ON-LINE COPYRIGHT INFRINGEMENT LIABILITY FOR INTERNET SERVICE PROVIDERS: CONTEXT, CASES & RECENTLY ENACTED LEGISLATION

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“If you can't protect what you own--you don't own anything.” [2] Motion Picture Association of America

“To promote the progress of knowledge on the Internet, those who are building the Net itself need fair and predictable ground rules” [3] U.S. Telephone Association

INTRODUCTION:

The above quotes, the first from a member of the content community and the second from an association representing telephone companies and Internet Service Provider (ISP), highlight the tension that exists between copyright holders and Internet Service Providers concerning the issue of on-line copyright infringement liability. As the Internet has grown, the problem of on-line copyright infringement has developed into an economically significant issue. [4] According to the Motion Picture Association of America, U.S. companies are losing millions per year to on-line copyright pirates, and with the current growth of the Internet, the content community fears that the amount lost to pirates will only increase. [5] The ISP industry, however, while acknowledging its unique position in terms of the Internet, does not want to become a “deep-pocket”, third-party defendant in every on-line copyright infringement lawsuit. The Internet Service Providers have argued that the law's lack of predictability in this area and its standards for ISP copyright liability over the past few years have caused real concerns for this new and growing industry. [6] ISPs have argued that due to the nature of the Internet and the unique role of the ISP industry, a narrow limitation on copyright infringement liability should be established for Internet Service Providers so that those who are building the Internet will have a clearer sense of how and when they might be held liable for on-line copyright infringement. [7] In turn, they argue that a heightened level of certainty about this issue will help speed the growth of the Internet by encouraging more entrepreneurs to enter the ISP industry. [8]

How fast has the Internet grown? At the end of the Reagan-Bush era, just six years ago, the world of cyberspace consisted of fewer than 50 World Wide Web sites, most of them used by computer scientists and physicists. [9] Today the Internet is no longer just for researchers, and it is expected that within five years international commerce on the Internet could reach $3.2 trillion. [10] The fact is that in the past 72 months the number of Internet users has risen from hundreds to millions of users, and is estimated by some experts to reach perhaps a billion users by the year 2008. [11] In terms of copyright infringement, the commercialization and exponential growth of the Internet create an entirely new set of problems for copyright holders. [12]
In this context, it is understandable why writers, publishers, and researchers often look upon using the Internet as “riding the Tiger.” While the Internet has allowed researchers, educators, artists and publishers to expand their markets at an unprecedented rate, the same technology allows any anonymous and invisible copyright pirate to copy and disseminate instantaneously anything that is displayed on the Internet. Understanding how easy it is to duplicate copyrighted material from the Internet today, the content community has valid concerns about how much easier pirating could be five or ten years from now, and they argue that something must be done now to address this problem. [13]

Recognizing the inherent difficulty of enforcing copyrights against individual Internet users world-wide, some experts have argued that the answer to this problem is placing legal liability for copyright infringement on those who allow and enable Internet copyright pirates to exist, namely the ISPs. [14] It is argued that ISPs profit from the pirates' use of the Internet, and in comparison to an independent publisher or author, an ISP is in a much better position to police how its subscribers use the Internet. [15] On the other side of the argument, ISPs claim that they are passive carriers similar to telecommunications companies and therefore should be granted some limitation from copyright infringement liability. [16] In addition, they argue that to make ISPs liable could stifle the growth of the Internet. [17]

Others argue that the answers to this problem will come from technological innovations, such as the use of “digital watermarking”, rather than through legal reforms. [18] In addition, the argument has been made that cooperation between ISPs and the content community is what is truly needed to solve this problem. [19] ISPs share the content community's desire to see the Internet grow, and some believe that the threat of holding ISPs liable for copyright infringement may not be the best way to encourage ISPs to help minimize Internet copyright piracy. [20]

The issue of on-line copyright infringement has been around since the use of the Internet started to expand rapidly in the early 1990's and has been the subject of extensive federal executive branch activities, court cases, and Congressional action. In the closing days of the 105th Congress, President Clinton signed into law a bill that addressed this issue; Title II of the Digital Millennium Copyright Act, the Online Copyright Infringement Liability Limitation Act of 1998. [21]

This paper will analyze the policy arguments, the court cases, and the legislative process that produced this law.

As for the structure of the paper, the first section will discuss the Clinton Administration's activities concerning this issue. The second section will briefly address statutory copyright law in general and will put the specific issue of on-line copyright infringement liability in context by analyzing the five leading court cases in this area of law. The third section will address the policy arguments for and against the establishment of a limitation on copyright infringement liability for Internet Service Providers. Lastly, this paper will analyze the final version of the legislation that has been signed into law, and discuss why enacting this bill into law is a step in the right direction for the Internet.
EXECUTIVE BRANCH ACTIVITIES:

The Clinton Administration has been actively addressing the issue of on-line copyright infringement since the beginning of President Clinton's first term. In February of 1993, the recently inaugurated President Clinton established the Information Infrastructure Task Force (IITF) chaired by then-Secretary of Commerce Ron Brown. The IITF was established to help develop programs that would promote the development of what was then known as the National Information Infrastructure (NII), now known as the Internet. [22]

The IITF was organized into three committees. One of these committees was the Information Policy Committee (IPC). Within the IPC was established the “Working Group on Intellectual Property Rights”, chaired by the Commissioner of the Patent and Trademark Office, Bruce Lehman. The Working Group was charged with developing and publishing the administration's official policy concerning the interplay between intellectual property and the Internet. To complete this charge, the Working Group held a series of public hearings to address Internet IP-related issues, including the issue of on-line copyright infringement. The testimony given at these public hearings and the 70 statements received by the Working Group during the public comment period were used as background material for the July 1993 publishing of a draft-report of the administration's IP-Internet policy. This draft became known as the “Green Paper.” [23]

The final report published by the Working Group on Intellectual Property, entitled Intellectual Property and the National Information Infrastructure, became known as the “White Paper” and was published in September of 1995. The final report contained substantially the same analysis and recommendations as the Green Paper. [24] The White Paper addressed many topics including encryption, digital signatures, and on-line copyright management information, in addition to outlining the Administration's policy concerning the issue of on-line copyright infringement liability for ISPs. While arguing that ISPs should not be exempted from copyright infringement liability, the White Paper does acknowledge that the debate over on-line copyright infringement liability for ISPs is one in which “there are colorable arguments on both sides.” [25]

STATUTORY COPYRIGHT LAW AND RELATED CASE LAW:

Congress's authority to legislate concerning copyright issues derives directly from the U.S. Constitution. Article 1, Section 8, Clause 8 of the Constitution grants to Congress the power to “promote the Progress of Science and the Useful Arts, by securing for limited times to authors and inventors the Right to their respective Writings and Discoveries.” [26] Congress codified modern copyright law with the U.S. Copyright Act of 1976. [27] As written in the landmark 1991 Feist Publications case, [28] the purpose for copyright protection is “to assure authors the right in their original expression, (and) to encourage others to build freely upon the ideas and information conveyed by a work.” [29]

Under the law, copyright protects “original works of authorship fixed in any tangible medium of expression”, and grants to the copyright holder a set of exclusive rights that last for
the life of the author plus fifty years. [30] These rights include the right to reproduce, distribute, perform, display or license their work. [31] Copyright infringement occurs when someone other than the holder of the copyright engages in one or more of the exclusive activities without the consent of the copyright holder. [32] The major limitation on a copyright holder's exclusive right to control a copyrighted work is the doctrine of fair use, addressed later in this paper.

There are two forms of copyright infringement: direct copyright infringement and secondary copyright infringement. Secondary copyright infringement is again subdivided into two categories: contributory and vicarious copyright infringement.

To sustain a case of direct copyright infringement, a plaintiff must initially show proof of ownership of a valid copyright and copying by the defendant. [33] The copying requirement is satisfied by either direct evidence of copying or by showing that the defendant had access to the copyrighted work and that the works in question are substantially similar to the originally copyrighted work. [34] Once these initial requirements are satisfied, the plaintiff must prove that the defendant used the copyrighted work in a way that violated one of the copyright holder's exclusive rights described in Section 106 of the U.S. Code. A finding of direct copyright infringement does not require proof of knowledge or intent to infringe, but only proof that the defendant's activities violated one of the copyright holder's exclusive rights. [35]

Secondary copyright infringement is applied in instances in which the defendant did not personally engage in the violating activity but still bears some responsibility for the infringement. [36] There are two categories of secondary copyright infringement: contributory and vicarious copyright infringement. [37] A defendant is liable for contributory copyright infringement if “with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.” [38] A defendant is liable for vicarious copyright infringement where the defendant has the right and ability to control or police the infringer's acts and receives a direct financial benefit from the infringement. [39]

There is no mention of secondary copyright infringement in the 1976 Copyright Act. Concerning the legal authority underpinning the concept of secondary copyright infringement, the Supreme Court, in Sony Corp. v. Universal City Studios, [40] wrote the following: “the absence of express language in the copyright statute does not preclude the imposition of liability for copyright infringement on certain parties who have not themselves engaged in the infringing activities. Vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold an individual liable for the actions of another.” [41]

The doctrine of fair use is the most common affirmative defense to a finding of copyright infringement. [42] This limited doctrine allows individuals to use copyrighted works for certain specific purposes without the consent of the copyright holder. [43] Within the limits of fair use case law, the fair use doctrine states that the use of a copyrighted work in scholarly papers, in news reports, in education, and in other similar situations does not constitute copyright infringement. [44] Section 107 of the U.S. Code lists four factors used determining fair use. The four factors are: 1) the purpose and character of the use, including whether the use is commercial
in nature, 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. [45]

While the fair use doctrine is often invoked in cases involving alleged on-line copyright infringement, there has yet to be a case in which the defense has been used successfully. [46]

ONLINE COPYRIGHT INFRINGEMENT CASE HISTORY:

As seen in the following cases, copyright infringement liability on the Internet often hinges on the degree to which the owner or operator of a computer Bulletin Board Service (BBS) or Internet Service Provider has knowledge and control of the information placed on the Internet by individual subscribers. The cases analyzed in this paper are discussed in chronological order. The first case was decided in December 1993. The most recent case was decided in November of 1997. It should be noted, however, that all the cases discussed in this paper are district court cases so it remains unclear what appellate courts could do. These five cases join with Commissioner Lehman's White Paper to set the context for the Congressional debates concerning the issue of on-line copyright infringement liability.

In Playboy Enterprises Inc. v. Frena, the defendant was an operator of a computer bulletin board service that, unknown to the defendant, distributed unauthorized copies of Playboy Enterprises, Inc.'s (PEI) copyrighted photographs. [47]

For a fee, anyone with an appropriately equipped computer could log onto the BBS, browse through different BBS directories to look at the pictures, download the high quality computerized copies of the photographs, and then store the images onto their home computer. [48] Among the many pictures stored on Frena's BBS were one hundred and seventy that were copies of Playboy's copyrighted photographs. [49] Frena admitted that the materials were displayed on the BBS and that he never received consent from Playboy. However, Frena argued that he did not personally upload any of the infringing pictures onto the BBS (his subscribers had uploaded the images) and that he removed the infringing pictures as soon he was made aware of the matter. [50]

On these facts, the court found Frena guilty of copyright infringement. [51] In making its determination, the court analyzed the elements needed for copyright infringement as follows. In order to establish a prima facie case of copyright infringement, the plaintiff must show ownership of the copyright and “copying” by the defendant. [52] In this case there was no question that Playboy owned the copyrights on the photographs due to the fact that at trial, Frena had offered no evidence to rebuff Playboy's copyright documentation. [53] As for copying, the court noted that since evidence of copying is rarely found, copying could be inferentially proven by showing that defendant Frena had access to the copyrighted work, the work is substantially similar to the copyrighted work, and that one of the rights statutorily guaranteed to copyright owners is implicated by the defendant's actions. [54] In this case there was no question about the elements of access and similarity--Playboy sells 3.4 million copies of its magazine per month in the United States, and the pictures were essentially exact copies of the copyrighted photographs.
The only remaining issue was whether the defendant's actions implicated one of the copyright holders exclusive rights.

The court held that Frena's actions had infringed Playboy's exclusive right to distribute the works and the exclusive right to display the works. Concerning the right to distribute, the court held that there was no question that Frena supplied a product containing unauthorized copies of a copyrighted work. As for display rights, the court held that Frena's display of the copyrighted materials to his subscribers constituted a public display even though his subscribers were limited in number.

Frena defended his use as within the scope of the fair use exception to copyright infringement. His argument, however, fell on deaf ears. The court found that Frena's actions were commercial in nature and of the sort that if they were to become widespread would result in a substantially adverse impact on the potential market for or value of the plaintiff's work and therefore were not within the fair use exception.

Concerning Frena's argument that he had not uploaded any of the infringing photographs and was not aware that the photographs were in fact infringing PEI's copyrights, the court wrote that “it does not matter that Defendant Frena may have been unaware of the copyright infringement. Intent to infringe is not needed to find copyright infringement. Intent or knowledge is not an element of copyright infringement, and thus even an innocent is liable for infringement; rather, innocence is significant to a trial court when it fixes statutory damages.”

Because knowledge is not an element of direct copyright infringement, the court set forth a standard that the creation and/or operation of a BBS can be sufficient to establish direct infringement liability where copyrighted materials appears on the system.

In a similar case, Sega Enterprises v. MAPHIA, the defendants owned and operated a BBS known as “MAPHIA”, which specialized in sharing video games among BBS subscribers. Sega Enterprises, a video game manufacturer, held copyrights on many of the video games that, with defendant's knowledge and indeed with their encouragement, were uploaded and downloaded onto the BBS by MAPHIA subscribers without the consent of Sega. In supporting the plaintiff's motion for a preliminary injunction, the court found that Sega had established the required probability of success on the merits for a case of direct and contributory copyright infringement against the defendants.

In order to prove a prima facie case of direct copyright infringement, Sega had to establish ownership and copying of their copyrighted work. Concerning the issue of ownership, there was no question that Sega owned the copyright for the video games. As for the “copying” requirement, the court cited MAI Systems Corp. v. Peak Computer, Inc., which held that saving an unauthorized copy of a work on a computer's “Random Access Memory” satisfies the “copying” element needed prove infringement. Applying this standard to the facts of the Sega case, the court held that MAPHIA's activities satisfied the copying requirement.
The MAI Systems case involved a computer repair person who was not authorized to use a computer owner's licensed operating system software. [70] The repairman's turning on of a computer automatically loaded an operating system into RAM for long enough to check an “error” log. [71] The problem stems from how software systems function. [72] The result of turning on the computer was that an unauthorized copy of the operating system was automatically generated on the computer. [73] The MAI Systems case held that the automatic copying of an operating system onto the computer's RAM satisfied the “copying” requirement for copyright infringement. [74] In the Sega case, the court cited the MAI Systems case and held that the act of uploading or downloading a game from the MAPHIA BBS constituted a “copying.” [75]

As for the issue of contributory copyright infringement, the court found that MAPHIA's activities, including the fact that the company sold hi-tech equipment that is only used for the illegal copying of video game software, satisfied the standard for contributory copyright infringement. [76] The court held that even if the defendants did not know when games will be uploaded to or downloaded from the MAPHIA BBS, their role in the copying, including provision of facilities, direction, knowledge and encouragement, amounts to contributory copyright infringement. [77]

The defendants argued that their activities fell within the fair use exception for copyright infringement. [78] Among the reasons for rejecting this argument, the court pointed out that in order to use the fair use defense the defendant must first possess an authorized copy of the copyrighted work. [79] The defendants admitted that they did not own an authorized copy of any of the Sega games and as a result their fair use defense failed. [80]

Notably, MAPHIA held in that case that a single, even temporary copy of a copyrighted work saved on a computer file is prima facie an infringement of the copyright. [81] Due to the fact that the Internet functions by having files temporarily download onto a user's computer, extending the MAI Systems case, as the MAPHIA court did, could mean that every time an Internet-surfer transfers and/or opens a document or a Web-page on the Internet, he or she would satisfy the “copying” requirement for copyright infringement. [82] This problem was addressed in both the Administration's White Paper and in the Online Copyright Infringement Liability Limitation Act.

Another important copyright case involving an ISP is Religious Technology Center v. Netcom. [83] The facts of the case are as follows: Defendant Dennis Erlich is a former minister of the Church of Scientology (the Church) and is a vocal critic of the Church. At the time of this case, Erlich was subscriber to an on-line BBS managed by co-defendant Thomas Klemesrud. [84] The BBS, known as “support.com” functioned as an on-line forum for discussion and criticism of the Church. The BBS obtained access to the Internet through Netcom, one of America's largest ISPs. [85] The plaintiffs in the case, Religious Technology Center and Bridge Publications, Inc. (RTC) hold copyrights in the unpublished and published works of L. Ron Hubbard, the late founder of the Church of Scientology. [86] Mr. Erlich posted portions of Mr. Hubbard's works onto the BBS. Initially, RTC attempted to persuade Erlich to remove the materials but Erlich refused. RTC then asked Klemesrud and in turn, Netcom to keep Erlich off.
the Internet. [87] Both refused. Klemesrud refused to take Erlich off the BBS because RTC refused to prove that it owned the copyrights to the works posted by Erlich. [88] Netcom refused, stating that it would be impossible to prescreen Erlich's material, and to kick Erlich off the Internet meant kicking off the hundreds of users of Klemesrud's BBS. [89] As a result of their refusal to kick Erlich off the Internet, RTC added Klemesrud and Netcom to its lawsuit against Erlich. [90] While RTC charged Erlich with several claims, the claims against Klemesrud and Netcom were limited to copyright infringement. [91] For the purposes of brevity, this paper will address only those issues concerning Netcom's potential liability for direct and vicarious copyright infringement.

The first requirement for satisfying a prima facie case of copyright infringement is to prove that the defendant made a copy of a valid copyrighted work. [92] In this case the court analyzed the technological workings of the Internet and acknowledged the fact that the Internet functions by creating temporary copies of documents on every computer that transfers, receives and/or opens a given document. [93] Nevertheless, although copies had technically been made, the court held that Netcom was not liable for direct copyright infringement. [94] In reaching this decision the court wrote that, unlike the repairman in the MAI Systems case, Netcom had not initiated the copying of the copyrighted works in question. [95] All Netcom did was establish a computer system that was integrated into the Internet. [96] The court wrote that applying the MAI standard in this case would mean that everyone who owns a computer through which Erlich's messages had been sent would be liable for copyright infringement. The court found this unreasonable and stated that “there is no need to construe the [Copyright] Act to make all of these parties infringers.” [97] The court held that “although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party.” [98] The court held that it “does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet.” [99]

After dismissing the claim for direct copyright infringement, the court stated that Netcom was similar to the owner of a public copier machine and therefore its liability should be analyzed under the category of secondary copyright infringement. [100]

The court held that Netcom was not liable for vicarious copyright infringement. [101] For a finding of vicarious copyright infringement, RTC had to prove that Netcom had the right and ability to control the infringer's actions and also received a direct financial benefit from the infringement. [102] While the court found that questions of fact did exist concerning whether Netcom had the right and ability to control Erlich's activities, the court held that the ISP did not receive a direct financial benefit from the infringement. [103] The court reasoned that Netcom's uniform monthly subscription fees and the fact that there was no evidence that Erlich's infringement helped Netcom gain more subscribers was enough to prove that the ISP did not gain a financial benefit from the infringement. [104] RTC's claim of vicarious copyright liability was dismissed. [105]
The holding in this case is an excellent example of the courts melding the law to fit new technology. Congress later codified it as part of the Online Copyright Infringement Liability Limitation Act of 1998. [106]

A similar case, but one that concerns a Website news-group rather than a BBS, is *Playboy Enterprises v. Webbworld, Inc.*, [107] In this case, defendant Webbworld operated a Website-based news-group which collected news, pictures and articles concerning adult entertainment from various other web-pages and posted them on Webbworld's “Neptics.com” webpage. [108] The Webpage was accessible for a monthly subscription fee. [109] Among the materials maintained on the webpage were various adult photographs on which Playboy Enterprises, Inc. held copyrights. [110] Initially Webbworld argued that it could not be held liable because unknown third parties were the ones who placed the photographs on to other Internet news-group webpages from which Neptics gathered its material. [111] The court disagreed, stating that what was important was not whether Webbworld could control who placed materials on other webpages but rather that Webbworld, and only Webbworld, controlled what material eventually appeared on its own Neptics.com webpage. [112]

Recognizing that their arguments against copyright infringement were weak, Webbworld cited *Religious Technology Center v. Netcom* and argued that Webbworld was similar to Netcom in that it functioned only as an access point to the Internet for its subscribers. [113] The court didn't agree with Webbworld and wrote that while Netcom only provided access to the Internet, Webbworld provided and controlled the images and content of the Neptics.com webpage and therefore Webbworld was liable for direct copyright infringement. [114]

In addition, the court found Webbworld's two principal operators, the individual who ran the day-to-day operations and the individual who thought up the business idea and created the computer software that operates on the Neptics.com webpage, respectively, liable for vicarious copyright infringement. [115] The court reasoned that if a defendant “has a direct financial interest in the infringing activity and has the right and the ability to supervise the activity which causes the infringement, then he should be held vicariously liable.” [116] The two were held liable due to the fact that they had the right and ability to determine what materials appeared on the Neptics.com webpage and because they financially benefitted by the infringing actions of their subscribers. [117]

The latest BBS case is *Playboy Enterprises, Inc. v. Hardenburgh*. [118] Again, the degree to which the operator of the BBS could control the content on the BBS determined liability. [119] In this case, the defendant's own well-intentioned attempts to police his Webpage for copyright infringement were used as evidence that he had participated in copyright infringement and had the right and ability to control his subscribers' activities. [120]

The subscribers to Hardenburgh's BBS could, for a fee, download a set number of photographs per month from the collection of photographs maintained on the BBS's computer files. [121] As an incentive, Hardenburgh gave “credits” to subscribers who uploaded new photographs onto the BBS. [122] These “credits” could be used by subscribers to increase the number of photographs they could download each month. [123] In turn, Hardenburgh hoped that
the new photographs would add value to the collection and help attract and maintain fee paying
subscribers to his BBS. [124] Many of the photographs uploaded onto the BBS by subscribers
infringed copyrights held by Playboy Enterprises, Inc. [125]

Concerning the copyrighted photographs, Hardenburgh argued that he had no knowledge
of any infringement and that he had, in fact, taken affirmative steps to avoid such infringement.
[126] When a subscriber first uploaded a picture on to Hardenburgh's BBS, the picture would be
maintained in an “upload file.” [127] Before being made publicly accessible on the BBS, one of
Hardenburgh's employees would inspect each picture to ensure that they were not copyrighted
material. [128]

As part of its reasoning, using language that would please the ISP industry, the court held
that “a finding of direct copyright infringement requires some element of direct action or
participation ....” in the infringing activities. [129] The court wrote that “the Copyright Act is
cast in terms of activities which are reserved to copyright owners. It follows that an infringer
must actually engage in one of those activities in order to directly violate the statute. Setting up a
computer BBS is not one of those activities. Merely encouraging or facilitating those activities is
not proscribed by the copyright statute.” [130] This standard mirrors the holding in RTC
concerning the need for some act of volition to trigger liability for direct copyright infringement
and is a major change from the strict liability standard set forth in the 1993 Frena case. [131]

Unfortunately for Hardenburgh, however, the court applied this standard to his BBS
operation and held Hardenburgh liable for direct and contributory copyright infringement. [132]

The court wrote that Hardenburgh's actions of encouraging subscribers to upload new
pictures and Hardenburgh's actions of pre-screening the photographs were enough to transform
him from a passive provider exempt from liability to a participant in the infringement. [133]
Playboy had already presented evidence of proof of ownership of the copyrighted works,
evidence to satisfy the copying requirement, and evidence that Hardenburgh had violated
Playboy's exclusive rights to distribute and display. [134] As a result the court held the corporate
owner of the BBS, Hardenburgh's company, liable for direct copyright infringement. [135]

In addition, the court pierced the corporate veil and held Hardenburgh, in his capacity as
the company's corporate officer, liable for direct copyright infringement. The court, cited
Southern Bell Tel. & Tel v. Associated Tel. Directory Publishers, which held that an individual
who has the ability to supervise the infringing activities and had a financial interest in that
activity, or who personally participates in that activity is personally liable for the infringement.
[136] Under this standard, the court found Hardenburgh liable for direct copyright infringement.
[137]

Finally, the court held Hardenburgh and the corporation liable for contributory copyright
infringement as well. An individual is liable for contributory copyright liability when, “with
knowledge of the infringing activity, (the party) induces, causes or materially contributes to the
infringing conduct of another.” [138] The court held that Hardenburgh clearly had satisfied the
requirements for a finding of contributory copyright infringement. The court held that the BBS's
policies had induced, caused and materially contributed to the infringing activity. [139] Concerning the issue of knowledge of the infringing activity, the court wrote that the defendant had at least “constructive knowledge” that infringing activity was likely to be occurring on their BBS. [140] The court reasoned that an individual who encourages others to upload pictures must take appropriate steps to ensure that the images are not infringing on the copyrights of others. [141]

As expected, the language from this decision that restates the principle that an act of volition is needed to trigger copyright liability is the kind of language that pleases the ISP industry. Any language that reaffirms the idea that passive providers should not be held liable will be supported by the ISP. However, the court's use of “constructive knowledge” rather than actual knowledge to hold Hardenburgh liable for contributory copyright infringement is the kind of language that worries ISPs. It begs the question, “How much knowledge of their subscribers' activities should ISPs have?”

In the context of these five cases, questions remained concerning the potential liability of ISPs. What level of engagement or what level of service to subscribers would satisfy the standard set forth in Hardenburgh for contributory copyright infringement? Could an ISP that offered value-added services in addition to simple Internet-access, such as a telecommunications company, be held liable for contributory copyright infringement due to the actions of a subscriber? At what specific level of knowledge would an individual, or corporation be held liable for contributory copyright infringement?

Among other concerns, the ISP community worried about whether the standard set forth in the RTC case would stand. [142]

In the RTC case, the court held that passive activities, such as simply offering access to the Internet were not sufficient to be found liable for direct copyright infringement. [143] The ISP community worried that a future court might reinstate the much stricter standard set forth in the 1993 Frena case. [144] As for contributory copyright infringement, the ISP community worried that the standard for what constitutes “knowledge” might be too easily satisfied and that the fear of legal liability would negatively impact the growth of the ISP industry and the growth of the Internet in general. [145]

**LEGISLATIVE ACTIVITIES & POLICY ARGUEMENTS:**

As could be expected, the content community saw a limitation on copyright infringement liability for ISPs as a step in the wrong direction. [146] They made several arguments against the establishment of such a limitation based on their belief that it would weaken copyright enforcement on the Internet.

Primarily, the need to exempt or limit the ISP industry's liability from copyright infringement was questioned. While the ISP industry argued that the limitation on liability was needed to prevent a flood of legal suits, the truth is that there have only been a dozen or so decisions concerning this topic, and not a single ISP has been found liable for on-line copyright infringement.
infringement. [147] Secondly, the argument that the lack of protection from on-line copyright infringement liability has dampened entrepreneurial interest in the ISP industry also appears to be fairly weak. Between 1995 and 1997, a time in which the stricter “Frena” standards for copyright liability were still in place, revenue for providing Internet access nearly quadrupled. [148]

In opposing the limitation, some experts looked at the publishing industry and asked why should ISPs be granted a limitation on liability. [149] The publishing industry has always been held strictly liable for copyright infringement, what makes the ISP's any different? [150] Similar comparisons were made about the fact that photo finishers also operate under a strict liability standard for copyright infringement. [151] In fact, many argued that rather than limiting the copyright infringement liability for ISPs, ISPs should bear their share of the burden. [152] The argument was made that the ISPs performed a unique and lucrative function for the Internet, were uniquely empowered to help minimize copyright infringement by Internet users, and therefore individual ISPs should have a legally enforceable duty to help minimize on-line piracy and a legal obligation to monitor their users for copyright infringement. [153]

In response, the ISPs and telecommunication companies argued that a narrow limitation on copyright infringement liability for ISPs was indeed needed. The US Telephone Association testified before Congress that lawsuits had already been filed and major trade associations have threatened to bring more lawsuits against ISP's for “condoning the illegal” copyright infringement that occurs on their systems. [154] A vice president of one trade association from the content community was quoted as stating that “the fight about third party liability will be resolved in future litigation.” [155] The ISPs pointed out that contrary to what may be a popular belief, ISPs are not unduly lucrative and in rural areas, in fact, have extremely tight profit margins, and they fear that any increase in the number of lawsuits or in the cost of providing service could lead many ISPs and telecommunications companies to decide not to provide Internet services in rural areas. [156] In addition, the ISP industry argued that the legal history of this issue left questions unanswered about what level of knowledge would be needed to satisfy the legal standard for contributory copyright infringement, whether offering other services would lead to copyright infringement liability, or even whether establishing hyper-links to other Internet sites would lead to legal liability. [157]

THE ON-LINE COPYRIGHT INFRINGEMENT LIABILITY LIMITATION ACT OF 1998
AND CONCLUSION:

During the 104th Congress, Congressman Robert Goodlatte and the then-Chairman of the Subcommittee and Congressman Carlos Moorhead prepared legislation on ISP copyright infringement liability. [158] Their efforts, however, failed to generate a consensus, and the ISP liability dispute was postponed until the 105th Congress.

The major legislation filed in the 105th Congress concerning on-line copyright infringement was HR 2180, Congressman Howard Coble's “Online Copyright Infringement Liability Limitation Act.” [159] In July 1997, Congressman Coble, the Chairman of the House Judiciary Committee's Subcommittee on Intellectual Property and the Courts, introduced his
legislation. Unlike Congressman Goodlatte's detailed draft from the 104th Congress, HR 2180 was written with a minimalist approach to this problem. HR 2180 was adopted as Title II of the Digital Millennium Copyright Act of 1998 and signed into law on October 28, 1998.

Coble's legislation accomplishes three main objectives; 1) it codifies into statutory law the principle that passive automatic acts can not be the basis for a finding of on-line copyright infringement as set forth in the RTC v. Netcom case, 2) it clarifies the criteria and makes it more difficult to establish a case of contributory or vicarious copyright infringement against an ISP, and 3) in instances where ISPs take action against alleged copyright violators, it protects ISPs from lawsuits when they act to assist copyright owners in limiting or preventing infringement and contains provisions requiring the payment of costs incurred when someone knowingly makes false accusations of on-line infringement. [160]

It should be pointed out that the law does not establish an exemption to copyright infringement liability. The law is explicitly a “limitation” on liability, and the limitation takes the form of a statutory change in the remedies available to a plaintiff, rather than by creating a legal exemption to copyright infringement liability. [161]

Codifying the Netcom decision into law was the main purpose of the legislation. [162] By doing this, the ISPs' fear of being found liable due to automatic passive acts was addressed. Throughout the legislative process the argument was made that cooperation between ISPs and the content community is what is needed to address properly the issue of on-line copyright infringement. [163] This provision gives the ISPs the assurance that they will not be joined as third-party defendants simply due to the nature of the Internet and should encourage more ISPs to cooperate voluntarily with the content community. More importantly, however, the fact that it is now harder to find an ISP liable for copyright infringement, may give the content community more incentive to shift their anti-piracy strategy from legal tactics to technological innovations. As seen in the cases addressed in this paper, it often takes the legal system several years to catch up with technological innovations. In fact, some experts have argued that the content community may have more success in fighting on-line copyright infringement using technology rather than the law. [164]

As stated above, the law also makes it more difficult for an ISP to be found liable for contributory copyright infringement. The law contains provisions that require that the ISP must have actual knowledge of the infringement, awareness of the facts and circumstances of the infringement, or have received notice of the infringing activity in order to be found liable. [165] The provisions state that an ISP will still not be liable if, upon notification, the ISP responds expeditiously to remove or disable access to the infringing material. [166] The law also includes a provision that states that an ISP cannot be found liable for removing or disabling access to material claimed to be infringing as long as the ISP is acting in good faith. [167] And lastly, the law allows ISPs to bring suits against individuals who misrepresent infringing activity. [168]

While enacting this bill into law is a victory for the ISP's, the law is not entirely one-sided. For example, the law states that the new limitation only applies to ISPs that have designated an agent to receive notifications of claimed infringements with the Copyright Office.
The Copyright Office has already written interim regulations and is already receiving information from ISPs. In addition, the exemption from liability concerning the removal of information from the Internet only applies within strict time limitations. In addition, questions still remain concerning, for example, what may or may not constitute an “expeditious response” to a notification of alleged on-line infringement as described in the law.

As for the content community, the law still allows copyright holder to sue ISPs for injunctive relief to stop infringing activity. In considering such an injunction, the court would consider the burden on the ISP, the potential harm to the copyright holder, the feasibility and effectiveness of the injunction, whether it would interfere with non-infringing material, and whether less burdensome means were available.

Perhaps for the content community, the best thing about this law is that the On-line Copyright Infringement Liability Limitation Act is only one title of a much larger law--the Digital Millennium Copyright Act is the WIPO Copyright and Performances and Phonographs Treaties Implementation Act of 1998. Ratifying the WIPO Treaty is a major victory for the U.S. content community.

The Online Copyright Infringement Liability Limitation Act is a victory for the ISP industry and for the Internet as a whole. One of the real concerns about this issue was that for several years the issue of copyright infringement on the Internet had forced many Internet Service Providers to spend more money hiring lawyers than programmers. Society will be better off in the long term, if more of its resources are directed towards improving technology rather than arguing about the law. To the extent that the Online Copyright Liability Limitation Act of 1998 will allow Internet providers to allocate more funds into building the Internet, this law is a step in the right direction.

[1]. Mark E. Harrington works in Washington, DC for a committee of the U.S. House of Representatives. The finding and opinions in the paper are the author's own and do not represent or reflect the views of any member of Congress. This paper was written to fulfill a class requirement of the Intellectual Property Law LL.M. program at Georgetown University Law Center.


[8]. Id.


[11]. Raju Narisetti, New and Improved, Ad experts talk about how their business will be transformed by technology, Wall Street Journal, November 16, 1998, at R33, (quoting Kevin O'Connor, CEO, DoubleClick, Inc.).


[20]. Id.


[22]. See, Intellectual Property & the NII.

[23]. Id. at 3, 4.


[25]. Id., at 114.

[26]. U.S. Const., art I, Sec. 8, cl. 8.


[29]. Id. at 350.


[32]. Id.

[33]. Howard v. Sterchi, 974 F.2d 1272, 1275 (11th Cir 1992)

[34]. Id.


[38]. Id.

[39]. Id. at 1163.

[41]. Id. at 435.

[42]. See Intellectual Property & the NII, at 128

[43]. See id.

[44]. Id. at 73.

[45]. 17 U.S.C. Sec. 107


[48]. Id. at 1554.

[49]. Id.

[50]. Id.

[51]. Id. at 1559.


[54]. See id.

[55]. See id.

[56]. Id. at 1559.

[57]. Id. at 1556.

[58]. Id.

[59]. Id.

[60]. Id.

[61]. Id.


[64]. Id. at 683.

[65]. Id. at 686

[66]. See id.

[67]. Id.


[70]. See MAI Systems Corp. v. Peak Computer, Inc., 991 F.2nd 511, 518 (9th Cir 1993).

[71]. Id.

[72]. Id.

[73]. Id. at 509.

[74]. Id.

[75]. See Sega, at 686.

[76]. See id. at 687.

[77]. Id.

[78]. Id.

[79]. Id.

[80]. Id.

[81]. Id. at 686.


[83]. Id.

[84]. Id. at 1366.

[85]. Id.

[86]. Id. at 1365.
[87]. Id. at 1366.

[88]. Id.

[89]. Id.

[90]. Id.

[91]. Id.


[93]. Religious Technology Center, 907 F. Supp at 1369.

[94]. Id. at 1372.

[95]. Id.

[96]. Id.

[97]. Id.

[98]. Id. at 1370.

[99]. Id.

[100]. Id. at 1369.

[101]. Id. at 1381.

[102]. Id. at 1375.

[103]. Id, at 1377.

[104]. Id.

[105]. Id. at 1381.


[108]. Id. at 1173.

[109]. Id. at 1175.
[110]. Id.
[111]. Id.
[112]. Id.
[113]. Id.
[114]. Id.
[115]. Id, at 1177.
[116]. Id.
[117]. Id.

[119]. Id. at 514.
[120]. Id. at 513.
[121]. Id. at 505
[122]. Id. at 505.
[123]. Id.
[124]. Id.
[125]. Id.
[126]. Id. at 510.
[127]. Id. at 506.
[128]. Id.
[129]. Id. at 512.
[130]. Id.
[131]. Id. at 513, (See also, RTC v. Netcom, at 1370)
[132]. Id. at 513.
[133]. Id.
[134]. Id. at 509.

[135]. Id. at 513.

[136]. Southern Bell Tel. & Tel v. Associated Tel. Directory Publishers, 756 F.2nd 801 (11th Cir.)

[137]. Hardenburgh, at 513, 514.

[138]. Id. at 514.

[139]. Id.

[140]. Id.

[141]. Id.


[145]. Id.

[146]. House Judiciary Comm Hearing on WIPO Treaty & Online Copyright Legislation, September, 1997 at 81 (prepared statement of Jack Valenti, President, MPAA)

[147]. Id.

[148]. Id.


[150]. See Id. at 118.

[151]. Olan Mills, Inc. v. Linn Photo Co., 23 F.3d 1345 (8th Cir. 1994).


[153]. See id. at 118.

[155]. *Id.* at 84 (see quote concerning Frank Creighton, of the Recording Industry Association of America).

[156]. *Id.*


[161]. 17 USC Sec. 512 (j) (1) (A).

[162]. *Id.*


[165]. 17 USC Sec. 512. (a), (b)

[166]. *Id.*

[167]. 17 USC Sec. 512 (g) (1).

[168]. 17 USC Sec. 512 (f).

[169]. 17 USC Sec. 512 (c) (2)


[171]. 17 U.S.C. Sec. 512 (g) (2) (C).

[172]. 17 U.S.C. Sec. 512 (d) (1) (C).

[173]. 17 U.S.C Sec.512 (j) (2).

[174]. 17 U.S.C 512 (j) (2).