1375 (N.D. Cal. 1995) (citing NIMMER, *supra* note 82, § 12.04[A][1], at 12-70).

¹⁷⁴ Stephens, *supra* note 172, at 5. See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 263-64 (9th Cir. 1996); *Netcom*, 907 F. Supp. at 1377.

¹⁷⁵ *Id.*

¹⁷⁶ *Id.*

¹⁷⁷ *Id.*

¹⁷⁸ See Ballon, *supra* note 172, at 748.

¹⁷⁹ *Id.*

actual material reviewed, be it infringing or otherwise.¹⁸⁰ This is faulty reasoning because it then puts the ISP in the position of a landlord, who charges rent for the time a tenant “leases” the premises, but still has direct control over the premises, rather than acting as an “absentee.” Moreover, the argument that the physical area of a flea market is easier to patrol than material posted online also fails, because ISPs still have the “the *greatest* ability to control the infringement (emphasis added).”¹⁸¹

Even after *Netcom*, the issue was not yet decided completely. There would still arise several cases that would try to retain strict liability for copyright infringement, consistent with the White Paper’s recommendations. A similar fact pattern emerged in *Playboy Enterprises, Inc. v. Hardenburgh, Inc.*¹⁸² Once again, a bulletin board service operator was sued for copyright infringement,¹⁸³ but this defendant controlled access to his BBS, as well as “the conditions under which information [would] be downloaded or uploaded.”¹⁸⁴ Defendant encouraged his subscribers to upload information to his BBS, by allowing free downloads in exchange for each upload.¹⁸⁵ Once an item was uploaded, one of defendant’s employees would *inspect* it to ensure it was neither pornographic, nor protected by copyright.¹⁸⁶

Apparently hoping for the same success as his predecessors in interest, defendant argued that the infringing Playboy photographs were posted by subscribers, not by employees, and that defendant had taken no part in the infringing activity.¹⁸⁷ Additionally, they argued that a finding of liability would place impenetrable barriers

¹⁸⁰ *Id.* at 748 n.72.

¹⁸¹ Daniel R. Cahoy, Comment, *New Legislation Regarding On-Line Service Provider Liability for Copyright Infringement: A Solution in Search of a Problem?*, 38 IDEA 335, 359 (1998).

¹⁸² 982 F. Supp. 503 (N.D. Ohio 1997).

¹⁸³ *Id.* at 505.

¹⁸⁴ *Id.* The local bulletin board service was distinguished from larger commercial ISPs, only by the fact that the commercial ISPs provided e-mail and chat rooms at a larger scale than Hardenburgh did. *Id.*

¹⁸⁵ *Id.* at 506.

¹⁸⁶ *Id.*

¹⁸⁷ *Id.* at 507.

in computer technology by forcing defendant to inspect all of its systems for infringing material, a supposedly “impossible” task.¹⁸⁸

Ultimately, the court granted summary judgment for plaintiff, finding direct as well as contributory infringement.¹⁸⁹ Defendants pursued the tried-and true conduit defense, asserting that they were merely “passive providers of the space in which the pictures were passed from one party to another.”¹⁹⁰ They also argued that the right of public display¹⁹¹ was not infringed, because the subscribers could only view the downloaded pictures “on their own computers in the privacy of their own home”¹⁹²

Playboy argued, however, that defendant was on notice that plaintiff strictly enforced its copyrights, but defendant exhibited “willful blindness” to the strong probability of infringing photographs being uploaded to their system.¹⁹³ Since defendants viewed every photograph that was uploaded before displaying it on the BBS, that was enough participation to establish the “volitional element” *Netcom* had required as an element of direct infringement.¹⁹⁴ The court agreed, and found direct infringement, while remaining consistent with *Netcom*.

The *Hardenburgh* court cited to *Frena*, an early victory for Playboy Enterprises, and made note of the fact that *Frena* was “even more of a passive participant” in the exchange of materials than *Hardenburgh* was, but he was still found directly liable.¹⁹⁵ It reasoned that the *Frena* court “apparently felt that a finding of direct copyright infringement does *not* carry with it a volitional

¹⁸⁸ *Id.* at 508. Defendant argued that its employees could inspect an uploaded file, but could not trace the source of every single uploaded file to ensure against infringement. *Id.* at 510.

¹⁸⁹ *Id.* at 515.

¹⁹⁰ *Id.* at 509.

¹⁹¹ See 17 U.S.C. § 106(5) (1994).

¹⁹² *Hardenburgh*, 982 F. Supp. at 509. See *Religious Technology Center v. Netcom*, 907 F. Supp. 1361, 1372 (N.D. Cal. 1995).

¹⁹³ *Id.* at 510.

¹⁹⁴ *Id.* See *Religious Technology Center v. Netcom*, 907 F. Supp. 1361, 1372 (N.D. Cal. 1995). See *infra* note 200 and accompanying text.

¹⁹⁵ *Hardenburgh*, 982 F. Supp. at 511.

element, or, if it does, that such requirement was satisfied by defendant's past action of setting up the BBS (emphasis added)."¹⁹⁶

The court next cited to *Sega*, describing the findings as unclear on direct infringement, but explicit on contributory infringement.¹⁹⁷ The court cited the confusing passage in question from the order for a preliminary injunction,¹⁹⁸ and construed it to mean that since "knowledge is not an element of direct infringement, the court seems to be saying, as in *Frena*, that the mere creation of a BBS is sufficient to establish direct infringement liability"¹⁹⁹

The court then cited to *Netcom*, which required an element of volition or causation for direct infringement.²⁰⁰ The *Hardenburgh* court accepted this *Netcom* rule, reasoning that an infringer must actually engage in one of the six exclusive rights enumerated in Section 106, which did not include "[s]etting up a computer bulletin board."²⁰¹ Additionally, the court held that simply encouraging infringing activity is also not outlawed by the statute, and liability for such encouragement was only actionable under the theory of contributory infringement.²⁰²

Nevertheless, the *Hardenburgh* court found direct liability based on defendant's encouragement of subscribers to upload files, and its own screening procedure.²⁰³ These activities satisfied the element of volition and active participation that was required.²⁰⁴ In so holding, the court stated that it was "inconsistent to argue that one may actively encourage and control the uploading and dissemination of adult files, but cannot be held liable for copyright violations because it is too difficult to determine which files

¹⁹⁶ *Id.*

¹⁹⁷ See *supra* notes 89-106 and accompanying text.

¹⁹⁸ *Sega Enterprises Ltd. v. MAPHIA*, 857 F. Supp. 679, 686 (N.D. Cal. 1994).

¹⁹⁹ *Hardenburgh*, 982 F. Supp. at 512.

²⁰⁰ *Id.*

²⁰¹ *Id.*

²⁰² *Id.* at 512-13.

²⁰³ *Id.* at 513. See *Creative v. Cyrix*, No. C 97-0912 CW, 1997 WL 337553, at *4 (N.D. Cal. May 7, 1997) (finding a probability of infringement for the purposes of preliminary injunction, where defendant "directly copied" the material in question by placing copies on its website, in addition to contributory infringement for providing resources and encouragement for infringing activity).

²⁰⁴ *Id.*

infringe upon someone else's copyrights."²⁰⁵ This should not be taken as an overruling of *Netcom*, however, because the volitional requirement imposed by *Netcom* was present and accounted for in *Hardenburgh*.²⁰⁶ Now, under the new amendment, if an ISP does not commit this volitional act itself, it will not be held liable for damages under either theory.²⁰⁷

The *Hardenburgh* court also found contributory liability, under the Ninth Circuit's disposition in *Fonovisa*,²⁰⁸ where providing the space, and attracting would-be infringers to visit, was sufficient to establish liability.²⁰⁹ The court found that defendant "induced, caused, and materially contributed" to the infringement that took place, and had constructive, if not actual knowledge, that Playboy would enforce its rights against BBS owners.²¹⁰ Under the new statute, this form of liability would be practically unavailing.²¹¹

Playboy Magazine would continue its temporary post-*Netcom* winning streak in *Playboy Enterprises, Inc. v. Webbworld, Inc.*²¹² In this case, a website, accused of infringement, asserted the

²⁰⁵ *Id.* However, the court still borrowed the elements of vicarious and contributory infringement as support for its holding of direct infringement. *Id.* "Defendants had control over files . . . and . . . knew that there was a possibility that [Playboy] photographs were being uploaded onto the system, but failed to adopt procedures which ensured that any and all [Playboy] photographs would be discarded." *Id.* Defendants were found liable for not one, but two violations of exclusive rights, namely, distribution, and public display. *Id.*

²⁰⁶ See *supra* note 198-200 and accompanying text.

²⁰⁷ Pub. L. No. 105-304, § 202(a), 112 Stat. 2860, 2877-86 (1998). Under subsections 512(a) and (b), ISPs qualify for liability limitation for conduit transmissions and system caching if the material transmitted or otherwise made available was originated by "a person other than the service provider." *Id.* § 512(a)-(b), 112 Stat. at 2877-79. Perhaps traditional direct liability is a weak link in the amendment's chain. See *infra* notes 226-31 and accompanying text. The only other weak link is that of vicarious liability, but this is not available for every function mentioned in the act. § 512(c)-(d), 112 Stat. at 2879-81.

²⁰⁸ *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

²⁰⁹ *Hardenburgh*, 982 F. Supp. at 514.

²¹⁰ *Id.*

²¹¹ § 512(a), 112 Stat. at 2877-78.

²¹² 991 F. Supp. 543 (N.D. Tex. 1997), *aff'd*, No. 98-10097 (5th Cir. January 8, 1999).

Netcom “mere conduit” defense.²¹³ The court rejected Webworld’s defense, because its main function was not to provide users access to the Internet, but to offer adult images, for a price.²¹⁴ Additionally, its function as a “merchant,” repackaging pictures into thumbnails²¹⁵ and selling images obtained from newsgroups was not that of a “passive conduit of unaltered information.”²¹⁶ Therefore, the court found direct liability.²¹⁷

Although it seemed that the tide was beginning to turn back to findings of direct infringements for ISPs, *Netcom* apparently had more of an effect on Congress than *Hardenburgh*, *Webbworld*, *Fonovisa*, or even the White Paper did.²¹⁸ These small victories for a well-known magazine did not guarantee victory for copyright holders as a whole, as the new law was about to be passed. Apparently, it had ramifications that went above and beyond what *Netcom* had provided. That case limited the application of direct

²¹³ *Id.* at 552.

²¹⁴ *Id.*

²¹⁵ A thumbnail is a small picture or icon placed on a website, that produces a larger, full-screen version when clicked on by a user’s mouse.

²¹⁶ *Webbworld*, 991 F. Supp. at 552.

²¹⁷ *Id.* at 553. The court also held each individual defendant vicariously liable, having found a direct financial benefit, as well as the “right and ability to supervise.” *Id.* at 553-54. Unlike the approach Shulman took in her comment, the court found that vicarious liability concerned the “right and ability” to control, not “the actual exercise of control.” *Id.* at 554. Notwithstanding the fact that one of the defendants refused to exercise this authority, his right and ability to use it invited vicarious liability. *Id.*

²¹⁸ The *Netcom* case was eventually settled, and the terms of the settlement would eventually become part of the new amendment. See Ballon, *supra* note 172, at 766-69. Netcom adopted guidelines for responding to allegations of copyright infringement by subscribers. *Id.* at 766. They were “obviously drafted to limit Netcom’s liability for contributory copyright infringement,” but were thought to set an example for other ISPs to enact their own infringement-prevention guidelines. *Id.* at 767. The guidelines merely established a virtual “complaint department” to review complaints from copyright owners who believed that their rights were infringed. *Id.* They were to provide a copy of the work, and enough notice of the violation for Netcom to locate the alleged infringement. *Id.* If Netcom found that a prima facie claim of infringement had been raised, it would reserve the right to “remove or deny access to the challenged material.” *Id.*

liability, but Congress would limit the application of *all* liability, at least for damages.

IV. LIMITED LIABILITY

In his comment, Daniel Cahoy explains that the post-*Netcom* state of affairs was adequate to deal with this area.²¹⁹ Based upon his review of the case law, he concludes that since contributory infringement, not direct infringement, was the method of liability that ISPs would most likely have faced under *Netcom*, there is not as much of a cause for concern as some would think.²²⁰

He then examines the legislation, which was then pending, and demonstrates that the idea of passing such a law would be premature.²²¹ He explains that enacting legislation to protect the Internet's necessary functions is a natural reaction.²²² Nevertheless, this protection is unwarranted without a show of actual harm, of which the ISPs have experienced none.²²³ Furthermore, "attempting to codify judicial doctrine that is not yet fully formed binds the hands of the judiciary and may lead to unanticipated problems for both on-line content and service providers."²²⁴

Most importantly, Cahoy states that this legislation would "eliminate the incentive to curb infringement created by *Netcom* and tilt the balance strongly in favor of OSP's."²²⁵ Since ISPs

²¹⁹ *Id.*

²²⁰ *Id.* at 350. He also explains that vicarious liability may depend "on the type of service the OSP provides." The BBS operators seen in all three of the major cases would face liability greater than that of a mere web-browser, like Netscape. *Id.* Since Cahoy's comment was written before the amendment passed, it can only be examined in hindsight.

²²¹ *Id.* at 353.

²²² *Id.* at 354. Many wanted to enact legislation in response to the White Paper's recommendation of strict liability for ISPs. *Id.* at 352-53. Moreover, some wished to receive a direct answer from Congress, not the courts, in this area. *Id.* at 353.

²²³ *Id.* at 354.

²²⁴ *Id.* His words would prove prophetic, because the *Fonovisa* rule had not yet been applied to the *Netcom* scenario.

²²⁵ *Id.* at 355.

would not be liable for monetary damages for either category of secondary liability (in certain situations), and such damages would operate "as the greatest deterrent," there would be little incentive, if any, for ISPs to even attempt to stop copyright infringement.²²⁶ "Without the threat of (monetary) liability, the party with the greatest ability to control the infringement is, effectively, out of the game."²²⁷

Even if *Netcom* were the rule of law, overturning *Frena* and *Hardenburgh*, at least some liability would still be available, and ISPs would make it their duty to seek out and destroy any acts of infringement to purge themselves of this liability. While some would say that an ISP that acts to stamp out infringement may face more liability than one that does not,²²⁸ this liability would serve to encourage their efforts and provide incentive to stop such infringing acts. Faced with the possibility of losing revenue, ISPs would be more motivated to protect copyrights. Now that the safe-harbor provisions have been approved, Congress has effectively told ISPs to neglect the rights of intellectual property owners.

On October 28, 1998, President Clinton approved the Digital Millennium Copyright Act.²²⁹ This new legislation amended the Copyright Act by implementing the World Intellectual Property Organization's Copyright Treaty, and claimed to "provide certainty for copyright owners and Internet service providers with respect to copyright infringement liability online."²³⁰ This article is most concerned with Title II of this amendment -- The Online Copyright

²²⁶ *Id.* at 358.

²²⁷ *Id.*

²²⁸ See Ballon, *supra* note 172, at 763. "The fact that a company like Netcom may be able to detect and remedy some acts of infringement does not mean that it should be penalized, and held to a higher standard, for those acts of infringement it did not detect." *Id.* Why Netcom would rather remedy some, instead of all, infringement, is a mystery.

²²⁹ Pub. L. No. 105-304, 112 Stat. 2860 (1998).

²³⁰ S. REP. NO. 105-190 (1998), available at 1998 WL 239623. "In short, Title II ensures that the efficiency of the Internet will continue to improve and that the variety and quality of services on the Internet will expand." *Id.* In a "classic legislative compromise," Congress agreed not to pass either measure (WIPO) without the other (online limited liability). Monica P. McCabe, et al, *Internet Copyright Infringement*, N.Y. L.J., August 10, 1998, at S1.

Infringement Liability Limitation Act, which adds Section 512 to Chapter 5 of the 1976 Copyright Act.²³¹

The new amendments provide that ISPs will “not be liable for monetary relief” for copyright infringement for facilitating transfer of unmodified material (originated by another party),²³² for caching material,²³³ storage of material on a server,²³⁴ providing links to an infringing location,²³⁵ or for disabling access to infringing material in good faith.²³⁶ Instead, it only provides for certain types of injunctive relief.²³⁷ If it is for non-conduit conduct, an injunction may only be issued that prevents the ISP from providing access to an infringing website within its system, or cancels an infringing subscriber’s account, or provides any other relief deemed necessary.²³⁸ If it is for conduit conduct, injunctions are only available for canceling a subscriber’s account, or to “block access [] to a specific, identified, online location outside the United States.”²³⁹

²³¹ Pub. L. No. 105-304, § 202(a), 112 Stat. at 2877-86. For an overview of the respective arguments of ISPs and copyright owners leading up to the enactment of this amendment, *see supra* notes 10-30 and accompanying text. Since Section 202(a) of the amendment adds Section 512 to the Copyright Act, it will be referred to hereinafter as 512, rather than 202(a).

²³² § 512(a), 112 Stat. at 2877-78.

²³³ § 512(b), 112 Stat. at 2878-79. “Caching material” is defined as “intermediate and temporary storage of material . . . through an automatic technical process for the purpose of making the material available to users . . . request access . . .” *See id.*

²³⁴ § 512(c), 112 Stat. at 2879-81 (providing that upon the required notice, the allegedly infringing material is removed). If the ISP has sufficient control over this material, but directly profits from any infringement, it will be liable for damages. § 512(c)(1)(B), 112 Stat. at 2880.

²³⁵ § 512(d), 112 Stat. at 2881. Likewise, vicarious liability may provide damages in this subsection. s 512(d)(2), 112 Stat. at 2881.

²³⁶ § 512(g), 112 Stat. at 2882-83. This limitation does not apply to removed material posted on a subscriber’s home page. However, it does apply if the ISP notifies the subscriber, informs the subscriber it will replace the material in 10 business days upon receipt of counter-notice, and does replace it. *See id.* at 2882.

²³⁷ § 512(j), 112 Stat. at 2884-86.

²³⁸ § 512(j)(1)(A), 112 Stat. at 2885.

²³⁹ § 512(j)(1)(B), 112 Stat. at 2885.

Subsection (a) of this new act is intended to apply to activities in which the ISP functions as a “conduit for the communications of others.”²⁴⁰ Liability is limited if the communication in question was initiated by a “person other than the service provider,” and is copied through an automatic process.²⁴¹ Additionally, any copy of the material being transferred or routed through the ISP must remain on the system only as long as needed to be transmitted to the intended recipient, and the material must not be modified during transmission.²⁴²

Subsection (b) prevents liability for “caching,” another form of copying. This practice is used to store material on the ISP’s server to reduce Internet traffic, and “facilitate access by subsequent users” so time will not be wasted in securing the original item.²⁴³ To qualify, the storage, like the conduit transmissions, must be carried out through an automatic technical process that does not allow for modification of content.²⁴⁴ Additionally, it cannot interfere with technology of the material in question, such as a record of “hit counts” on a website.²⁴⁵

Under subsection (c), liability is also eliminated for any infringement that is alleged to take place in material that is placed in storage at a user’s direction on an ISP’s system.²⁴⁶ This applies to users’ web pages, or chat rooms, or other material that is hosted on server space by the ISP.²⁴⁷ If the ISP has no actual or constructive knowledge of any infringing activities in such areas, it is not liable, but once it becomes aware of such an action, it must act quickly to remove the infringing material.²⁴⁸ If the ISP has the

²⁴⁰ H.R. REP. NO. 105-551(II) (1998), *available at* 1998 WL 414916.

²⁴¹ *Id.*

²⁴² *Id.* There cannot be any modification or selection of the material by the ISP itself, in order for this to be a conduit function.

²⁴³ *Id.* For a more thorough examination of this process, and its implications for copyright infringement, see Richard S. Vermut, *File Caching on the Internet: Technical Infringement or Safeguard for Efficient Network Operation?*, 4 J. INTELL. PROP. L. 273 (Spring 1997).

²⁴⁴ § 512(b)(1), 112 Stat. at 2878.

²⁴⁵ H.R. REP. NO. 105-551(II).

²⁴⁶ § 512(c), 112 Stat. at 2879-81.

²⁴⁷ H.R. REP. NO. 105-551(II).

²⁴⁸ § 512(c)(1)(A), 112 Stat. at 2880.

“right and ability to control” the presence of infringing activity within its domain, it must not receive “a direct financial benefit directly attributable to the infringing activity.”²⁴⁹ This section also requires that each ISP designate an agent to receive notifications of infringement claims in order to be eligible for the liability limitation. Each of these notifications must be delivered to the agent, written and signed, identifying the work alleged to be infringed and the infringing work, as well as a certification of a good-faith belief that the work was infringed.²⁵⁰

This subsection does not require an ISP is to affirmatively inspect or monitor its service for infringing activity, but applies a “red flag” test to determine awareness of infringement.²⁵¹ A subjective standard as well as an objective one determine this.²⁵² When awareness of “red flag” infringement is established, the ISP must act as quickly as possible to remove the material, or risk losing the liability limitation.²⁵³ This requirement would seem to leave open the possibility of contributory infringement, but only if the ISP does not immediately remove the material from such websites.

²⁴⁹ § 512(c)(1)(B), 112 Stat. at 2880. Fortunately, in this area, vicarious liability still exists. However, the legislative history behind this act insists that monetary liability for all three types of copyright infringement has been limited. H.R. REP. NO. 105-551(II). Moreover, the legislative intent indicates that regular payments for a service, as a “landlord,” would not constitute a benefit “directly attributable to the infringing activity,” but fees that are paid for the sake of “access to infringing material” would constitute vicarious liability. *Id.* See also S. REP. NO. 105-190 (1998), available at 1998 WL 239623. This would appear to sharpen the landlord/dance hall dichotomy, but courts are advised to take a “common-sense, fact-based approach, not a formalistic one,” in finding such liability. *Id.* This negates *Fonovisa* even before it is applied to a *Netcom*-like case.

²⁵⁰ § 512(c)(3), 112 Stat. at 2880-81.

²⁵¹ H.R. REP. NO. 105-551(II).

²⁵² *Id.* An ISP would fall under the limited liability umbrella if it lacked “actual knowledge” of infringement, or was not “aware of facts or circumstances from which infringement activity is apparent.” *Id.*

²⁵³ *Id.*

Subsection (d) limits liability for linking or referring users to an infringing site through a directory, index, or hypertext link.²⁵⁴ A legislative report supporting this law noted a concern that an ISP might be exposed to monetary liability if it actually views the infringing site that it provides a link to, since this subsection uses the same awareness requirements as subsection (c).²⁵⁵ However, the legislative intent of the amendment indicates that there would only be a “red flag” if the site the ISP linked to had stated obviously that it was a “pirate” site.²⁵⁶ Therefore only those directories that referred users to pirate sites would be barred from the safe-harbor provision,²⁵⁷ greatly militating against contributory, as well as vicarious, infringement.²⁵⁸

²⁵⁴ § 512(d), 112 Stat. at 2881. This subsection incorporates the same notice provisions as those used for storing space on a server. *See id.* § 512(c)(1), 112 Stat. at 2879-80.

²⁵⁵ H.R. REP. NO. 105-551(II). This subsection also provides a window of opportunity for vicarious liability. § 512(d)(2), 112 Stat. at 2881.

²⁵⁶ H.R. REP. NO. 105-551(II). This section provides in pertinent part: Absent such ‘red flags’ or actual knowledge, a directory provider could not be expected, during the course of its brief cataloguing visit, a directory provider would not be similarly aware merely because it saw one or more well known photographs of a celebrity at a site devoted to that person. The provider could not be expected, during the course of its brief visit, to determine whether the photograph was still protected by copyright

Id. Since this test requires ISPs only to police links to those sites that blatantly advertise their piracy, perhaps it requires more of a fluorescent pink flag than a red flag.

²⁵⁷ *Id.*

²⁵⁸ § 512(d)(2), 112 Stat. at 2881. “A service provider shall not be liable for monetary relief . . . if the service provider . . . does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity” *Id.* *See also* § 512(c)(1)(B), 112 Stat. at 2880. It could be argued that if an ISP can see that the link led to an infringing location, then the ISP has the “right and ability to control” the directory to the site. Even if the site in question does not advertise its illegal conduct, the conduct can still be recognized. This would establish the knowledge needed for contributory infringement, and the control needed for vicarious infringement. However, no incentive is given to prevent ISPs from encouraging infringement to occur, or encouraging web-surfers to click on the infringing link.

Additionally, subsection (g) provides immunity for providers who remove or disable material based on the aforementioned good-faith belief that the subject matter is infringing copyright.²⁵⁹ This subsection also allows for the user whose material has been disabled to file a counter-notification with the ISP's agent, stating a good-faith belief that the work is not infringing, and consenting to the jurisdiction of the local federal court in the accused user's home district.²⁶⁰

Lastly, subsection (m) clarifies what is implicit in the earlier subsections: limited liability is not conditioned upon any duty of the ISP to affirmatively seek out copyright infringement on its service.²⁶¹

The new amendments only allow for ISPs to have their potential liability limited if it performs one or more of the above functions.²⁶² Additionally, the ISP must implement a policy that terminates the accounts of all subscribers who are repeat infringers, but does not interfere with common technical practices used to "identify or protect copyrighted works."²⁶³

With regard to conduit acts in subsection (a), the amendment operates to codify *Netcom* and overturn *Frena*.²⁶⁴ Under this new act, the mere provision of a facility that allows other

²⁵⁹ § 512(g), 112 Stat. at 2882-83.

²⁶⁰ § 512(g)(3), 112 Stat. at 2883. Upon receipt of counter-notification, the ISP has 10 days to notify this subscriber that it will replace the material, and replace it within 14 business days after receipt of counter-notification, unless the ISP's agent receives notice from the complainant that a court order against the alleged infringer has been filed. § 512(g)(2), 112 Stat. at 2882-83. This counter-notification must substantially comply with the statute, which requires the same information as the notification that alleges copyright infringement. H.R. REP. NO. 105-551(II).

²⁶¹ § 512(m), 112 Stat. at 2886. The legislation was supposedly "not intended to discourage the service provider from monitoring its service for infringing material." H.R. CONF. REP. NO. 105-796, at 73 (1998), *reprinted in* 1998 U.S.C.C.A.N. 645, 655. However, it was clearly not intended to encourage ISPs to police their areas either.

²⁶² Monica P. McCabe, et al, *Internet Copyright Infringement*, N.Y. L.J., August 10, 1998, Intellectual Property at S1.

²⁶³ § 512(i), 112 Stat. at 2884.

²⁶⁴ David L. Hayes, *Application of Copyright Rights to Specific Acts on the Internet*, 15 NO. 8 COMPUTER LAW. 1, 11 (August 1998).

communications to pass through would not constitute direct infringement.²⁶⁵ However, the amendment goes further than *Netcom* and nearly eliminates monetary remedies for all forms of copyright infringement except direct liability.²⁶⁶ Several of the cases mentioned above did not find direct liability for merely providing access to the actual infringers, but they still imposed secondary liability for allowing this conduct to continue.

However, a court hearing such a case today could only issue the minimum injunctive relief of ordering the ISP to block access to the infringer in question. The *Frena* court did find direct infringement, but only a handful of subsequent cases were willing to find direct infringement without more overt action. Certainly *Frena*'s actions would not have been "direct" enough to remove him from the safe-harbor provisions.

In *Sega*, contributory infringement was eventually found, with the knowledge prong clearly satisfied. Because defendant clearly knew of the content of the postings, and certainly encouraged subscribers to post them, the BBS would remain liable for damages.

However, such clear cases would not be so easily found under the new act. In *Netcom*, the question of fact concerning vicarious liability would be resolved in favor of the ISP. Even though the act actually does allow for monetary damages for vicarious infringement for material stored on a system by a subscriber,²⁶⁷ it does not allow for such liability for conduit and caching functions. Now that the legislative history behind the act appears to have deflected any effect the rule of *Fonovisa* would have had on a *Netcom* scenario, vicarious liability would require a heavier burden than anticipated.²⁶⁸ It states that "where the infringer makes the

²⁶⁵ *Id.*

²⁶⁶ § 512(a) provides that as long as the ISP does not perform any action that modifies the material, it is exempt from liability. Practically the only liability that remains, besides a small window of opportunity for contributory infringement in subsections (c) and (d), is for a clear finding of direct infringement, satisfied by a finding of volition. This would only apply when the defendant clearly acted to directly infringe, rather than merely provide access. See *Michaels v. Internet Entertainment Group*, 5 F. Supp. 2d 823, 830-31 (C.D. Cal. 1998); *Scanlon v. Kessler*, 11 F. Supp. 2d 444, 447 (S.D.N.Y. 1998).

²⁶⁷ § 512(c)(1)(B), 112 Stat. at 2880.

²⁶⁸ See *supra* notes 162-81 and accompanying text.

same kind of payment as non-infringing users of the provider's service," simply receiving monthly fees from a direct copyright infringer would not establish vicarious liability.²⁶⁹

While it is true that other cases, such as *Hardenburgh* and *Webbworld*, disagreed with *Netcom* and found direct infringement, it is questionable how the new act would apply if those cases were heard today. All pertinent sections of this act protect those ISPs which do not possess actual or constructive knowledge. They also require the ISP's to act quickly and in good faith to remove infringing material. Certainly the defendants in *Michaels* and *Scanlon* would find the amendments unavailing, but the outcomes of *Hardenburgh* and *Webbworld* would be uncertain. The text of the new statute mentions nothing about liability for encouraging others to infringe, so it is likely that defendants such as in *Hardenbaugh* would be able to successfully argue that such activity does not warrant monetary liability.²⁷⁰ Furthermore, this solution is not the panacea that Congress and the ISPs believe it is, because the infringing subscribers removed by the injunctions could easily register with another ISP and continue their activities.

Though this amendment was only recently passed, it had been debated in Congress for several years, and not all were in favor of the idea of preemptive legislation governing this area.²⁷¹ While some believed that legislation was needed to provide a balance between intellectual property rights and free access to information,²⁷² and to clarify the liability that ISPs would or would not face,²⁷³ others thought that such a measure would be unnecessary.²⁷⁴

²⁶⁹ H.R. REP. NO. 105-551(II) (1998), available at 1998 WL 414916.

²⁷⁰ If *Webbworld* were heard today, it is possible that they would still be held liable, because they did receive a direct financial benefit.

²⁷¹ See Cahoy, *supra* note 181.

²⁷² See Gilsdorf, *supra* note 12, at 675. See also Hayes, *supra* note 264, at 10.

²⁷³ Hayes, *supra* note 264, at 20. "Because of the overlapping nature of copyright rights when applied to the Internet, news definitions and divisions of these rights will probably be necessary for online usage of copyrighted works." *Id.*

²⁷⁴ Cahoy, *supra* note 181, at 337.

In his comment, Daniel Cahoy explains that the post-*Netcom* state of affairs was adequate to deal with this area.²⁷⁵ Based upon his review of the case law, he concludes that since contributory infringement, not direct infringement, was the method of liability that ISPs would most likely have faced under *Netcom*, there is not as much of a cause for concern as some would think.²⁷⁶

He then examines the legislation, which was then pending, and demonstrates that the idea of passing such a law would be premature.²⁷⁷ He explains that enacting legislation to protect the Internet's necessary functions is a natural reaction.²⁷⁸ Nevertheless, this protection is unwarranted without a show of actual harm, of which the ISPs have experienced none.²⁷⁹ Furthermore, "attempting to codify judicial doctrine that is not yet fully formed binds the hands of the judiciary and may lead to unanticipated problems for both on-line content and service providers."²⁸⁰

Most importantly, Cahoy states that this legislation would "eliminate the incentive to curb infringement created by *Netcom* and tilt the balance strongly in favor of OSP's."²⁸¹ Since ISPs would not be liable for monetary damages for either category of secondary liability (in certain situations), and such damages would operate "as the greatest deterrent," there would be little incentive, if any, for ISPs to even attempt to stop copyright infringement.²⁸²

²⁷⁵ *Id.*

²⁷⁶ *Id.* at 350. He also explains that vicarious liability may depend "on the type of service the OSP provides." The BBS operators seen in all three of the major cases would face liability greater than that of a mere web-browser, like Netscape. *Id.* Since Cahoy's comment was written before the amendment passed, it can only be examined in hindsight.

²⁷⁷ *Id.* at 353.

²⁷⁸ *Id.* at 354. Many wanted to enact legislation in response to the White Paper's recommendation of strict liability for ISPs. *Id.* at 352-53. Moreover, some wished to receive a direct answer from Congress, not the courts, in this area. *Id.* at 353.

²⁷⁹ *Id.* at 354.

²⁸⁰ *Id.* His words would prove prophetic, because the *Fonovisa* rule had not yet been applied to the *Netcom* scenario.

²⁸¹ *Id.* at 355.

²⁸² *Id.* at 358.

“Without the threat of (monetary) liability, the party with the greatest ability to control the infringement is, effectively, out of the game.”²⁸³

Even if *Netcom* were the rule of law, overturning *Frena* and *Hardenburgh*, at least some liability would still be available, and ISPs would make it their duty to seek out and destroy any acts of infringement to purge themselves of this liability. While some would say that an ISP that acts to stamp out infringement may face more liability than one that does not,²⁸⁴ this liability would serve to encourage their efforts and provide incentive to stop such infringing acts. Faced with the possibility of losing revenue, ISPs would be more motivated to protect copyrights. Now that the safe-harbor provisions have been approved, Congress has effectively told ISPs to neglect the rights of intellectual property owners.

What can copyright owners do about this? They are warned to establish procedures that will help them identify “infringements of their works on-line,”²⁸⁵ and to set standards for copyright protection geared to this specific technology.²⁸⁶ This suggestion seems to compensate little for the knowledge that ISPs already have their own tools and abilities to prevent copyright infringement on their systems, but they will not be held liable for monetary damages if they choose not to use them.²⁸⁷ Injunctive

²⁸³ *Id.*

²⁸⁴ See Ballon, *supra* note 172, at 763. “The fact that a company like Netcom may be able to detect and remedy some acts of infringement does not mean that it should be penalized, and held to a higher standard, for those acts of infringement it did not detect.” *Id.* Why Netcom would rather remedy some, instead of all, infringement, is a mystery.

²⁸⁵ Monica C. McCabe, et al, *Internet Copyright Infringement*, N.Y. L.J., August 10, 1998, Intellectual Property at S1.

²⁸⁶ *Id.*

²⁸⁷ “Section 512 is not intended to imply that a service provider is or is not liable as an infringer either for conduct that fails to so qualify. Rather, the limitations of liability apply if the provider is found to be liable under existing principles of law.” H.R. CONF. REP. NO. 105-796, at 73 (1998), *reprinted in* 1998 U.S.C.C.A.N. 645, 655. “Nothing in this section shall be construed to condition the applicability of [the safe-harbor provisions] on . . . a service provider monitoring its service or affirmatively seeking facts indicating infringing activity . . .” Pub. L. No. 105-304, § 202(a), 112 Stat. 2860, 2886 (1998).

relief is insufficient because, as stated above, monetary damages provide a greater incentive for ISPs to police their areas. Furthermore, exposure of works to unchecked infringement deprives their owners of the *income* they would be entitled to from *authorized* reproductions, distributions, or displays.²⁸⁸ Thus, the rule of law no longer exists out here in the Badlands -- perhaps it really is everyone for themselves!

This legislation will have drastic consequences. As Joan Gilsdorf correctly points out, not only will ISPs have little incentive to protect copyrighted works, the authors of those works will lose incentive to create if their products are not adequately protected.²⁸⁹ Even if it is a monumental task for ISPs to monitor communications on their systems, that task is a product of the supervisory power they possess over their system that no other entity has. While some ISPs clearly do operate as "mere conduits," many perform more functions than secondary transmission.²⁹⁰ Caching may be an automatic function of the Internet, and may be considered to be just as innocuous as the conduit function. However, the functions of storing space on an ISP's server and "linking" are clearly not automatic and do not deserve the same protection as transmission and caching.

These limitations would seem to have the effect of encouraging settlements, since damages and attorney's fees would not be available at trial.²⁹¹ The legislative history behind this momentous legislative action states that it "ensures that the efficiency of the Internet will continue to improve and that the variety and quality of services on the Internet will expand."²⁹² More likely than anything, the result could mean that the urge to produce original and creative material on the Internet, where this material could enjoy a greater audience than ever before, will be chilled to the point of complete

²⁸⁸ Gilsdorf, *supra* note 12, at 634. "If the doctrine of fair use . . . [is] not applicable in a given situation, then copyright owners should be able to prevent unauthorized distribution of their works over the Internet, and they should be able to receive reasonable fees for the use of their works." *Id.*

²⁸⁹ *Id.* Notwithstanding the incentive the ISPs will have to avoid anything resembling direct infringement.

²⁹⁰ *Id.* at 633.

²⁹¹ McCabe, N.Y. L.J., August 10, 1998, at S1.

²⁹² S. REP. NO. 105-190 (1998), *available at* 1998 WL 239623.

suppression. This is the opposite effect of the Constitutional intent to grant Congress the power “to *promote* the progress of science and useful arts.”²⁹³

The Supreme Court has previously rejected the rationale of allowing “the services of the Internet to expand” as a legitimate interest in regulating the Internet.²⁹⁴ In *Reno v. A.C.L.U.*, the Government asserted the same purpose as their motivation behind passing the Communications Decency Act.²⁹⁵ The Government assumed that the availability of material that was supposedly “obscene” or “indecent” was driving concerned citizens away from the Internet.²⁹⁶ The Court cited to the record that the “dramatic expansion of this new marketplace of ideas” to contradict the Government’s argument. It therefore held that the constitutional interest in encouraging freedom of speech outweighed any “theoretical but unproven benefit of censorship.”²⁹⁷

Similarly, Congress has now put forth a law protecting an unproven benefit of holding ISPs virtually harmless from any form of copyright infringement liability.²⁹⁸ While it is justified to provide the most liability limitations for the conduit function,²⁹⁹ it still limits much of the liability that would otherwise be imposed upon active infringement participants.³⁰⁰

²⁹³ U.S. CONST. art. I, § 8, cl. 8.

²⁹⁴ S. REP. NO. 105-190.

²⁹⁵ *Reno v. American Civil Liberties Union*, 521 U.S. 844, 885 (1997). This statute outlawed “the knowing transmission of obscene or indecent messages to any recipient under 18 years of age” over the Internet. *Id.* at 859. Rationalizing that the Internet was not comparable to any older form of broadcast media, the Court struck down this statute as violative of the First Amendment. *Id.* at 864-68. See 47 U.S.C. § 223 (Supp. II 1996).

²⁹⁶ *Id.* at 885.

²⁹⁷ *Id.*

²⁹⁸ As stated above, the only “harm” that ISPs were affected by was the issuance of the White Paper.

²⁹⁹ Online Copyright Infringement Liability Limitation Act of 1998, Pub. L. No. 105-304, § 202(a), 112 Stat. 2860, 2884-85 (1998).

³⁰⁰ § 512 (j)(1), 112 Stat. at 2885. Both subsections provide for blocking access to an infringing subscriber and/or website. *Id.* However, where the liability is for infringement through the ISPs conduit function, access can only be blocked if the infringing website is “outside the United States.” § 512(j)(1)(B), 112 Stat. at 2885.

Congress may not be taking the same restrictive route that it did in passing the Communications Decency Act, but allowing infringing actions to go unchecked does not make for a fairer practice. Instead of eliminating monetary liability for *every* function that can be done on the Internet, the act should only protect the *conduit* functions of websites and newsgroups, and the *caching* functions of servers.³⁰¹ Under the post-*Netcom* rule, an actor who engages in *active participation* should be left open to *all three* areas of liability. According to the statute, if the ISP initiates the transfer of infringing material by itself,³⁰² modifies the content of such material,³⁰³ makes "cached" material available online by itself,³⁰⁴ does not "act expeditiously to remove" infringing material that it knows about (or has reason to),³⁰⁵ or directly profits from the infringement when it "has the right and ability to control" it,³⁰⁶ the limitations of liability will not be available. However, the statute allows for ISPs' liability to be limited regardless of whether they solicited the activity.

For example, when an ISP engages in the type of conduct illustrated in *Michaels* and *Scanlon*, the statute would provide no protection because the ISP posted the infringing material itself. In simpler terms, unless an ISP directly infringes copyrighted material itself, or directly profits from allowing others to infringe, and the plaintiff can successfully prove that no other party performed or allowed the infringement but the ISP, the defendant will not be held liable for monetary damages.

Granted, many have said that the earlier copyright laws were adequate for Internet liability, but were not easily enforced.³⁰⁷

³⁰¹ While caching does entail some affirmative conduct by the ISP, it operates mostly as an automatic process, as conduit does.

³⁰² § 512(a)(1), 112 Stat. at 2878.

³⁰³ § 512(a)(5), 112 Stat. at 2878.

³⁰⁴ § 512(b)(1)(A), 112 Stat. at 2878.

³⁰⁵ § 512(c)(1)(A), 112 Stat. at 2880.

³⁰⁶ § 512(c)(1)(B), 112 Stat. at 2880. *See also* § 512(d), 112 Stat. at 2881.

³⁰⁷ Judith Saffer, *Legal Issues of Broadcasting on the Internet: Licensing on the Internet*, 14 TOURO L. REV. 21, 22 (Fall 1997). "Realistically, given the private, market-driven nature of copyright enforcement, the copyright laws will never be fully enforced." *Id.* at 22 n.59 (citing Jayashri Srikantiah, *The*

Nevertheless, simply conceding that they are difficult to enforce, and in effect doing away with them, is not the answer to solve these quandaries of dealing with a new technology. What needs to be produced is stricter copyright regulations, not ones that are more lax. Therefore, the best approach for copyright owners is to send this new legislation back from whence it came: lobby Congress to repeal it.

Congress must understand that the way to "limit liability" on the Internet is to give would-be infringers reason not to undertake liability in the first place. It must understand that the avoidance of litigation is best accomplished when the action causing liability does not occur. These "solutions," of merely permitting the ISPs to refrain from searching for infringement, requiring them to stop infringement only when it becomes glaringly obvious, and exempting them from monetary liability, do not provide any remedy for copyright infringement.³⁰⁸

Alternatively, copyright owners could consider forming a plaintiff class to bring an action under similar theories as *Reno v. A.C.L.U.*³⁰⁹ That case can be used either as a sword or a shield in relation to the Internet. *Reno* used the Constitution as a shield against undue restrictions on the freedom of speech on the Internet. Perhaps it can also be used as a sword to attack the lack of restrictions on copyright infringement on the Internet.³¹⁰ In this case, we are upholding the constitutional rights of the copyright owners, and reinforcing the constitutional duty that Congress has to enforce on the Internet, the same as any other medium.³¹¹

Response of Copyright to the Enforcement Strain of Inexpensive Copying Technology, 71 N.Y.U. L. REV. 1634, 1646 (1996)).

³⁰⁸ See Cahoy, *supra* note 181, at 360. The former system limited "the liability of OSP's to a level where they [could] operate efficiently and profitably while maintaining the incentive to curb truly egregious infringement. Disturbing this system merely provides a solution which is in search of a problem." *Id.*

³⁰⁹ 521 U.S. 844 (1997).

³¹⁰ *Id.* at 882. Instead of protecting ISPs from any real or perceived "sword of Damocles," the Court should allow for the concern over monetary damages, mandated by the 1976 Copyright Act since its inception, to operate as an incentive to protect the rights of intellectual property owners.

³¹¹ Interestingly enough, Netcom was a named plaintiff in *Reno*. *Id.* at 861 n.28.

Alas, Congress may have the *power* to reserve and enforce copyrights, but it is not forced to exercise this power if it chooses not to do so. This would prove troubling in petitioning for certiorari if the matter is not resolved at an earlier stage of the litigation. Perhaps the “cumulative effect” doctrine could be argued, especially since infringing copies can be transmitted around the world in seconds, but this may not be sufficient to nullify the statute.

Congress may not be restricting the Internet, but it is certainly not safeguarding the proprietary interests of those who use it, either. Had case law been permitted to develop without any legislative interference, it would have retained monetary damages for contributory infringement. It is this evolving case law, not the Digital Millennium Copyright Act, which should govern Internet copyright infringement.

In conclusion, case law, and the Copyright Clause of the United States Constitution, do not support the recent amendments to the Copyright Act. Therefore, greater protection should be given to the good citizens of Dodge, to protect them against the infringing “varmint” of the Internet. This means that would-be sheriffs should not be permitted to decline to protect copyrights. *Netcom* may have held that ISPs should not be directly liable for merely providing the passive communication facility in which infringement takes place, but it also held that any act of volition or inducement connected with infringement was an act of liability. It never allowed the ISPs to get out of Dodge before sunset, so Congress should not indulge them this luxury either.

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