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Online Service Provider Copyright Liability: Is the Digital Millennium Copyright Act the Answer?

BY JUSTIN WILLIAMSON*

INTRODUCTION

The changes in society as a result of the Internet cannot be denied. Not more than thirty years ago, high-speed computers were the size of entire rooms and the concept of a personal computer seemed drastically remote. The world moves rapidly in this day and age, and so does technology. If only the same were true for the law.

Indeed, the advent of the Internet and its graphic interface, the World Wide Web ("the Web"), has produced shortcuts as well as frustrations that permeate each and every section of our lives. For example, electronic mail ("e-mail") is now used by millions of people as a quick and efficient means by which to keep in contact with others across the world. At the same time, most e-mail users have to deal with "junk e-mail," similar to the printed solicitations delivered daily through the United States Postal Service. The problem caused by e-mail is that the recipient is easier to locate and contact, and once an address has been added to one of the (questionable) mailing lists, the e-mail that reaches an "in-box" each day can become aggravating and even offensive.

The law has not been immune to the benefits or problems caused by the Internet and the Web. For example, legal professionals, as well as students, are now able to conduct their legal research from the comfort of their home due to the broad online legal databases located on the Web. However, the Web has also caused a number of legal problems ranging from personal jurisdiction over the Internet\(^1\) to trade secret protection.\(^2\)

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Perhaps one of the most difficult problems courts and lawmakers have faced in recent years is that of copyright infringement occurring online and the parties who should be held liable. The earliest problems were caused by Internet users who would post copyright protected pictures online. These pictures were typically of an adult nature, explaining why such problems did not receive a great deal of media coverage. However, as the technology and capabilities of the Internet and the Web have advanced, online copyright infringement has become more prevalent.

Online copyright infringement has gained the attention of the media most recently due to the “pirating” of movies and unauthorized distribution of such movies online. With the advent of MPEG technology, online movie pirating is becoming more and more common. The 1999 release of Star Wars: Episode I—The Phantom Menace brought copyright infringement on the Internet to the headlines of the news, as this movie has perhaps become the most widely pirated film ever.

The ease with which a movie can be pirated is alarming. A pirate can simply record a showing of the movie using a hand-held digital camcorder, which is usually small enough to fit into the pocket of a pair of pants. The digital camcorder enables the pirate to transfer the digital film copy to his personal computer using specialized software. The pirate then uses the MPEG format to compress the film and upload it to the Internet. Obviously, such activities are of great concern to the large motion picture studios of Hollywood. “The seven major American movie studios [lose] about $250 million domestically and $2 billion to $3 billion internationally to movie pirating. The most staggering element of this statistic is the fact that it does not include the losses due to Internet pirating.\(^9\)

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\(^3\) While the entire intellectual property field has been affected by changes in technology, this Note deals exclusively with copyright law.

\(^4\) See, e.g., Playboy Enters., Inc. v. Frena, 839 F Supp. 1552 (M.D. Fla. 1993) (holding that the operator of a subscription computer bulletin board committed copyright infringement by placing photographs from Playboy magazine on his billboard).

\(^5\) MPEG is an acronym for the Motion Picture Experts Group, which developed the technology. MPEG is a digital file format for compressing and playing video and audio clips transferred over the Internet. See Steve Wilson, Online Piracy: From Music to Film, N.Y Times, July 29, 1999, at G1.

\(^6\) Star Wars: Episode I—The Phantom Menace (Lucasfilm 1999).

\(^7\) See Wilson, supra note 5.

\(^8\) Id.

\(^9\) See id.
Typically, the “pirate” of the copyrighted material is not the crucial party to a copyright infringement suit. The most important defendant in a copyright suit becomes the party with the resources to answer monetarily to an adverse judgment. In the context of copyright infringement on the Internet, that party is the Internet Service Provider (“ISP”). During the course of providing Internet access, an ISP may inadvertently engage in a number of possible copyright-infringing activities. Thus, lawsuits involving ISPs appeared on the horizon. As the frequency of copyright litigation involving the Internet increased, Congress responded with the Digital Millennium Copyright Act (“Act”). The Act, on its face, appears to answer a number of complex questions regarding copyright law and the digital age, most notably through the provisions of Title II: “Limitations on liability relating to material online.”

However, as this Note points out, questions remain to be answered regarding copyright infringement and the liability of ISPs. Part I of this Note provides a brief overview of some general principles of copyright infringement and their relation to the Internet. Part II discusses the backdrop for the Act. Part III provides an overview analysis of the requirements of Title II of the Act, while Part IV presents an analysis of the case law governing copyright infringement as it relates to ISPs.

I. COPYRIGHTS AND THE INTERNET

A. Copyright Infringement: The General Principles

Copyrights and the tort of copyright infringement are governed by Title 17 of the United States Code. While the breadth of the coverage and the intricacies of the Copyright Act are seemingly endless, the general concepts are relatively simple.

The Copyright Act provides “an exclusive ownership right in a form of expression.” The rights can be created “in original works of authorship fixed in any tangible medium of expression, from which [the works] can be perceived, reproduced or otherwise communicated.” Examples include

\[10 \text{ Digital Millennium Copyright Act § 202(a), 17 U.S.C. § 512 (Supp. IV 1998).}
\[11 \text{Id.}
\[13 \text{See id.}
\[14 \text{Lewis C. Lee & J. Scott Davidson, Intellectual Property and the Internet, in}
\text{INTELLECTUAL PROPERTY, supra note 1, §§ 1.1, 1.7}
\[15 \text{17 U.S.C. § 102(a) (1994).}
words on the printed (or electronic page), images attached to either paper or videotape, and music recorded onto electronic tape or digital compact discs. The work must also be fixed or attached to some medium through which it may be viewed.\textsuperscript{16} The Copyright Act defines material eligible for copyright protection to include literary works, musical works, dramatic works, choreographic works, pictorial and sculptural works, motion pictures, sound recordings, and architectural works.\textsuperscript{17} These categories have been construed in a broad manner. For example, courts have held computer programs to be “copyrightable” as “literary works.”\textsuperscript{18}

Assuming that the subject matter is eligible for a copyright, “copyright protection involves two general requirements: (1) Original authorship; and (2) Fixation.”\textsuperscript{19} The requirement of originality has been viewed as perhaps the most important aspect of qualifying a work as protected by copyright law\textsuperscript{20} While a considerable amount of case law, commentary and discussion has been devoted to the concept of originality, “the requisite level of creativity is extremely low.”\textsuperscript{21} Most works, exhibiting a minimal level of originality, pass the test.\textsuperscript{22} The second requirement, fixation, requires that the work be fixed in some tangible form of expression. “A work is ‘fixed’ in a tangible medium of expression when its embodiment in a copy is sufficiently permanent or stable to permit it to be perceived, reproduced or otherwise communicated for a period of more than transitory duration.”\textsuperscript{23} This is typically accomplished by transmitting the work in some medium such as film, paper, compact disc, or cassette tape.\textsuperscript{24}

Establishing a prima facie case of copyright infringement requires only that the plaintiff prove “ownership” of a valid copyright and “copying” by the defendant.\textsuperscript{25} “In this context, ‘copying’ is ‘shorthand for the infringing

\textsuperscript{16} See id.
\textsuperscript{17} See id.
\textsuperscript{19} Lee & Davidson, supra note 14, § 1.9.
\textsuperscript{21} Id. (“Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity.”).
\textsuperscript{22} See id.
\textsuperscript{24} See Lee & Davidson, supra note 14, § 1.9
of any of the copyright owner’s [six] exclusive rights.'” While ownership is established by a plaintiff “demonstrating that the material is ‘copyrightable’ and that he complied with the statutory requirements in securing the copyright. Copyright registrations are **prima facie** evidence of the validity of the copyrights and the information contained in the certificates.”

The tort of copyright infringement, in its most general sense, is a violation of at least one of the six exclusive rights afforded authors holding a copyright in their work. These rights are as follows:

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

While § 106 provides a copyright holder with a “bundle of rights,” § 501 details what constitutes copyright infringement. The most general act of copyright infringement occurs when a person “violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118,” notwithstanding the defenses provided in these sections. Once these rights

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27 Webbworld, 968 F Supp. at 1174.
29 Id.
30 Id. § 106, cmt.
31 Id. § 501 (1994).
32 Id. § 501(a).
are violated, the violator is declared an "infringer of the copyright or right of the author, as the case may be."\textsuperscript{33}

Acknowledging the broad definition of a copyright infringer, courts have historically analyzed copyright infringement under three umbrella categories: "direct infringement, vicarious infringement and contributory infringement."\textsuperscript{34} Direct infringement occurs when a person affirmatively acts to violate one of the author's six exclusive rights set out by § 106.\textsuperscript{35} For example, if a manuscript is sold that is a direct copy of a prior work, and the prior work was copyrighted, the subsequent author would be liable for direct infringement. Contributory infringement occurs when a person, "with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another."\textsuperscript{36} For example, if a person provides the medium through which another may sell a copyrighted work, the person would be liable for contributory infringement. Vicarious infringement occurs when a person has "the right and ability to supervise the infringing activity and also has a direct financial interest in such activities."\textsuperscript{37} Knowledge of the infringing activity is typically not required under vicarious infringement. For example, if a writer for a magazine simply copied an article that was copyrighted, the writer's employer may be liable for vicarious infringement.\textsuperscript{38}

These are the concepts that have shaped copyright law over the past few decades. For the most part, they have been fluid enough to allow for the application of the rule of law to changing fact patterns. However, with the emergence of the Internet and the vast popularity of its graphic interface, the Web, the copyright laws were in need of an update.

\textbf{B. Copyright Infringement on the Internet: Paths to Infringement}

Proving copying of a work through the use of a computer or the Internet is not a difficult task. Courts have held that copying of a work occurs when information is transferred from a permanent storage device to

\begin{flushleft}
\textsuperscript{33} \textit{Id.}
\textsuperscript{34} Christian C.M. Beams, \textit{The Copyright Dilemma Involving Online Service Providers: Problem Solved For Now}, 51 FED. COMM. L.J. 823, 826 (1999).
\textsuperscript{35} See \textit{id.}
\textsuperscript{37} \textit{Id.} at 1179.
\textsuperscript{38} See Beams, \textit{supra} note 34, at 826-27
\end{flushleft}
a computer's random access memory ("RAM"). The simplest example of this is when a work (an image, a written document, or other work) is transferred from a floppy disk (or any "medium" from which a work can be viewed) to a computer's central processing unit ("CPU").

A very similar process occurs when a Web page is created. A Web page designer creates the pages viewed through a Web browser (such as Netscape Navigator or Microsoft's Internet Explorer) using hypertext mark-up language ("HTML"). HTML is a computer code that enables designs and layouts to be viewed with consistency by Web browsers worldwide. Once a page is created and coded (using HTML), the document is copied and placed on what is known as a server. Servers communicate with Web browsers, enabling a user to view a Web page. When a Web site is requested by a Web browser using a uniform resource locator ("URL"), which is essentially a Web site's address on the Internet, a conversation occurs between the server and the Web browser. At its simplest, this conversation consists of the Web browser stating "I want," and the server responding with "here is," or "I don't have." When the server provides the information requested, it transmits the information to the requesting Web browser, which in turn translates it to the user.

ISPs are generally the entities that provide the use of servers, as well as provide Internet access to millions of browsers. These dual capacities are what enable ISPs to provide Internet access in its broadest sense: a subscriber may either simply browse the Internet or he may choose to create his own Web page. The latter group of users become the problem. Perhaps the simplest example of copyright infringement involving an ISP is that of the innocent ISP and the guilty subscriber. An aspiring Web designer may decide to build a preliminary Web site. The designer will obtain Internet access through an ISP and will design his page using

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41 See MAI Sys. Corp., 991 F.2d at 518.
42 DAVE TAYLOR, MAC WORLD® CREATING COOL™ HTML 3.2 WEB PAGES 240 (1997).
43 Other protocols include FTP (file transfer protocol), TCP (transfer communications protocol), and PPP (point to point protocol).
HTML. He may choose to incorporate certain images on his Web page. As he browses the Internet, he notices a particularly stunning photograph by Ansel Adams and incorporates it as a background image for his page. With a simple click of the mouse the image is copied to his hard drive, and with a few keystrokes the image is presented as the background of his Web page. It should be clear that, assuming Ansel Adams holds a valid copyright in his photograph, the designer has violated one of the six exclusive rights of the copyright holder, and having done so becomes "an infringer of the copyright."

The question of liability for the ISP is more difficult because it requires an understanding of how a computer server operates. In the context of copyright infringement, one need only understand that when a Web page, an image, or a text document is uploaded to a server, essentially a copy is made and stored on the server. In fact, a number of copies of the uploaded information may be made to increase the speed and efficiency of information transfer. Senator Orrin Hatch, speaking in support of the Act, summarized the dilemma of ISPs by stating that:

[S]ervice providers must make innumerable electronic copies in order simply to transmit information over the Internet. Certain electronic copies are made to speed up the delivery of information to users. Other electronic copies are made in order to host World Wide Web sites. Many service providers engage in directing users to sites in response to inquiries by users or they volunteer sites that users may find attractive. Some of these sites might contain infringing material.

Thus, ISPs may easily commit copyright-infringing acts with little or no knowledge of the action. The courts were quick to respond to the plight of the copyright holder but perhaps lost sight of the ISPs in the process. As will be seen, the Act provides limited protection for ISPs. But, in the event an ISP does not qualify for the limitation on liability, the existing precedent, which was in part a motivation for the creation of the Act, governs.

44 See 17 U.S.C. § 106(1) (1994 & Supp. IV 1998). This section provides the copyright holder with the exclusive right "(1) to reproduce the copyrighted work in copies or phonorecords." Id.
45 Id. § 501(a) (1994). See also Playboy Enters., Inc. v. Webbworld, Inc., 968 F Supp. 1171 (N.D. Tex. 1997) (holding the creators of a Web site liable for infringement where copyrighted photos were displayed).
II. ISPs AND COPYRIGHT INFRINGEMENT: THE BACKDROP FOR THE DIGITAL MILLENNIUM COPYRIGHT ACT

Prior to the Act, ISPs were commonly found liable for either direct, contributory, or vicarious infringement. While the law was strained in its analysis, the emerging rule was becoming clear: there would be no safe harbor for ISPs which did not monitor the acts of their subscribers with the most scrutinizing eye. The deep pockets of the ISPs were the easy targets for copyright holders seeking damages. The typical infringer was a computer hobbyist who held a day job while committing copyright infringement during his amateur Web construction hours at night.

The ISPs received no aid from the Clinton Administration's Working Group on Intellectual Property Rights ("the Working Group"). In 1995, the Working Group published its much-anticipated report outlining suggested reforms in the law of intellectual property. The pertinent section of the report recommended the adoption of a strict liability standard for ISPs where subscribers engage in copyright infringing activities. The worst possible outcome for ISPs, and Internet users in general, would have been legislative action adopting the recommendations. While adopting a standard of strict liability may have been the easiest route, Congress chose a more judicious, albeit complex, statutory answer.

Acknowledging that copyright laws have struggled to maintain consistency as new technology develops, Congress provided ISPs with safe harbors to avoid liability for copyright infringement. The safe harbors were embodied in Title II of the Act, the "Online Copyright Infringement Liability Limitation." The Act

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preserves strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment. At the same time, it provides greater certainty to service providers concerning their legal exposure for infringements that may occur in the course of their activities.\textsuperscript{52}

The competing forces that created the backdrop for this legislation were obviously at odds. On one side were the copyright industries (most notably, major motion picture studios and the Motion Picture Association of America), while on the other side were the ISPs including America Online, Inc. (America’s most far-reaching Internet service provider.\textsuperscript{53}) The clear tension lay in the incompatible interests of each group. The copyright industries sought strong legislation to thwart the large-scale attempts at piracy taking place over the Internet; the ISPs sought legislation limiting the degree of liability for the deepest of pockets.

The policy behind providing limited liability for ISPs seems clear and appears to make sense: the Internet is becoming increasingly important in today’s society, both as a medium for transporting information and as an electronic marketplace. As such, its development depends on its increasing speed and capacity.\textsuperscript{54} Without a limitation on liability ISPs may choose not to invest in increasing these functions, thereby decreasing the efficiency of the Internet as well as its use in society.\textsuperscript{55} The Act is the result of months of negotiations between major constituents in the copyright industries and major ISPs. The Act is not as much a victory for either side as it is a compromise.\textsuperscript{56}

III. TITLE II OF THE DIGITAL MILLENNIUM COPYRIGHT ACT: THE STATE OF THE LAW


The current state of the law regarding ISPs and copyright infringement is governed by Title II of the Act.\textsuperscript{57} The Act was preceded by a long period

\textsuperscript{52} Beams, supra note 34, at 841 (quoting 144 CONG. REC. H10,048, H10,067 (daily ed. Oct. 8, 1998) (Conference Report on H.R. 2281, Digital Millennium Copyright Act)).

\textsuperscript{53} See Alan Deutschman, Yahoo!’s Secret Weapon, GQ, Oct. 1999, at 158, 163.


\textsuperscript{55} See id.

\textsuperscript{56} See infra Parts III and IV

\textsuperscript{57} Digital Millennium Copyright Act § 202(a), 17 U.S.C. § 512 (Supp. IV 1998).
of negotiations and two prior proposals. The Act, as signed into law on October 28, 1998, is comprehensive and exhaustive. The pure breadth of its coverage appears to have definitively answered the question of copyright liability for ISPs; however, the requirements, as will be shown, are highly formalistic and complex. Such requirements may very well lead to inadvertent oversights disqualifying ISPs from the limitations on liability.

The full body of the Act covers far more than the limitation on liability for ISPs. Nonetheless, this Note is concerned exclusively with Title II which amends Title 17 of the United States Code by adding a new section entitled: “Limitations of liability relating to material online.”

1. What is a “Service Provider”?

As a threshold matter, to be eligible for the limitations on liability, an ISP must first qualify under one of § 512’s definitions of a “service provider.” The Act immediately becomes complex by providing two separate definitions of “service provider.” For the purposes of the limitation on liability for a service provider engaged in “Transitory Digital Network Communications,” the term “‘service provider’ means an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received.” For the purposes of any other subsection, “service provider” is defined as “a provider of online services or network access, or the operator of facilities therefor, and includes an entity described in subparagraph (A).”

The effect of this bifurcated definition is that the technical definition supplied by § 512(k)(1)(A) is used to qualify a service provider for the

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59 The Act consists of five titles: Title I—WIPO TREATIES IMPLEMENTATION; Title II—ONLINE COPYRIGHT INFRINGEMENT LIABILITY LIMITATION; Title III—COMPUTER MAINTENANCE OR REPAIR COPYRIGHT EXEMPTION; Title IV—MISCELLANEOUS PROVISIONS; and Title V—PROTECTION OF CERTAIN ORIGINAL DESIGNS. See Digital Millennium Copyright Act § 202(a).

60 Digital Millennium Copyright Act § 202(a).

61 Id. § 512(k).

62 Id. § 512(a).

63 Id. § 512(k)(1)(A).

64 Id. § 512(k)(1)(B).
limitation on liability pertaining to transitory digital network communications. The second, more general definition provided by § 512(k)(1)(B) applies to all other service provider sections and encompasses those entities contemplated by the first definition. As one legal commentator wrote:

Both definitions clearly contemplate such entities as Netcom Communications and MCI WorldCom, which serve as conduits in transporting messages from computer to computer across the Internet. The second definition also clearly encompasses “traditional” Internet or online [service providers] such as America Online, Prodigy, Yahoo!, and bulletin board services.65

The first definition may also be broadly read so as to encompass businesses providing employee e-mail accounts as well as media companies hosting strictly informational Web sites. Because the definitions place no such limits on the breadth of their inclusions, ultimately the line must be drawn by the courts.66

2. The Conditions for Eligibility

Once an ISP has qualified under one of the aforementioned definitions, it must then comply with the “Conditions For Eligibility”67 The Act specifies two conditions for eligibility but further qualifies them. The first condition is that the ISP must have “adopted and reasonably implemented”68 a policy that provides for the discontinuation of a subscriber’s account in “appropriate circumstances”69 where the subscriber is a “repeat”70 copyright infringer. There appear to be ambiguities on the face of the statute which may create pitfalls for an ISP attempting to comply with the safe harbor. While these ambiguities are beyond the scope of this Note and will, no doubt, be fleshed out by courts in the coming years, one can easily observe the difficulties in determining the differences between adopting and “reasonably” implementing a policy, as well as the equally ambiguous “appropriate circumstances” under which the policy

65 Elizabeth A. McNamara et al., Online Service Provider Liability Under the Digital Millennium Copyright Act, 17 COMM. LAW 5 (Fall 1999).
66 See id.
68 Id. § 512(i)(1)(A).
69 Id.
70 Id.
must provide for discontinuation of services. In addition, a question arises as to whether the ISP must terminate the accounts of repeat infringers who have allegedly only infringed a handful of times or if the ISP has a considerable amount of discretion in making these determinations. In simply meeting the first qualification for a limitation on liability, the seeds of litigation appear to have been sown.

The complexity of the Act continues with the second mandatory qualification: the ISP must accommodate and not “interfere with standard technical measures.” Obviously, whether or not an ISP has met this second qualification will turn on what is regarded as a “standard technical measure.” The Act defines “standard technical measures” as ones “that are used by copyright owners to identify or protect copyrighted works.”

Unfortunately, the Act does not stop here. It provides three separate qualifications in addition to the above definition. The technical measures must “(A) have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process; (B) be available to any person on reasonable and nondiscriminatory terms; and (C) not impose substantial costs on service providers or substantial burdens on their systems or networks.”

Once an ISP has met the initial threshold requirements under the Act’s definitions of a service provider and the conditions for eligibility, the question then becomes whether the ISP qualifies for each specific limitation on liability. The specific conditions for each limitation on liability are as long as they are complex and a thorough analysis is beyond the scope of this Note. Thus, while only a brief sketch of the specific sections is provided, the sketch, accompanied by the foregoing discussion, should permit some understanding of the complexity of the Act as well as the ease with which an ISP may lose its safe harbor protections.

B. The Specific Limitations on Liability

1. Transitory Digital Network Communications

The first specific limitation on liability is provided for an ISP which is engaged in “Transitory Digital Network Communications.” Under this limitation, an ISP will not be held liable for copyright infringement where the ISP has transmitted material through a network controlled or operated

71 Id. § 512(i)(1)(B).
72 Id. § 512(i)(2).
73 Id. § 512(i)(2)(A)-(C).
74 Id. § 512(a).
by the ISP, or for the storage of such material during its transmission. An ISP providing e-mail access is the clearest example of being engaged in transitory digital network communications.

However, the Act continues its pattern of complexity by providing five specific qualifications which must be met for the safe harbor. First, someone other than the ISP must have initiated the sending of the material. Second, the ISP must conduct the transmission or storage of the material, without making any individual selection, during an "automatic technical process." Third, the ISP may not select recipients of the material unless directed to do so by another. Fourth, if a copy of the material is stored on a network during transmission, the manner in which it is stored must be such that the material may only be accessed by the intended recipients; in addition, the material may not be stored longer than is "reasonably necessary" for its transmission. Finally, the material may not be modified by the ISP during its transmission.

2. System Caching

The second specific limitation on liability is provided for an ISP which engages in "system caching." The Act defines "system caching" in a broad way by providing that an ISP shall not be liable for copyright infringement "by reason of the intermediate and temporary storage of material on a system or network controlled or operated by or for the service provider." Thus, where an ISP, during the course of providing services, stores material on its system or network which may be copyright protected, the ISP is protected from a copyright infringement suit.

As with the other sections of the Act, this limitation on liability has specific conditions which must be met. First, the material must be placed online by someone other than the service provider. Second, the material must be transmitted by the person through the ISP's network to a person other than the transmitting person at the direction of this other person.

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See id.
See id. § 512(a)(1).
Id. § 512(a)(2).
See id. § 512(a)(3).
See id. § 512(a)(4).
See id. § 512(a)(5).
Id. § 512(b).
Id. § 512(b)(1).
See id. § 512(b)(1)(A).
See id. § 512(b)(1)(A).
See id. § 512(b)(1)(B). The essence of this requirement appears to be that (1) the ISP cannot initiate the transmission of the cached material; (2) the person
Third, the process by which the material is stored on the network must be an automatic and technical one which makes the material available to users of the system or network who, after the material is transmitted by the person other than the ISP, request access to the material from the transmitting person.\textsuperscript{85}

Provided an ISP qualifies under these conditions, it must then satisfy the following five conditions. First, the material stored on the ISP’s network must be transmitted without modification by the ISP.\textsuperscript{86} Second, the ISP must comply with rules regarding the updating of the transmitted and stored material which are specified by the transmitting person and are in accordance with generally accepted industry standards for these procedures. However, if the transmitting person attempts to use such rules to impair the temporary storage of the material by the ISP (system caching), this condition does not apply.\textsuperscript{87}

Third, the ISP may not interfere with technology which may provide the transmitting person the ability to obtain information from the requesting person which the transmitting person would have been able to obtain if the transmitted material had been requested in some other fashion (other than through electronic communications).\textsuperscript{88} However, this third condition only applies if the technology (1) does not significantly impair the ability of the ISP to intermediately store the material; (2) “is consistent with generally accepted industry standard communications protocols;”\textsuperscript{89} and (3) extracts no information from the ISP’s network except that which would have been obtainable by the requesting person from the transmitting person had the requesting person obtained the material directly from the transmitting person.\textsuperscript{90}

Fourth, if the transmitting person has established a viewing fee or password verification process for users requesting the material, the ISP must allow access to the material “in significant part”\textsuperscript{91} only to those subscribers who have complied with such conditions and in accordance with those conditions.\textsuperscript{92} Fifth, if the transmitting person’s transmission of

\textsuperscript{85} See id. § 512(b)(1)(C).
\textsuperscript{86} See id. § 512(b)(2)(A).
\textsuperscript{87} See id. § 512(b)(2)(B).
\textsuperscript{88} See id. § 512(b)(2)(C).
\textsuperscript{89} Id. § 512(b)(2)(C)(ii).
\textsuperscript{90} See id. § 512(b)(2)(C)(iii).
\textsuperscript{91} Id. § 512(b)(2)(D).
\textsuperscript{92} See id.
such material constitutes copyright infringement and the ISP is informed of such infringement, the ISP must respond by removing or disabling access to such material. However, this condition embodies its own limitations. The fifth condition applies only if the material was previously removed from its original site or if access to the site where the material originated has been disabled, or where a court has ordered the material be removed from the original site. In addition, the party giving notification of the alleged copyright infringement must provide in the notice a statement verifying that the above condition has been fulfilled.

Assuming an ISP fulfills these requirements in their entirety, the ISP will be granted a statutory limitation on liability for copyright infringement arising from the activity of system caching.

3. Information Residing on Systems or Networks at the Direction of Users

The third specific limitation on liability is provided for an ISP which stores information on its system or network at the direction of its users. This limitation is perhaps the most important, as it appears to alleviate the problems courts were dealing with prior to its enactment. The Act states that an ISP will not be liable for copyright infringement "by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider." This limitation broadly covers any potentially infringing material that is placed on an ISP's network or system at the direction of one of its subscribers.

The Act once again provides numerous conditions that must be fulfilled before an ISP may qualify for the limitation on liability. The first condition is that the ISP must "not have actual knowledge that the material or an activity using the material on the system or network is infringing." The Act further narrows this by requiring that "in the absence of such actual knowledge, [the ISP] not [be] aware of facts or circumstances from which infringing activity is apparent." If the ISP obtains either actual knowledge or becomes aware of such facts, it must then act "expeditiously" in
removing or disabling access to the infringing material.¹⁰⁰ This condition appears to be consistent with case law dealing with contributory infringement where knowledge is a key element.

The second condition is that the ISP may not receive a “financial benefit directly attributable to the infringing [material or] activity” where the ISP “has the right and ability to control such activity.”¹⁰¹ This condition also appears to be consistent with case law involving vicarious liability.

The third condition is that once an ISP is notified of an alleged infringement, it must respond “expeditiously” to remove the infringing material or deny access to the activity involving the material alleged to be infringing.¹⁰² This third condition appears to be consistent with case law dealing with both contributory and vicarious infringement.

In addition to the foregoing conditions, the ISP must have designated an agent to receive notification of alleged copyright-infringing materials or activities.¹⁰³ To correctly designate an agent under the Act, the ISP must not only identify the agent and make the agent available through its Web site in such a manner as is accessible to the public, but also provide the Copyright Office with “substantially the following information:”¹⁰⁴ “(A) the name, address, phone number, and electronic mail address of the agent. (B) other contact information which the Register of Copyrights may deem appropriate.”¹⁰⁵ Pursuant to the Act, the Register of Copyrights will maintain a directory of agents which may be funded by a fee paid by ISPs.¹⁰⁶ The Act also specifies in detail the elements of qualifying notification.¹⁰⁷ The statutory elements of a valid notification are set forth in two parts and multiple subparts.¹⁰⁸

The Act continues with sections regarding related matters.¹⁰⁹ The matters dealt with include information location tools,¹¹⁰ limiting the

¹⁰⁰ See id. § 512(c)(1)(A)(iii).
¹⁰¹ Id. § 512(c)(1)(B).
¹⁰² See id. § 512(c)(1)(C).
¹⁰³ See id. § 512(c)(2).
¹⁰⁴ Id.
¹⁰⁵ Id. § 512(c)(2)(A)-(B).
¹⁰⁶ See id.
¹⁰⁷ See id. § 512(c)(3).
¹⁰⁸ See id. (setting out the detailed requirements for notification).
¹⁰⁹ These sections have been omitted from the discussion because they are beyond the scope of this Note and the cases discussed herein.
liability of nonprofit educational institutions, misrepresentations regarding notice of infringing activity and removal of infringing works, replacement of removed material, subpoenas, and injunctions.

IV FAILURE TO COMPLY WITH THE DIGITAL MILLENIUM COPYRIGHT ACT AND THE CONFLICTING CASE LAW

A. The Negative Implications of a Limitation on Liability

The Act limits liability when certain conditions are met. It necessarily follows that when those conditions are not met, the limitation on liability ceases to exist. The question then becomes, what is the status of the law for an ISP which has not complied with the provisions of the Act? This question appears to have an easy answer: the standard copyright provisions of Title 17 of the United States Code will apply. Indeed, this conclusion is supported by the Act itself which states specifically that "[t]he failure of a service provider’s conduct to qualify for limitation of liability under this section shall not bear adversely upon the consideration of a defense by the service provider that the service provider’s conduct is not infringing under this title or any other defense." Thus, the logical conclusion is that should an ISP fail to attain a statutory limitation on liability, it will expose itself to the full range of actions and remedies available to a copyright holder.

The original copyright laws did not contemplate the myriad advancements of technology, and most notably, the Internet. This conclusion is evident from the emerging case law applying copyright law to ISPs accused of copyright infringement. While the Act provides a safety net for ISPs which comply with its requirements, ISPs which fail to do so proceed at their own risk.

At the simplest level, and before a copyright infringement suit may proceed, the plaintiff must prove two elements: "(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." The first element's requirement is most easily met by obtaining

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111 See id. § 512(e).
112 See id. § 512(f).
113 See id. § 512(g).
114 See id. § 512(h).
115 See id. § 512(i).
116 Id. § 512(j).
a Certificate of Copyright Registration. If a certificate is obtained, it constitutes prima facie evidence of a valid copyright.\(^8\) Once the presumption of a valid copyright is created, the burden rests with the defendant to rebut the presumption.\(^9\) Thus, unless the validity of the copyright is affirmatively rebutted, a copyright holder need only show unauthorized copying to establish a cause for copyright infringement.\(^10\)

B. The Governing but Conflicting Precedent

1. Cases Holding ISPs Liable

Perhaps one of the very earliest cases concerning copyright infringement and the Internet did not involve what is now known as an ISP. The case involved an electronic bulletin board operator, which is substantially similar to an ISP in that the operator performs some of the most basic functions of an ISP. *Playboy Enterprises, Inc. v. Frena*\(^11\) presented an electronic bulletin board service ("BBS") operated by the defendant, George Frena.\(^12\) The operation of a BBS is substantially similar to the service provided by an ISP, and thus the case provides an early look at the reaction of law to the emerging technology.

A BBS is essentially a service provided to paying customers who may access it through the use of a modem and telephone line. BBS operators provide access to information directories, e-mail, and the Web. They do so, however, on a much smaller scale than the major ISPs, hence they are typically characterized as local Internet service providers.\(^13\) The customers pay a fee to the BBS operator and are then permitted to browse through a number of directories containing information that may be downloaded.\(^14\)

Frena's BBS mainly contained graphic files or digital copies of photographs, many of which were of an adult nature. Frena's customers could browse the pictures and download those which they wished to keep.

\(^10\) See id.
\(^12\) See id. at 1554.
\(^14\) Downloading is the process by which information is transferred from a remote storage site to a user's computer. See id. at 505.
The customers also could upload\textsuperscript{125} pictures of their own for other customers to view. While Frena maintained the BBS and had access to the information stored thereon, he was not aware of who posted information, when it was posted, or what was being posted on his BBS at any given time.\textsuperscript{126}

One hundred and seventy images stored on Frena’s BBS were copies of photographs contained in Playboy Enterprises, Inc.’s (“PEI”) copyrighted material.\textsuperscript{127} Frena admitted the images were displayed on his BBS, that their display was never authorized by PEI, that each displayed image was substantially similar to the copyrighted work, and that each of the images in question had been downloaded by one of his customers.\textsuperscript{128} Frena also testified that he had never uploaded any of the images in question but that subscribers had uploaded them. He stated that as soon as he received notice of the infringing activity, he removed the images and monitored the BBS to avoid further infringing activity.\textsuperscript{129}

PEI clearly owned copyrights in the images by holding valid copyright registrations in each publication in which the photographs were displayed.\textsuperscript{130} Thus, PEI only needed to prove that Frena had copied the images without its authorization.\textsuperscript{131} The court noted that

\begin{quote}
[s]ince direct evidence of copying is rarely available in a copyright infringement action, copying may be inferentially proven by showing that [the] Defendant had access to the allegedly infringed work, that the allegedly infringing 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.\textsuperscript{132}
\end{quote}

This standard had clear, far-reaching ramifications for Frena. Because Playboy is a major publication, selling over 3.4 million copies in the United States each month, the court deemed access to the copyrighted work as

\textsuperscript{125} Uploading is the converse of downloading; it is the process by which information is transferred from a user’s computer to a remote storage site. See \textit{id.}

\textsuperscript{126} See \textit{Frena}, 839 F Supp. at 1554, 1559.

\textsuperscript{127} See \textit{id.} at 1554.

\textsuperscript{128} See \textit{id.}

\textsuperscript{129} See \textit{id.}

\textsuperscript{130} See \textit{id.} at 1556.


\textsuperscript{132} \textit{Frena}, 839 F Supp. at 1556 (citations omitted).
"essentially undeniable." The substantial similarity requirement was met by Frena's own admission and the court readily stated that many of the images were "essentially exact copies."

The court concluded that Frena had violated one of the exclusive rights guaranteed to copyright holders, namely the right of distribution. Copyright law grants the holder the exclusive right to "distribute copies of the copyrighted work to the public" and to "display the copyrighted work publicly." The court concluded rather easily "that Defendant Frena supplied a product containing unauthorized copies of a copyrighted work." The court also added that it was of no significance that Frena had not actually made the copies himself.

The court continued in its analysis, noting that the display rights of a copyright holder could be implicated by the use of computer technology. The court broadly construed the display right and further quoted from the House of Representatives report which stated that the display right covers "the projection of an image on a screen or other surface by any method, the transmission of an image by electronic or other means, and the showing of an image on a cathode ray tube, or similar viewing apparatus connected with any sort of information storage and retrieval system." The court drew the inference from this legislative history that "[t]he display right precludes unauthorized transmission of the display from one place to another, for example, by a computer system."

The court's final conclusion and holding, while brief, contained exceptionally strong language and far-reaching implications for BBS operators and ISPs. It stated:

There is irrefutable evidence of direct copyright infringement in this case. It does not matter that Defendant Frena may have been unaware of the copyright infringement. Intent to infringe is not needed to find

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133 Id. at 1554.
134 See id. at 1556.
135 Id. at 1556.
136 See id.
138 Id. § 106(5).
139 Frena, 839 F Supp. at 1556.
140 See id.
141 See id. at 1556-57
143 Id. at 1557
copyright infringement. Intent or knowledge is not an element of infringement, and thus even an innocent infringer is liable for infringement; 

The court was correct in stating that intent or knowledge is not part of the copyright statute. The court, however, held Frena liable for direct infringement rather than contributory infringement. The problem lies in the fact that Frena himself never actually copied, distributed, or displayed any of the images. He provided a service to paying customers who engaged in copyright-infringing acts through the use of the service. In short, Frena unknowingly provided the means by which his customers committed copyright infringement.

The difficulty in the analysis again comes from the complexity of the technology. The court's overstatement is perhaps easier to grasp when the facts are simplified. Frena essentially operated a public bulletin board. However, to view items posted on the bulletin board, or to post items, subscribers paid a fee. The subscribers posted images illegally copied from Playboy. Frena did not copy the images nor did he post them. Frena simply supplied a bare bulletin board for the use of his subscribers. It was the subscribers who violated PEI's exclusive right to copy the works, and who further violated PEI's display right by posting the images on the bulletin board. However, the court held Frena, the supplier of the bulletin board, liable for the acts of all the subscribers.

In the wake of the Frena decision, one prudent measure for a BBS operator would be to institute a screening process whereby material uploaded to the BBS is monitored to ensure that copyright infringement does not occur. However, four years later, on almost identical facts, a BBS operator was found liable for direct copyright infringement based on the fact that such a process was in place.

The facts of Playboy Enterprises, Inc. v. Russ Hardenburgh, Inc. were largely identical to those in Frena except in two respects. Russ Hardenburgh, President of Rusty-N-Edie's, Inc. (a BBS), was sued by PEI for copyright infringement allegedly occurring when certain copyrighted images were displayed on Hardenburgh's BBS. Hardenburgh asserted that

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144 Id. at 1559.
145 See id.
146 See id. at 1554.
147 See id. at 1556, 1559.
he had never uploaded any of PEI’s copyrighted images nor did he or anyone working for the BBS have knowledge of any infringing activity. Hardenburgh described himself and the BBS as essentially what they were: “passive providers of the space in which the pictures were passed from one party to another.”

Hardenburgh’s BBS, however, was somewhat more advanced than Frena’s service. Recognizing the need to provide a larger amount of information to his subscribers to compete with the major ISPs, Hardenburgh offered incentives to his subscribers to upload new information to the BBS. Hardenburgh also instituted a policy whereby each file that was uploaded to the BBS was screened by a BBS employee to ensure the information was acceptable. Hardenburgh testified that this screening process sought to eliminate pornographic images and works that were “blatantly protected by copyright.” Thus, Hardenburgh had instituted what appeared to be a prudent policy following the decision in Frena. The policy, however, turned out to be the key factor in finding Hardenburgh liable for direct copyright infringement.

The court made its way through the copyright analysis, finding that PEI held a valid copyright and that copying of the copyrighted images had occurred. The court noted in its analysis that the Frena case consisted of similar facts. However, the Hardenburgh court characterized Frena as “even more of a passive participant in the copying and exchange of copyrighted photographs than are the Defendants in this case.” It came to this conclusion based on the fact that Frena’s subscribers were able to upload information to the BBS directly without a review by the BBS’s employees. Conversely, Hardenburgh’s subscribers uploaded information which was then reviewed by the BBS employees before being placed on the BBS. Thus, the court found such a review to be a more active participation in the infringing activity than was present in Frena.

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149 See id. at 509.
150 Id.
151 The incentives generally consisted of a credit for each megabyte of information uploaded to the BBS. Each credit, in turn, entitled the subscriber to download 1.5 megabytes of information under the subscription agreement. See id. at 506.
152 See id.
153 Id.
154 See id. at 511.
155 See id.
156 Id.
157 See id.
The court, however, disagreed with the holding in *Frena* that "direct copyright infringement requires some element of direct action or participation." It based its analysis on the fact that the Copyright Act reserves certain activities for the holder of the copyright. Thus, to commit an infringement one must engage in one of those activities. The court concluded that creating or operating a BBS was not one of those activities. Nonetheless, the *Hardenburgh* decision indicates that the creation or operation of a BBS is an appropriate activity for contributory copyright infringement.

The court continued in its analysis, finding that the direct action requirement had been met by virtue of the BBS’s screening process. The court reasoned that by engaging in this activity Hardenburgh had been transformed “from [a] passive provider[ ] of a space in which infringing activities happened to occur to [an] active participant[ ] in the process of copyright infringement.” Thus, in its attempt to limit its exposure to liabilities, Hardenburgh’s BBS had, in fact, sealed its fate.

The court also held the BBS liable for contributory copyright infringement. Using the established contributory infringement rule that “[a] party shall be liable where it, ‘with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another,’” the court found that Hardenburgh “clearly induced, caused, and materially contributed to any infringing activity which took place on [his] BBS.” Further, the court held that Hardenburgh “[a]lso had at least constructive knowledge that infringing activity was likely to be occurring on [his] BBS.” Thus, not only had the BBS’s screening policy lead to direct liability, but it had also provided the requisite knowledge and inducement factors needed for contributory liability.

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158 *Id.* at 512.
159 See *id.* at 512-13.
160 The court found that two facts were critical to its holding: (1) the BBS encouraged the uploading of files, and (2) the BBS screened all such files before they were placed on the BBS. See *id.* at 513. Discussion of the first factor has been intentionally omitted because the court’s treatment of this factor is sparse at best, while the screening process appears to be determinative. See *id.*
161 *Id.*
162 *Id.* at 514 (quoting Gershwin Publ’g Corp. v. Columbia Artists, 443 F.2d 1159, 1162 (2d Cir. 1971)).
163 *Id.*
164 *Id.*
165 See *id.*
2. *Cases Holding ISPs Not Liable*

At least one court has been sympathetic to an ISP's plight. The relevant facts in *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, although similar, were somewhat more convoluted. The Religious Technology Center and Bridge Publications, Inc., both California non-profit corporations, brought a copyright infringement suit against a Usenet subscriber, a BBS operator, and a true ISP. The suit alleged that Dennis Erlich (the Usenet subscriber), a former minister of the Church of Scientology, had infringed copyrighted material when he posted portions of works by L. Ron Hubbard on his newsgroup. The claim also asserted direct, contributory, and vicarious liability against the BBS operator through whom Erlich gained access to the Internet via Netcom (the ISP).

While claims were made against Erlich, the BBS operator, and Netcom, the pertinent claim to this discussion is the claim against Netcom. As a

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167 The Usenet has been described as a worldwide community of electronic BBSs that is closely associated with the Internet and with the Internet community. The messages in Usenet are organized into thousands of topical groups, or "Newsgroups." As a Usenet user, you read and contribute ("post") to your local Usenet site. Each Usenet site distributes its users' postings to other Usenet sites based on various implicit and explicit configuration settings, and in turn receives postings from other sites. Usenet is read and contributed to on a daily basis by a total population of millions of people. Usenet traffic flows over a wide range of networks, including the Internet and dial-up phone links.

168 *Id.* at 1365 n.4 (citing DANIEL P. DERN, THE INTERNET GUIDE FOR NEW USERS 196-97 (1994)).

169 The term "true ISP" is used only to distinguish between an ISP and the BBS operator which has been analogized to an ISP previously. Netcom, the ISP named as a defendant here, was considered one of the largest ISPs operating in the United States in 1995; it was likened to America Online, Prodigy, and CompuServe by the court. *See id.* at 1368.

170 See *id.* at 1365.

171 L. Ron Hubbard was the founder of the Church of Scientology. He is now deceased, but the plaintiffs in the case held copyrights in many of his published and unpublished works. *See id.*

general ISP, Netcom can be distinguished from the BBSs seen in *Frena* and *Hardenburgh*.[173] The BBSs in the previous cases operated on somewhat limited scales in that they had a limited amount of subscribers and provided a limited amount of information over which they were viewed to have control. Netcom, however, provided general Internet access.[175] The distinction played an important part in the court’s analysis.

An important distinction also exists between the claims asserted against Netcom and those asserted in *Frena* and *Hardenburgh*. The copyright infringement claim against Netcom was apparently only that of the actual reproduction of the works on Netcom’s computers.[176] In *Frena* and *Hardenburgh*, the claims were of infringement of the copyright holder’s exclusive right to publicly distribute and display the works. Also of importance is that after unsuccessfully attempting to stop Erlich from posting the copyrighted material, the plaintiffs informed the BBS operator and Netcom of the infringing activity. Both the BBS operator and Netcom asked the plaintiffs to provide proof of the valid copyrights in the posted material. The plaintiffs refused the request.[177]

After establishing that valid copyrights in the specified works existed, the court turned to the issue of Netcom’s possible liability for copyright infringement. The facts underlying this claim were basically undisputed,[178] and were aptly stated by the court:

> Erlich connects to [the] BBS using a telephone and a modem. Erlich then transmits his messages to [the BBS’s] computer, where they are automatically briefly stored. According to a prearranged pattern established by Netcom’s software, Erlich’s initial act of posting a message to the Usenet results in the automatic copying of Erlich’s message from [the BBS’s] computer onto Netcom’s computer and onto other computers on the Usenet. In order to ease transmission and for the convenience of Usenet users, Usenet servers maintain postings from newsgroups for a short

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[176] See id. at 1370. However, the court believed that the plaintiffs may have been asserting veiled public distribution and display arguments and addressed these separately. See id. at 1371-72.
[177] See id. at 1366. The court found this evidence to be unpersuasive as to the claim of direct infringement but viewed it as integral to the claim of contributory infringement where knowledge is an element. See id. at 1372, 1374, 1383.
[178] See id. at 1367
period of time—eleven days for Netcom's system and three days for [the BBS's] system. Once on Netcom's computers, messages are available to Netcom's customers and Usenet neighbors, who may then download the messages to their own computers. Netcom's local server makes available its posting to a group of Usenet servers, which do the same for other servers until all Usenet sites worldwide have obtained access to the postings, which takes a matter of hours.\textsuperscript{179}

The court also noted that:

Netcom does not create or control the content of the information available to its subscribers. It also does not monitor messages as they are posted. It has, however, suspended the accounts of subscribers who violated its terms and conditions, such as where they had commercial software in their posted files.\textsuperscript{180}

Because the complaint alleged direct, contributory, and vicarious copyright infringement, the court dealt with each allegation separately.\textsuperscript{181} The court quickly established that copies were made by the reproductions created on each party's computer.\textsuperscript{182} Netcom asserted as a defense that it had not taken any affirmative action causing or enabling the copying,\textsuperscript{183} much like the defense accepted by the court in \textit{Hardenburgh}. The Religious Technology Center court also accepted the defense here as to direct infringement. It held that:

Netcom's act of designing or implementing a system that automatically and uniformly creates temporary copies of all data sent through it is not unlike that of the owner of a copying machine who lets the public make copies with it. [C]ourts analyze the machine owner's liability under the rubric of contributory infringement, not direct infringement.\textsuperscript{184}

The court reasoned that if it were to allow direct infringement liability in such a situation, the decision would open the door to liability for every

\textsuperscript{179} \textit{Id}. at 1367-68.
\textsuperscript{180} \textit{Id}. at 1368.
\textsuperscript{181} The court's lengthy discussion of vicarious infringement liability is not treated here because the direct and contributory liability discussions serve to illustrate the thesis of this Note. Incidentally, the court dismissed the claim of vicarious copyright infringement. \textit{See id}. at 1375-77
\textsuperscript{182} \textit{See id}. at 1368.
\textsuperscript{183} \textit{See id}.
\textsuperscript{184} \textit{Id}. at 1369.
Usenet server who had held or transmitted Erlich’s posting at any given time. The court wisely felt such wide-sweeping liability was not contemplated by the Copyright Act when the actual direct infringer was easily ascertainable.\(^{185}\)

This holding appears to be directly contrary to the decision in *Frena*. The appearance is both correct and incorrect, however. The conflict resides in the fact that the court chose to distinguish the *Frena* holding, and comment on it in a contradictory fashion. The court clearly dispenses with the *Frena* reasoning by distinguishing the claim before it. In *Frena*, the court found the BBS liable for violating the plaintiff’s right to public display and distribution.\(^{186}\) In *Religious Technology Center*, the plaintiffs alleged copyright infringement based on the actual copying by the computers involved rather than public distribution or display.\(^{187}\) The court found that the reasoning of the *Frena* court had “no bearing on the issue of direct liability for unauthorized reproductions”\(^{188}\) and therefore held “that the storage on a defendant’s system of infringing copies and retransmission to other servers is not a direct infringement of the exclusive right to reproduce the work where such copies are uploaded by an infringing user.”\(^{189}\)

The analysis of the court is clear enough: the plaintiffs did not allege copyright infringement by public display or distribution, but rather by the act of copying itself. The court, however, did not allow its holding to stand on this reasoning. In a footnote to its discussion, the court states that “[g]iven the ambiguity in plaintiffs’ reference to a violation of the right to ‘publish’ and to *Frena*, it is possible that plaintiffs are also claiming that Netcom infringed their exclusive right to publicly distribute their works. The court will address this argument infra.”\(^{190}\) This statement directly contradicts the facts on which the court based its holding. The two sentences prior to the footnote remark: “plaintiffs do not argue that Netcom is liable for its public distribution of copies. Instead, they claim that Netcom is liable because its computers in fact made copies.”\(^{191}\)

The question thus becomes whether the *Religious Technology Center* court rejected the reasoning and holding of *Frena* or simply distinguished

\(^{185}\) See id. at 1369-70.

\(^{186}\) See supra notes 121-147 and accompanying text.


\(^{188}\) Id.

\(^{189}\) Id. at 1371.

\(^{190}\) Id. at 1370 n.15.

\(^{191}\) Id. at 1370.
the facts before it. The answer is that it did both. The court concluded that because the plaintiffs both argued that Netcom was liable for "maintain[ing] copies of [Erlich's] messages on its server for eleven days for access by its subscribers" and made reference to Frena, the plaintiffs might have been arguing the infringing activity was public distribution. The court addressed this argument because it found such reference "could be an attempt" to make such an argument. Because the court created an argument that was neither in the complaint nor presented on appeal, the court complicated matters further in its discussion.

The Religious Technology Center court expressed some disdain for the Frena holding, albeit in dicta. The court was not "entirely convinced that the mere possession of a digital copy on a BBS that is accessible to some members of the public constitutes direct infringement." The court believed that "[w]here the BBS merely stores and passes along all messages sent by its subscribers and others, the BBS should not be seen as causing these works to be publicly distributed or displayed," especially where the individual who posted the material is identifiable.

Again, this discussion was clearly dicta because the court chose to distinguish the facts before it. The court observed that, unlike the ISP in Frena, Netcom did not maintain archives of its subscribers files. The court also noted that Netcom did not create or control any of the information it provided for its subscribers: "[Netcom] merely provides access to the Internet, whose content is controlled by no single entity." Because of these facts, the court concluded Netcom could not be seen as "supply[ing] a product." The court found that allowing the actions of Netcom to constitute copyright infringement would "involve an unreasonably broad construction of public distribution and display rights." Thus, the Religious Technology Center court, while expressing mild disapproval of the Frena holding, distinguished the facts of the case before it in coming to its determination.

Nevertheless, by distinguishing the facts before it, the court left the door open for direct infringement liability on the part of some of Netcom's

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192 Id. at 1371.
193 Id. at 1372.
194 Id.
195 Id.
196 See id.
197 See id.
198 Id.
199 Id.
200 Id.
large competitors. Early in its opinion, the court separated Netcom from other large ISPs such as CompuServe, America Online, and Prodigy. The court stated that these competitors create and control the content provided to their subscribers.\(^{201}\) The court later reasoned that the public distribution and display argument should fail because unlike some of its larger competitors, “Netcom does not create or control the content of the information available to its subscribers; it merely provides access to the Internet, whose content is controlled by no single entity.”\(^{202}\) The inference is clear: where an ISP that “creates or controls” its content, such as America Online, is faced with similar charges, the court apparently would rule against the ISP.

The court also dealt with the issues of contributory and vicarious infringement. However, it found there were unresolved questions of fact regarding whether Netcom had the requisite knowledge of the infringing activity, whether Netcom substantially participated in the infringement, and whether Netcom had a valid defense to these claims. The court ultimately denied Netcom’s motion for summary judgment based on contributory infringement but granted the motion regarding direct and vicarious infringement.\(^{203}\) While Religious Technology Center may appear to be a victory for some ISPs, the complexity of the issues and the strained logic needed to deal with conflicting case law raise more questions than are answered.

**CONCLUSION**

The information revolution has changed the very nature of societal interaction, whether it be in the local community, nationwide, or worldwide. Such changes have arguably not been encountered since the Industrial Revolution. The question remains whether the legal system has been and will be able to maintain pace with the technological advances that, at times, appear to be occurring on a daily basis. The Digital Millennium Copyright Act is indeed a much-needed piece of legislation and has, at the very least, shed light on the legal uncertainties that accompany new technology. The limited liability for ISPs provided by Title II of the Act was an important move forward in protecting the incentives to make technological advances.

\(^{201}\) See id. at 1368.

\(^{202}\) Id. at 1372.

\(^{203}\) See id. at 1381, 1383.
Unfortunately, Title II of the Act is long, complex, and extremely formalistic. Before obtaining the limitations on liability, an ISP must first qualify under one or both of two separate definitions of "service provider" and qualify under two conditions for eligibility which each have separate qualifications. Once an ISP has passed these threshold requirements it must then qualify under the complex and specific conditions for each particular limitation on liability. However, because of its formalistic nature, the Act also creates a number of potential stumbling blocks, any one of which will disqualify the ISP from the limitations on liability. In the event an ISP is disqualified, the strained and conflicting legal precedent interpreting basic copyright law ceases to be only a specter and becomes a very real nightmare. Indeed, the legislative history of the Act indicates that this is exactly what Congress intended.

Thus, the question remains whether a complex statutory addition to clearly unsuitable existing copyright law will remedy the problem or simply provide a temporary and unsatisfactory answer. Technology is now moving faster than the law, and it remains to be seen if the law’s attempts at advancement will be both timely and thoughtful.

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204 There have been several cases relevant to service provider liability for copyright infringement. Most have approached the issue from the standpoint of contributory and vicarious liability. Rather than embarking upon a wholesale clarification of these doctrines, the Committee decided to leave current law in its evolving state and, instead, to create a series of "safe harbors," for certain common activities of service providers. A service provider which qualifies for a safe harbor, receives the benefit of limited liability.
