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ONLINE SERVICE PROVIDERS AND THE DIGITAL MILLENNIUM COPYRIGHT ACT: ARE COPYRIGHT OWNERS ADEQUATELY PROTECTED?

Brandon K. Murai*

I. INTRODUCTION

The Internet is a worldwide system of interconnected computers that allows people around the world to communicate and exchange information with one another.¹ In 1996, approximately 40 million people worldwide used the Internet and by 1999, 200 million people were expected to use the Internet.²

With this technological communication advance comes the danger that people will use this technology to infringe upon the intellectual property rights of others.³ A copyright is governed by federal law and generally protects the form of expression of ideas in words, pictures, sounds, etc.,⁴ but it

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1. See *Reno v. ACLU*, 521 U.S. 844, 849 (1997).

2. See *id.* at 850.

3. See 144 CONG. REC. H7092 (daily ed. Aug. 4, 1998) (statement of Rep. Frank).

4. A copyright protects:

[O]riginal works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

- (1) literary works;
- (2) musical works, including any accompanying words;
- (3) dramatic works, including any accompanying music;
- (4) pantomimes and choreographic works;
- (5) pictorial, graphic, and sculptural works;
- (6) motion pictures and other audiovisual works;
- (7) sound recordings; and

does not protect the ideas behind the form of the expression.⁵ Over the Internet, people can exchange words, sounds, pictures, and video clips,⁶ which sometimes violates a copyright holder's exclusive right to control the form of the expression under the Copyright Act.⁷

Changes to the copyright law were required to adapt the existing law to the problems posed by the Internet.⁸ The courts have slowly applied existing legal theories and principles to the modern technology. However, many areas of the Copyright Act have not been applied to the Internet due to the rapid changes in technology and because they needed clarification.

On October 28, 1998, Congress passed the Digital Millennium Copyright Act ("DMCA").⁹ Because the DMCA would update the Copyright Act to define the copyright infringement liability of online service providers,¹⁰ Representative Howard Coble stated that the DMCA was "the most comprehensive copyright bill since 1976."¹¹ The DMCA also incorpo-

(8) architectural works.

17 U.S.C. § 102(a) (1996).

5. A copyright does not protect "an original work of authorship extended to any idea, procedure, process, system, method of operation, concept principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work." *Id.* § 102(b).

6. *Reno*, 521 U.S. at 851.

7. Under the Copyright Act, the holder of a copyright, or his or her agent has the "exclusive rights to do and to authorize" another:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works 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, 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.

17 U.S.C. § 106 (1996).

8. See 144 CONG. REC. S11889 (daily ed. Oct. 2, 1998) (statement of Sen. Hatch).

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

10. See 144 CONG. REC. S11888 (daily ed. Oct. 8, 1998) (Statement of Sen. Thurmond).

11. 144 CONG. REC. H10615 (daily ed. Oct. 12, 1998) (Statement of Rep. Co-

rates two international treaties: the World Intellectual Property Organization Copyright Treaty and the Performances and Phonograms Treaty.¹² By incorporating the treaties, the DMCA would "ensure adequate protection for American works in countries around the world in the digital age."¹³

Title II of the DMCA is designed to help clarify the liability of online service providers ("OSPs") and Internet service providers ("ISPs"),¹⁴ such as America Online and Netcom, for copyright-infringing materials placed on their computer networks or to which their network provides access.¹⁵ The DMCA clarifies and limits the liability of OSPs who grant access to the Internet and the World Wide Web for copyright infringement under certain circumstances.¹⁶ Under current case law, an OSP cannot be held directly liable for copyright infringement when the OSP's system is merely a conduit for the spread of copyright-infringing materials.¹⁷ However, an

ble).

12. Digital Millennium Copyright Act § 102.

13. 144 CONG. REC. H10615 (daily ed. Oct. 12, 1998) (Statement of Rep. Coble). The two treaties were designed to "mak[e] it unlawful to defeat technological protections used by copyright owners to protect their works, including preventing unlawful access and targeting devices made to circumvent encrypted material" and "makes it unlawful to deliberately alter or delete information provided by a copyright owner which identifies a work, its owner and its permissible uses." *Id.*

14. A "service provider" is defined in the statute as follows:

(A) As used in subsection (a), 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 sent or received.

(B) As used in this section, other than subsection (a), the term "service provider" means a provider of online services or network access, or the operator of facilities therefor, and includes an entity described in subparagraph (A).

17 U.S.C. § 512(k)(1)(A)-(B) (1998). While this comment refers to OSPs throughout, it is intended to cover the more commonly used term, Internet Service Providers (ISPs), as well.

15. H.R. CONF. REP. NO. 105-796, at 64 (1998).

16. See Digital Millennium Copyright Act § 202 (adopting 17 U.S.C. § 512).

17. See *Playboy Enters., Inc. v. Webbworld, Inc.*, 991 F. Supp. 543 (N.D. Tex. 1997); *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503 (N.D. Ohio 1997); *Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs.*, 983 F. Supp. 1167 (N.D. Ill. 1997); *Religious Tech. Ctr. v. Netcom*, 907 F. Supp. 1361 (N.D. Cal. 1995). See also *Playboy Enters., Inc. v. Sanfillipo*, 46 U.S.P.Q.2d (BNA) 1350 (S.D. Cal. Mar. 25, 1998) (holding that a web site provider was guilty of derivative copyright infringement without making a specific finding of direct, contributory, or vicarious liability).

OSP can be held liable for contributory or vicarious copyright infringement liability.¹⁸ The decision to grant OSPs limited protection from direct, contributory, or vicarious copyright infringement liability under certain circumstances was the result of a two-year congressional effort to define the limits of OSP liability when the copyright infringement is caused by a third party.¹⁹ Congress attempted to balance the interest of providing affordable Internet access against the continued expression of ideas.²⁰

In balancing these opposing interests, OSPs, copyright holders, and members of Congress came to an agreement regarding the circumstances in which OSPs would receive limited protection from copyright infringement liability.²¹ By granting OSPs limited protection from copyright infringement liability caused by third parties, one question remains: in light of the previous case law, are the rights of copyright holders adequately protected?

This comment examines whether the rights of copyright owners are adequately protected under the DMCA when OSPs are granted limited protection from liability for a third party's infringing activities and whether further legislation is required to protect the copyright holder's rights. First, this comment examines case law, beginning with *Religious Technology Center v. Netcom*,²² the first case extensively analyzing OSP liability for a third party's copyright-infringing actions.²³ It then examines the relevant portions of the DMCA,²⁴ specifically 17 U.S.C. § 512,²⁵ regarding liability of OSPs for a third party's copyright-infringing actions.²⁶ Next, this comment compares the DMCA and case law, using a hypothetical situation in which a third party uses an OSP's services to spread

18. See *Webbworld*, 991 F. Supp. at 553-54; *Hardenburgh*, 982 F. Supp. at 514.

19. See 144 CONG. REC. H10620 (daily ed. Oct. 12, 1998) (statement of Rep Goodlatte).

20. See 144 CONG. REC. H7092 (daily ed. Aug. 4, 1998) (statement of Rep. Frank).

21. See 144 CONG. REC. H10620 (daily ed. Oct. 12, 1998) (statement of Rep Goodlatte).

22. *Netcom*, 907 F. Supp. at 1361.

23. See *infra* Part II.A.

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

25. 17 U.S.C. § 512(c) (1998).

26. See *infra* Part II.B.

its copyright-infringing messages, in order to determine the OSP's liability and the copyright holder's rights in such a situation.²⁷ Finally, based upon the copyright holder's rights under both the common law and the DMCA, this comment suggests that additional legislation is not required to properly protect the rights of a copyright holder.²⁸

II. BACKGROUND

A. Case Law Regarding Liability of Online Service Providers

1. Religious Technology Center v. Netcom

The first case to address OSP liability for a third party's infringing activities was *Religious Technology Center v. Netcom*.²⁹ In that case, Dennis Erlich, a former minister of the Church of Scientology, released secret copyrighted works owned by the Religious Technology Center ("RTC")³⁰ on an Internet newsgroup.³¹ L. Ron Hubbard, the late founder of the Church of Scientology, had written the copyrighted materials.³² Erlich released portions of the copyrighted works by copying them into messages that he wrote criticizing the Church of Scientology, which he then uploaded³³ to a bulletin board service ("BBS")³⁴ run by Thomas Klemesrud.³⁵ Klemes-

27. See *infra* Part III.

28. See *infra* Part IV.

29. *Religious Tech. Ctr. v. Netcom*, 907 F. Supp. 1361 (N.D. Cal. 1995).

30. See *id.* at 1365-66.

31. The *Webbworld* court explained:

A newsgroup is an Internet forum for the exchange of ideas by people of similar interests. Newsgroups exist on the Usenet, which like the World Wide Web is an aspect of the Internet. A newsgroup typically specializes in a certain subject area Newsgroups feature discrete collections of information called "articles." Newsgroup participants may "post" (upload) articles, which consist of text and/or images. . . . Once online and within a newsgroup, a participant may post an article, may view one of many articles on the computer screen, and may download an article to his or her computer for later retrieval or printing.

Playboy Enters., Inc. v. Webbworld, Inc., 991 F. Supp. 543, 549 (N.D. Tex. 1997).

32. See *Netcom*, 907 F. Supp. at 1365.

33. "The process of transferring the image from one's personal computer to the bulletin board is known as uploading." *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1554 n.3 (M.D. Fla. 1993).

34. A "bulletin board service" is:

[E]lectronic storage media, such as computer memories or hard disks, which is attached to telephone lines via modem devices, and controlled

rud's BBS did not have its own connection to the Internet and relied on Netcom Online Communications, Inc. ("Netcom") to connect to the Internet, storing the materials on Netcom's computer system.³⁶ RTC notified Netcom of the infringing materials posted on its system and asked Netcom to prevent Erlich from gaining Internet access through its system.³⁷ However, Netcom refused to grant RTC's request, claiming that it is impossible to pre-screen a subscriber's message and that to deny Erlich access would mean denying access to all the other users of Klemesrud's BBS.³⁸

Erlich posted the infringing materials on the Internet newsgroup through an automatic process.³⁹ He transmitted the materials from his home computer using a telephone and a modem to connect to Klemesrud's BBS.⁴⁰ The infringing messages, through an automatic process, were temporarily stored in Klemesrud's computer memory.⁴¹ Then Netcom software automatically copied the infringing messages onto Netcom's own computers.⁴² Once saved on the Netcom computer, the infringing messages would be available to any of Netcom's customers, as well as other members of the newsgroup to which Erlich posted his messages.⁴³ The infringing messages were stored for short periods of time: three days on Klemesrud's BBS and eleven days on Netcom's system.⁴⁴

RTC sued Netcom for derivative copyright infringement, claiming Netcom spread Erlich's infringing materials.⁴⁵ In its

by a computer. . . . Third parties, known as "users," of electronic bulletin boards can transfer information over the telephone lines from their own computers to the storage medium on the bulletin board by a process known as "uploading." Uploaded information is thereby recorded on the storage media. Third party users also can retrieve information from the electronic bulletin board by a process known as "downloading."

Sega Enters. Ltd. v. MAPHIA, 857 F. Supp. 679, 683 (N.D. Cal. 1994) ("*MAPHIA I*") (citation omitted).

35. See *Netcom*, 907 F. Supp. at 1366.

36. See *id.*

37. See *id.*

38. See *id.*

39. See *id.*

40. See *id.* at 1367.

41. See *Netcom*, 907 F. Supp. at 1367.

42. See *id.*

43. See *id.* at 1367-68.

44. See *id.* at 1367.

45. See *id.* at 1366.

suit, RTC argued direct, contributory, and vicarious copyright infringement theories.⁴⁶

In order to prove a copyright violation, the plaintiff must establish ownership of a valid copyright.⁴⁷ A copyright creates a rebuttable presumption of validity when the holder receives a registration certificate from the Copyright Office.⁴⁸ The *Netcom* court held that RTC established the rebuttable presumption of a valid copyright.⁴⁹

The plaintiff also needs to establish that the alleged infringer made a copy of a protected form of expression.⁵⁰ In order to show that the Netcom program copied Erlich's infringing message and RTC's protected materials onto the Netcom computer system, the court relied upon *MAI Systems Corp. v. Peak Computer, Inc.*⁵¹ In *MAI Systems*, the Ninth Circuit held that a computer repair person, who was not authorized to use the licensed program, committed direct copyright infringement when the computer was briefly turned on to load the program into the Random Access Memory ("RAM") to check an "error log."⁵² The *MAI Systems* court ruled that there was a copyright violation because, by turning on the computer, the program was copied into RAM and the copy was stable long enough to be perceived.⁵³

A copy is created on a computer system when it is "sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration."⁵⁴ The copy must also be "fixed in any tangible medium of expression, now known or later developed, from which [it] can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device."⁵⁵ The *Netcom* court held that a "copy" of RTC's copyrighted material was created on Netcom's computer system.⁵⁶

46. See *id.* at 1366-77.

47. See *Baxter v. MCA, Inc.*, 812 F.2d 421, 423 (9th Cir. 1987), *cert. denied*, 484 U.S. 954 (1987).

48. See 17 U.S.C. § 410(c) (1996).

49. See *Netcom*, 907 F. Supp. at 1367.

50. See *Baxter*, 812 F.2d at 423.

51. *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993).

52. *Id.* at 518-19.

53. See *id.* at 518.

54. 17 U.S.C. § 102(a) (1996).

55. *Id.* § 101.

56. See *Religious Tech. Ctr. v. Netcom*, 907 F. Supp. 1361, 1368 (N.D. Cal.

a. *Direct Copyright Infringement*

To prove direct copyright infringement, a copyright holder must show that the alleged infringer violated one of the exclusive rights of a copyright holder.⁵⁷ Under the 1976 Copyright Act, there is no intent requirement for a direct copyright infringement to take place.⁵⁸ However, the *Netcom* court held that there must be some volitional aspect, and found that Netcom did not consciously cause the copying to take place.⁵⁹ The court compared the situation to a copy machine owner who allows the public to use the copier, which is then used by a third party to make infringing copies.⁶⁰

In holding that some volitional action is required for direct copyright infringement liability, the court declined to follow other district courts, which often found direct copyright infringement for operators of BBSs.⁶¹ In *Playboy Enterprises, Inc. v. Frena*,⁶² subscribers to a BBS operated by Frena posted copyrighted pictures owned by Playboy Enterprises, Inc. ("Playboy").⁶³ Frena, once notified of the copyright violations, began to monitor the BBS to make sure that no other infringing materials appeared on his BBS.⁶⁴ The *Frena* court nonetheless held that a violation of Playboy's public distribution and display rights occurred when the BBS subscribers uploaded and downloaded⁶⁵ the infringing pictures.⁶⁶ In addition, the *Frena* court held that although Frena might have been unaware of the presence of the copyright-infringing images, there is no intent or knowledge requirement for copyright infringement.⁶⁷ The *Netcom* court refused to follow *Frena's* holding because the *Frena* court did not take into ac-

1995).

57. See 17 U.S.C. § 501(a) (1996).

58. See *id.* § 504(c).

59. See *Netcom*, 907 F. Supp. at 1368-70.

60. See *id.* at 1369.

61. See *Sega Enters. Ltd. v. MAPHIA*, 857 F. Supp. 679 (N.D. Cal. 1994) ("*MAPHIA I*"); *Playboy Enterprises, Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993).

62. *Frena*, 839 F. Supp. at 1554.

63. *Id.*

64. See *id.*

65. "The process of transferring the image from the bulletin board to one's personal computer is known as downloading." *Frena*, 839 F. Supp. at 1554 n.1.

66. See *Frena*, 839 F. Supp. at 1556-57.

67. See *id.* at 1559 (citing *D.C. Comics Inc. v. Mini Gift Shop*, 912 F.2d 29 (2nd Cir. 1990)).

count the fact that the defendant did not create the copies on its computer, i.e., the copies were created by a subscriber and not by the defendant.⁶⁸

In *Sega Enterprises Ltd. v. MAPHIA*,⁶⁹ a BBS allowed subscribers to upload and download copyrighted video games owned by Sega Enterprises.⁷⁰ Subscribers were encouraged by the defendant to upload video games in exchange for the subscriber's ability to download other video games from the BBS.⁷¹ The District Court for the Northern District of California held that Sega Enterprises showed a prima facie case of direct copyright infringement because MAPHIA created copies of the video games when Sega's programs were uploaded to the BBS with the defendant's knowledge.⁷² The *Netcom* court also declined to follow this holding because it believed that the finding by the *Sega* court regarding direct copyright infringement was "entirely conclusory."⁷³ The *Netcom* court further found that the *Sega* court may have confused the direct infringement requirements with contributory copyright infringement requirements.⁷⁴

According to the *Netcom* court, a direct infringement theory without a volitional action requirement, "would create many separate acts of infringement and, carried to its natural extreme, would lead to unreasonable liability"⁷⁵ because any computer that copied and disseminated the infringing message would be liable for direct infringement.⁷⁶ "Although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where

68. See *Religious Tech. Ctr. v. Netcom*, 907 F. Supp. 1361, 1370-71 (N.D. Cal. 1995).

69. See *Sega Enters. Ltd. v. MAPHIA*, 857 F. Supp. 679 (N.D. Cal. 1994) ("*MAPHIA I*"). Note that the district court in the later *Sega Enters. Ltd. v. MAPHIA* ("*MAPHIA II*"), 948 F.Supp. 923 (N.D. Cal. 1996), distinguished the preliminary injunction holding in *MAPHIA I*, stating that it did not make a conclusion of law that the defendant was guilty of direct copyright infringement and followed *Netcom* in requiring some volitional action. See also *Sega Enters. Ltd. v. Sabella*, 1996 WL 780560 (N.D. Cal. Dec. 18, 1996) (holding by the same district court judge as *MAPHIA I* that some volitional action was required to show direct copyright infringement by the BBS on a similar set of facts).

70. See *MAPHIA I*, 857 F. Supp. at 687.

71. See *id.*

72. See *id.* at 686.

73. *Netcom*, 907 F. Supp. at 1371.

74. See *id.*

75. *Id.* at 1369.

76. See *id.* at 1368-70.

a defendant's system is merely used to make a copy by a third party."⁷⁷ The *Netcom* court read in a volition requirement because the copies were made automatically, with no action taken directly by the OSP.⁷⁸

The *Netcom* court also held that Netcom did not violate RTC's exclusive right of "public distribution and display."⁷⁹ Netcom only temporarily stored the copies of the infringing works on its computer system⁸⁰ and did not control the content of the material placed onto its system.⁸¹ The court held that Netcom's act of merely providing a connection to the Internet through which Erlich spread the infringing materials did not violate the copyright holder's exclusive rights.⁸² The court held that to allow such liability "would involve an unreasonably broad construction of public distribution and display rights."⁸³

In summary, the *Netcom* court held that Netcom was not liable for direct copyright infringement merely because an infringing copy was created on Netcom's computer system with no volitional action by Netcom.⁸⁴ Furthermore, the court did not find that Netcom violated RTC's exclusive rights under the Copyright Act because Netcom did not control the materials placed onto its system and only temporarily stored those materials.⁸⁵ Since Netcom merely acted as a "conduit" by which Erlich's material was able to reach the Internet, no liability resulted.⁸⁶

77. *Id.* at 1370.

78. *See id.* at 1368-70.

79. *Netcom*, 907 F. Supp. at 1371-72.

80. In *Playboy Enterprises, Inc. v. Frena*, the court held that the public distribution and display rights of Playboy were infringed when copyrighted pictures owned by Playboy were made available for downloading from Frena's BBS. *See Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1556-57 (M.D. Fla. 1993). The *Netcom* court distinguished this case because Netcom did not store the infringing materials on its computer system as an archive for its members, thereby "supplying a product" for its members, but served as an access point through which the infringing materials were able to be placed on the Internet. *Netcom*, 907 F. Supp. at 1372.

81. *See Netcom*, 907 F. Supp. at 1372.

82. *See id.*

83. *Id.*

84. *See id.* at 1368-71.

85. *See id.* at 1372.

86. *See id.*

b. *Contributory Copyright Infringement*

Although the court found no direct copyright infringement, it held that Netcom could still be liable for contributory copyright infringement.⁸⁷ To demonstrate contributory copyright infringement, a plaintiff must show a defendant's knowledge of the infringing activity.⁸⁸ RTC argued Netcom met this requirement when RTC notified Netcom of the infringing materials, but Netcom refused to take action.⁸⁹ Netcom argued that it had no way of knowing whether the materials were truly infringing.⁹⁰ The court held that,

[w]here a BBS operator cannot reasonably verify a claim of infringement, either because of a possible fair use defense, the lack of copyright notices on the copies, or the copyright holder's failure to provide the necessary documentation to show that there is a likely infringement, the operator's lack of knowledge will be found reasonable and there will be no liability for contributory infringement for allowing the continued distribution of the works on its system.⁹¹

The court held that questions of fact regarding Netcom's knowledge of the infringing activity remained and hence refused to grant summary judgment.⁹²

In addition to the knowledge requirement, the plaintiff must also demonstrate substantial participation by the defendant in furthering the spread of the infringing materials.⁹³ The court found the second requirement is met when the OSP knows, or has reason to know, of infringing materials and the materials remain on the OSP's system after knowledge is acquired.⁹⁴

c. *Vicarious Copyright Infringement*

The *Netcom* court also held that an OSP could be vicariously liable for copyright infringement.⁹⁵ For vicarious liability, the OSP must have the "right and ability to control" the

87. See *Netcom*, 907 F. Supp. at 1373-75.

88. See *id.* at 1373.

89. See *id.*

90. See *id.* at 1373-74.

91. *Id.* at 1374.

92. See *id.* at 1374-75.

93. See *Netcom*, 907 F. Supp. at 1375.

94. See *Id.*

95. See *id.* at 1375-77.

infringing activities.⁹⁶ In addition, a copyright holder must demonstrate that an OSP has the "right and the ability to supervise the conduct of its subscribers."⁹⁷ RTC argued that Netcom had the ability to control its subscriber's infringing messages because Netcom reserved the right to take remedial action against subscribers in its terms and conditions.⁹⁸ All subscribers must agree to terms and conditions of service when signing up for Netcom's service.⁹⁹ The technology is available for Netcom to delete specific postings, so Netcom could have taken action to remove the infringing postings.¹⁰⁰

In addition, to demonstrate vicarious copyright infringement the copyright holder must prove that the alleged infringer obtains a "direct financial benefit" from the infringing materials.¹⁰¹ The court held that receiving a fee for Internet service is insufficient evidence of a direct financial benefit.¹⁰² The court further held that for a "direct financial benefit" to exist the OSP must receive some financial benefit from the infringing materials, e.g., an enhanced value for the service or the ability to attract new subscribers due to the presence of the infringing material on its computer system.¹⁰³ Although the court found that Netcom's actions met the "right and ability to control" element, the court found no vicarious copyright liability because Netcom did not obtain a direct financial benefit from the infringing materials.¹⁰⁴

2. Case Law Since Netcom

*Marobie-FL, Inc. v. National Association of Fire Equipment Distributors*¹⁰⁵ followed the *Netcom* holding. In *Marobie*, the owner of a clip art software program,¹⁰⁶ Marobie-FL, brought suit against Northwest Nexus ("Northwest"), a World

96. *Id.* at 1375.

97. *Id.*

98. *See id.*

99. *See Netcom*, 907 F. Supp. at 1375-76.

100. *See id.*

101. *Id.* at 1376.

102. *See id.* at 1377.

103. *See id.*

104. *See id.* at 1376-77.

105. *Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs.*, 983 F. Supp. 1167 (N.D. Ill. 1997).

106. "Computer clip art consists of ready-made disks of black and white or color line art drawings that a computer user can display on his computer and use as artwork." *Id.* at 1171.

Wide Web¹⁰⁷ service provider, because portions of copyrighted software were available on a web page¹⁰⁸ located on Northwest's computer system.¹⁰⁹ Marobie-FL argued that Northwest was guilty of copyright infringement because Northwest stored the infringing materials on its system, provided access to the infringing materials via the web page, and allowed copies of the infringing materials to be made.¹¹⁰

The *Marobie* court held that Northwest was not guilty of direct copyright infringement because it did not engage in infringing activity itself.¹¹¹ Rather, Northwest "only provided the means to copy, distribute or display plaintiff's works, much like the owner of a public copying machine used by a third party to copy protected material."¹¹² In addition, the *Marobie* court held that Northwest was not guilty of vicarious copyright infringement.¹¹³ Northwest did not financially benefit from the posted infringing materials since it merely received a one-time setup fee and a flat quarterly fee for the service.¹¹⁴ Without any additional financial benefit due to the presence of the infringing materials, no liability was shown.¹¹⁵ The court reserved judgement for contributory infringement because it was unclear whether Northwest had knowledge of the infringing materials, or had the ability to control the contents of what was placed on the web page.¹¹⁶

In *Playboy Enterprises, Inc. v. Russ Hardenburgh, Inc.*,¹¹⁷ the District Court for the Northern District of Ohio distinguished the *Netcom* decision. In *Hardenburgh*, the defendant owned a BBS where subscribers could access and download

107. "The World Wide Web ('the Web') or the Internet is a network of interconnected computers linked by communication lines that allows persons with the appropriate software to access other computers with their local computer through the use of a modem." *Id.*

108. "A Web Page is a collection of electronic documents which may include text, graphics, sound, or video. A Web Page may enable the user to place information on the Web Page or to receive information from the Web Page." *Id.*

109. *See id.*

110. *See id.* at 1176-79.

111. *See Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs.*, 983 F. Supp. 1167, 1178 (N.D. Ill. 1997).

112. *Id.*

113. *See id.* at 1179.

114. *See id.*

115. *See id.*

116. *See id.* at 1178-79.

117. *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503 (N.D. Ohio 1997).

materials unavailable to other members of the public.¹¹⁸ In addition to access to the restricted files, the BBS provided other services such as e-mail, chat rooms, advertisements, "computer technical assistance," and even a dating service.¹¹⁹

The files available for downloading by subscribers included a number of "adult" pictures, some of which Playboy owned.¹²⁰ The defendant offered its subscribers the ability to download more files beyond the weekly allotment from its BBS in exchange for subscribers posting additional materials to the BBS.¹²¹ The defendant offered this exchange service in order to make a greater number of files available for downloading and thereby make the service more attractive to new customers.¹²² When the defendant received new files, the files were placed into a separate folder where a BBS employee "briefly checked the new files to ascertain whether [they were] 'acceptable,' meaning, not pornographic, and not blatantly protected by copyright."¹²³ The employee would check the materials before they were available for download by other subscribers.¹²⁴

The court held that the defendant was guilty of direct copyright infringement.¹²⁵ Hardenburgh tried to claim a similarity to the OSP in *Netcom*, by arguing it was a mere passive conduit for the infringing materials to be transmitted to others because the subscribers posted the infringing materials on the BBS.¹²⁶ However, the *Hardenburgh* court distinguished the defendant from the OSP in *Netcom* since the defendant did take some volitional action.¹²⁷ The court held that the defendant directly infringed by providing incentives for subscribers to submit files in exchange for the ability to download more files from its BBS.¹²⁸ In addition, the defendant had a screening policy, where employees examined the submitted materials for possibly infringing materials, before

118. *See id.* at 505.

119. *Id.*

120. *See id.* at 506.

121. *See id.*

122. *See id.*

123. *Hardenburgh*, 982 F. Supp. at 506

124. *See id.*

125. *See id.* at 512-14.

126. *See id.* at 509.

127. *See id.* at 512-13.

128. *See id.* at 513.

placing them on the BBS.¹²⁹ This was ruled an insufficient policy because the defendant knew of the possible presence of Playboy's copyrighted materials on its system, yet did not adequately screen for them.¹³⁰ The court held that the defendant infringed Playboy's exclusive display and distribution rights under the 1976 Copyright Act when the defendant allowed Playboy's copyrighted pictures to be uploaded, screened (but not discarded) by employees, and downloaded by subscribers.¹³¹ In addition, the court found the defendant liable for contributory copyright infringement because the defendant encouraged and provided incentives for subscribers to submit materials (i.e., substantial participation), some of which were likely to come from Playboy (i.e., knowledge).¹³²

The *Netcom* holding was also distinguished in another case involving Playboy: *Playboy Enterprises, Inc. v. Webbworld, Inc.*¹³³ Here the defendant operated a web page offering "adult" materials to its paying subscribers.¹³⁴ The defendant wrote a program which automatically downloaded materials from selected "adult" newsgroups, edited the materials to remove anything but pictures, and made smaller copies (i.e., "thumbnails") of the pictures.¹³⁵ The program then transmitted those pictures to computers that made the pictures available to subscribers.¹³⁶ The pictures gathered from the newsgroups remained on the system for approximately six days before being deleted to make room for a new set of pictures.¹³⁷

Upon accessing Webbworld's page, the customer had an option of viewing the pictures available for downloading either by viewing a "thumbnail" image, which the customer could select to view a full size picture.¹³⁸ The Webbworld page also included instructions about how customers could view and download the full-size images to their personal comput-

129. See *Hardenburgh*, 982 F. Supp. at 513

130. See *id.*

131. See *id.*

132. See *id.* at 514.

133. *Playboy Enters., Inc. v. Webbworld, Inc.*, 991 F. Supp. 543 (N.D. Tex. 1997).

134. See *id.* at 549.

135. See *id.* at 549-50.

136. See *id.*

137. See *id.* at 550.

138. See *id.*

ers.¹³⁹

The court held that Webbworld was guilty of direct copyright infringement.¹⁴⁰ Webbworld argued that it acted as a mere conduit between its subscribers and the newsgroups containing the infringing pictures.¹⁴¹ Webbworld stressed that the infringing activities would continue whether it provided access to the infringing pictures or not.¹⁴² However, the court held that Webbworld's service was not providing access to the newsgroups, but rather was selling "adult" pictures.¹⁴³ Webbworld caused copies to be made of the pictures by creating its own "thumbnail" copies from the newsgroup pictures and editing them to remove all materials other than pictures.¹⁴⁴

Webbworld also argued that it did not control the content on, or the material taken from, the newsgroups.¹⁴⁵ The court rejected this argument because Webbworld controlled which newsgroups its program retrieved information from.¹⁴⁶ In addition, the court held that Webbworld could have taken protective measures, such as manually checking the materials or waiting until specialized software could be developed, to prevent copyright-infringing materials from appearing on its web site.¹⁴⁷

B. Online Service Provider Liability Under the DMCA

Section 202 of the DMCA¹⁴⁸ added 17 U.S.C. § 512¹⁴⁹ to update the Copyright Act. Section 512 clarifies the liability of universities, ISPs, and search engines for acts of copyright infringement that occur on their computer systems or as a result of providing access to the infringing materials.¹⁵⁰ Section 512 also defines the liability for copyright infringement of: (1)

139. See *Webbworld*, 991 F. Supp. at 550.

140. See *id.* at 550-53.

141. See *id.* at 552.

142. See *id.*

143. See *id.*

144. See *id.*

145. See *Webbworld*, 991 F. Supp. at 552-53.

146. See *id.*

147. See *id.* at 553.

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

149. 17 U.S.C. § 512 (1998).

150. See 144 CONG. REC. S11888 (daily ed. Oct. 8, 1998) (statement of Sen. Thurmond).

universities that provide Internet service to their faculty and students;¹⁵¹ (2) OSPs whose systems temporarily make a copy of infringing material in transmitting or routing material to the requestor of the material;¹⁵² (3) OSPs that merely copy and store infringing materials on their systems to reduce the burden on their system when transmitting frequently requested materials;¹⁵³ and (4) services, including search engines (e.g., "Yahoo!" and "Excite") that *merely refer or link* users to web sites that contain copyright-infringing materials.¹⁵⁴ Most relevant to this discussion, § 512 updates the existing copyright law by clarifying an OSP's liability for copyright infringement caused by third parties whose materials are stored on the OSP's system, as well as identifying the rights of copyright holders in such situations.¹⁵⁵

Section 512(c) provides OSPs with a defense to possible infringement claims so as to limit liability to only injunctive or equitable relief.¹⁵⁶ To qualify for the protection, (1) the OSP must not know¹⁵⁷ or have reason to know¹⁵⁸ of the presence of infringing material on its system due to a third party's acts; (2) when an OSP acquires knowledge of the infringing materials, it must act "expeditiously" to remove the infringing materials or block access to them;¹⁵⁹ (3) if the OSP has the right and ability to control the actions of the third party, it must not financially benefit due to the presence of infringing materials;¹⁶⁰ (4) the OSP must also adopt and implement, as well as notify its customers of, a policy that provides the OSP with the ability to terminate a subscriber's account when a subscriber repeatedly infringes copyrights;¹⁶¹ (5) the OSP must, upon the fulfillment of specialized notification procedures for infringing materials present on its system, act "expeditiously" to remove or block access to the infringing materials;¹⁶² (6) the OSP must designate on its web site in an area that is publicly

151. See 17 U.S.C. § 512(e).

152. See *id.* § 512(a).

153. See *id.* § 512(b).

154. See *id.* § 512(d).

155. See *id.* § 512(c).

156. See *id.* § 512(c)(1).

157. See 17 U.S.C. § 512(c)(1)(A)(i).

158. See *id.* § 512(c)(1)(A)(ii).

159. See *id.* § 512(c)(1)(A)(iii).

160. See *id.* § 512(c)(1)(B).

161. See *id.* § 512(i)(1)(A).

162. See *id.* § 512(c)(1)(C).

available an agent to receive notification from a copyright holder, under the specified procedures described below, of infringing materials present on its system;¹⁶³ and (7) the OSP must also submit contact information for its designated agent to the Copyright Office, which the Copyright Office will then place in a publicly accessible directory.¹⁶⁴

By complying with the specialized notification procedures, a copyright holder or his or her agent may notify the OSP of copyright-infringing materials present on its system and request that the OSP remove or block access to the infringing materials.¹⁶⁵ The notification provided to the OSP must be in writing¹⁶⁶ and include: (1) identification of the copyrighted work(s) that are claimed to be infringed;¹⁶⁷ (2) identification of the infringing material(s) sufficient to allow the OSP to locate the infringing materials;¹⁶⁸ (3) contact information of the copyright holder or his or her agent;¹⁶⁹ (4) a statement that the notifying party has a good faith belief that the materials claimed to be infringing its use are not authorized by the copyright holder, his/her agent, or the law;¹⁷⁰ (5) a statement that the notification information is accurate and that, under the penalty of perjury, the notifying party is authorized to take such action;¹⁷¹ and (6) a physical or electronic signature of a person authorized to enforce the rights of the copyright holder.¹⁷²

Pursuant to § 512(g), an OSP who removes allegedly infringing material on its system placed there by one of its subscribers, as a result of the notification procedure, is protected from liability attributed to the subscriber if it complies with a specified procedure.¹⁷³ Under the procedure, (1) the OSP must take reasonable steps to notify the subscriber that the allegedly infringing material has been removed or access to it has been blocked;¹⁷⁴ (2) if the OSP receives a written counter-

163. See 17 U.S.C. § 512(c)(2).

164. See *id.*

165. See *id.* § 512(c)(1)(C).

166. See *id.* § 512(c)(3)(A).

167. See *id.* § 512(c)(3)(A)(ii).

168. See *id.* § 512(c)(3)(A)(iii).

169. See 17 U.S.C. § 512(c)(3)(A)(iv).

170. See *id.* § 512(c)(3)(A)(v).

171. See *id.* § 512(c)(3)(A)(vi).

172. See *id.* § 512(c)(3)(A)(i).

173. See *id.* § 512(g)(1).

174. See *id.* § 512(g)(2)(A).

notification¹⁷⁵ from the subscriber which (a) identifies the material that was removed or disabled and its location before being removed or disabled,¹⁷⁶ (b) states that the subscriber believes in good faith that the material was removed or blocked by "mistake or misidentification of the material to be removed or disabled,"¹⁷⁷ (c) states that the subscriber subjects himself or herself to personal jurisdiction of a federal district court,¹⁷⁸ and (d) has a physical or electronic signature of the subscriber;¹⁷⁹ (3) the OSP must contact the notifying party informing it that the materials will be replaced or access reinstated after ten working days;¹⁸⁰ and (4) the OSP must then replace or reinstate access to the allegedly infringing materials unless notified that a suit has been brought by the notifying party to stop the subscriber from engaging in copyright-infringing action on the OSP's system.¹⁸¹

Under § 512(h), a copyright holder may also serve the OSP with a subpoena requesting the identity of the alleged copyright infringer.¹⁸² A copyright holder may obtain this subpoena from a federal district court¹⁸³ upon presentation of a copy of the OSP notification of allegedly infringing materials present on the OSP's system¹⁸⁴ and a statement that the information requested will be used only for protection of rights under the Copyright Act.¹⁸⁵ Upon proper service of the subpoena and the notification, the OSP must disclose the information requested by the subpoena to the copyright holder or his or her agent.¹⁸⁶

III. IDENTIFICATION OF THE PROBLEM

The DMCA, specifically the addition of 17 U.S.C. § 512,¹⁸⁷ codifies the case law regarding the liability of OSPs for copyright infringement when third parties place infringing mate-

175. See 17 U.S.C. § 512(g)(3).

176. See *id.* § 512(g)(3)(B).

177. *Id.* § 512(g)(3)(C).

178. See *id.* § 512(g)(3)(D).

179. See *id.* § 512(g)(3)(A).

180. See *id.* § 512(g)(2)(B).

181. See 17 U.S.C. § 512(g)(2)(C).

182. See *id.* § 512(h).

183. See *id.* § 512(h)(1).

184. See *id.* § 512(h)(2)(A).

185. See *id.* § 512(h)(2)(C).

186. See *id.* § 512(h)(5).

187. 17 U.S.C. § 512(c).

rials on the service provider's computer system. Through the DMCA, Congress also defines the liability of online service providers for copyright infringement under other circumstances, such as universities that provide Internet access to their students and faculty.¹⁸⁸ Although copyright holders were consulted in the congressional proceedings and drafting of the DMCA,¹⁸⁹ the question remains whether copyright holders are adequately protected in light of the changes made to the holdings under the case law. In addition, questions arise as to whether additional legislation is required to adequately protect copyright holders.

IV. ANALYSIS

In order to explore the changes made to the case law by the adoption of the DMCA and specifically the addition of 17 U.S.C. § 512,¹⁹⁰ consider the following hypothetical situation.

Service Unlimited¹⁹¹ is an online service provider that gives its subscribers an e-mail account and access to the Internet for a fixed monthly fee. In addition to e-mail and Internet access, Service Unlimited provides its subscribers with the option of creating a personal web site for a nominal setup fee and a flat monthly rate. Within its terms and conditions of service, to which all subscribers must agree, Service Unlimited retains the right and ability to terminate the service of subscribers who consistently commit copyright violations. The Service Unlimited web site notifies interested people of its designated agent for the notification process. Service Unlimited also notifies the Copyright Office of its agent.

Dan Defendant, a subscriber of Service Unlimited's services, decides to create his own web site. Dan is a big sports fan and decides to devote his personal web page to the teams and the sports he zealously follows. In order to make his web page more attractive, he decides to put pictures of various star athletes as well as professional team insignias on his page. The pictures and insignias are available to download

188. *See id.* § 512(e).

189. *See* 144 CONG. REC. H10620 (daily ed. Oct. 12, 1998) (statement of Rep. Goodlatte).

190. 17 U.S.C. § 512(c).

191. Service Unlimited is a fictional OSP that will be used throughout the analysis to illustrate an OSP's liability under case law. *See infra* Part IV.A-B.

by any visitor to Dan's web page. Dan obtains the materials for his web site by searching various sports-related newsgroups for pictures of athletes. In addition, Dan acquires the team insignias and individual athlete photographs by downloading the images from the web sites of various professional teams. He also includes short video clips of portions of actual games, also downloaded from the team web sites.

Dan transmits his web page to the Service Unlimited computer through a mostly automated process. First, Dan designs his web page on his personal computer using his Service Unlimited Internet service to download pictures, video clips, and team insignias from newsgroups and professional sports teams' web pages. Second, Dan connects to the Service Unlimited system via modem on his personal computer. Finally, through an automatic program written by Service Unlimited, a copy of the web page is created on the Service Unlimited computer network. After the process is complete, visitors are able to access Dan's web site by requesting a copy of the web page and by specifying its location on the Service Unlimited computer.

Dan Defendant's web page contains infringing materials. Some of the pictures Dan took from newsgroups and placed on his web site were originally taken from copyrighted sports magazines and individual copyrights are held on the pictures themselves. In addition, Dan took the copyrighted team logos and video clips directly from the team web sites.

Service Unlimited had no knowledge of Dan's copyright infringement. When notified by the copyright holders of the infringing materials present on Dan's web site, Service Unlimited acted to block access to Dan's page.

A. Result Under Case Law

1. Direct Copyright Infringement

If a copyright holder brings an action for direct copyright infringement against Service Unlimited, the action would most likely fail under current case law.¹⁹² Using the *Netcom*

192. See *Playboy Enters., Inc. v. Webbworld, Inc.*, 991 F. Supp. 543 (N.D. Tex. 1997); *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503 (N.D. Ohio 1997); *Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs.*, 983 F. Supp. 1167 (N.D. Ill. 1997); *Religious Tech. Ctr. v. Netcom*, 907 F. Supp. 1361 (N.D. Cal. 1995).

analysis,¹⁹³ the copyright holder could not show direct copyright infringement against Service Unlimited due to a lack of volitional action on the part of Service Unlimited.

A copyright holder could establish that a copy of the copyrighted work had been made. The process of copying materials from Dan's personal computer onto the Service Unlimited web page satisfied the copying requirement. Under *MAI Systems*,¹⁹⁴ a physical copy is not required and, as here, a copy made into the memory of a computer is enough to trigger a copyright violation.¹⁹⁵

As the *Netcom* court held, the copyright holder is not required to show an intent to infringe a copyright in order to merit a direct copyright infringement violation.¹⁹⁶ Instead, only some volitional action by the accused infringer to create the copy is needed.¹⁹⁷ As in *Netcom*, there is no volitional action on the part of the online service provider in this hypothetical. A software program automatically copied Dan's web page on the Service Unlimited system without any editing or alteration. In addition, the infringing web page was also transferred to the visitor's computer through an automated process. In neither situation does Service Unlimited take any volitional action nor violate the copyright holder's rights. Rather, Service Unlimited acts as a mere storage space and conduit in which the infringing materials are spread.

Service Unlimited's actions were analogous to *Marobie*,¹⁹⁸ where the service provider had a web site with infringing materials located on its network.¹⁹⁹ The court in *Marobie* held that the OSP was not liable for direct copyright infringement because it did nothing more than provide access to the Internet.²⁰⁰ Similarly, Service Unlimited only provided a conduit through which Dan was able to spread his copyright-infringing materials.

A court would also distinguish the instant hypothetical

193. *Netcom*, 907 F. Supp. at 1361.

194. *See MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993).

195. *See Netcom*, 907 F. Supp. at 1368-71.

196. *See id.* at 1367.

197. *See id.*

198. *See Marobie-FL, Inc. v National Ass'n of Fire Equip. Distribs.*, 983 F. Supp. 1167, 1176-78 (N.D. Ill. 1997).

199. *See id.* at 1178.

200. *See id.* at 1176-78.

from *Webbworld*,²⁰¹ where the court held that because Webbworld could control the searched newsgroups and could take measures to prevent copyright-infringing materials from becoming available on the BBS, it was more than a mere conduit for the infringing materials to reach the Internet.²⁰² Although Service Unlimited created the software that copied Dan's web page onto its server, Service Unlimited had no personal control over the content that a third party placed on the web page. Service Unlimited was merely selling access to the Internet, rather than selling access to the content on Dan's web site. Also, Service Unlimited did not edit or alter the material when copying the web page onto its computer system.

The court would also distinguish the situation from *Hardenburgh*,²⁰³ where the court held that direct copyright infringement occurred because the defendant provided incentives for subscribers to submit infringing materials and had a program in place to search for copyright-infringing materials.²⁰⁴ Service Unlimited did not provide incentives for submitting or placing possible copyright-infringing materials on its computer network. Further, Service Unlimited had no program or policy in place to monitor, and thereby control, the content of the web sites located on its system. Without the incentive or monitoring plan, the Service Unlimited case is distinguishable from *Hardenburgh*.

2. Contributory Copyright Infringement

Under case law, a plaintiff must show the defendant's knowledge concerning the presence of infringing materials on the web site and substantial participation in the infringing activity to demonstrate contributory copyright infringement.²⁰⁵ In *Netcom*, the court held that where an OSP has reasonable uncertainty regarding the validity of a claim of copyright infringement, the fact that the service provider allowed the allegedly infringing materials to remain on the sys-

201. *Playboy Enters., Inc. v. Webbworld, Inc.*, 991 F. Supp. 543 (N.D. Tex. 1997).

202. *See id.* at 552-53.

203. *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503 (N.D. Ohio 1997).

204. *See id.* at 513-14.

205. *See Religious Tech. Ctr. v. Netcom*, 907 F. Supp. 1361, 1375-77 (N.D. Cal. 1995).

tem did not satisfy the knowledge requirement.²⁰⁶ Service Unlimited, by immediately blocking access to Dan's web site, avoids satisfying the knowledge requirement since it blocked access to the materials after acquiring knowledge of the existence of possibly infringing materials on its computer network. Service Unlimited's actions demonstrate a lack of knowledge of Dan Defendant's copyright infringement. This contrasts with the OSP's actions in *Netcom*, where a question remained whether Netcom had reasonable doubt regarding the legitimacy of the copyright holder's claim when it allowed the infringing materials to remain on its computer network.²⁰⁷

In addition, the copyright holders would be unable to satisfy the second requirement of contributory copyright infringement: substantial participation in the infringing activity.²⁰⁸ *Netcom* held that allowing infringing materials to remain on an OSP's computer network after acquiring knowledge of the presence of such infringing materials would satisfy the substantial participation requirement for contributory copyright infringement.²⁰⁹ Even if Service Unlimited were found to have had knowledge of the infringing activity, this second requirement would not be satisfied because Service Unlimited blocked access to Dan's web page as soon as it received notification.

3. Vicarious Copyright Infringement

In order to establish a claim for vicarious copyright infringement, a plaintiff needs to show (1) that the OSP had the right and ability to control the infringing materials, and (2) that it gained a direct financial benefit from the infringing activity.²¹⁰ The *Netcom* court allowed the possibility that the first element could be met through a policy where the OSP retains the right to take remedial actions against the subscriber for infringing activities.²¹¹ In the hypothetical, Service Unlimited's retention of the ability to terminate the Internet service of a subscriber may meet the "right and ability to control" requirement for vicarious copyright infringement.

206. See *id.* at 1374.

207. See *id.* at 1374-75.

208. See *id.* at 1375.

209. See *id.*

210. See *id.* at 1375-77.

211. See *Netcom*, 907 F. Supp. at 1376.

However, the vicarious copyright infringement action would likely fail under the second requirement, that the OSP receive some direct financial benefit from the infringing activity.²¹² A copyright holder in the hypothetical could argue that the direct financial benefit would be the additional revenue that Service Unlimited receives for providing Dan's web page with access to the Internet. Service Unlimited would analogize its situation to *Marobie*,²¹³ where the court held that an OSP that only receives an initial setup fee and a flat monthly rate for service did not meet the direct financial benefit requirement.²¹⁴ The *Marobie* court found that to meet the requirement the OSP would have to receive some additional financial benefit beyond just a mere setup fee and a flat rate.²¹⁵ Here, Service Unlimited would argue that although it received a nominal setup fee in addition to the fee it received for Internet access, like the *Marobie* OSP, it did not receive any other financial benefit from the presence of infringing materials on its computer system.

B. Result Under the Digital Millennium Copyright Act

Under the DMCA, an OSP that fulfills the requirements under § 512(c)²¹⁶ will be relieved from all monetary damages and subject to only limited injunctive relief for direct, contributory, and vicarious copyright infringement.²¹⁷ Service Unlimited's actions satisfy § 512(c) and thus its liability is limited.

Service Unlimited designated an agent to receive notifications of possibly infringing materials, posted its agent's identity on its web site,²¹⁸ and notified the Copyright Office of its agent's identity.²¹⁹ Service Unlimited also adopted a policy of terminating the Internet service of subscribers who repeatedly commit acts of copyright infringement and notified its subscribers of this policy.²²⁰ By following these procedures,

212. See *id.* at 1376-77.

213. *Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs.*, 983 F. Supp. 1167 (N.D. Ill. 1997).

214. See *id.* at 1179.

215. See *id.*

216. 17 U.S.C. § 512(c) (1998).

217. See *id.*

218. See *id.* § 512(c)(2).

219. See *id.*

220. See *id.* § 512(i)(1)(A).

Service Unlimited has fulfilled the requirements required to receive limited liability.

Service Unlimited has also fulfilled the specific requirements under § 512(c) for immunity from monetary relief or limited injunctive relief for copyright infringement. In order to qualify for this limited liability, an OSP must comply with three major requirements. First, Service Unlimited must have no actual²²¹ or constructive²²² knowledge of the infringing activity on Dan's web site. Service Unlimited did not have knowledge of Dan's infringing activities because it did not control the content of what was placed on Dan's web site, nor did it alter the content when copying onto the Service Unlimited computer network.

Second, Service Unlimited must not draw a direct financial benefit from the infringing materials located on its computer network.²²³ As discussed above,²²⁴ Service Unlimited did not receive any financial benefit from the infringing materials. Service Unlimited only received fees for monthly Internet access, the initial set-up, and a flat monthly rate for the web page service.

Finally, assuming that the copyright holder follows the correct notification procedures,²²⁵ after Service Unlimited receives the notification it must act quickly to remove or block access to the allegedly infringing works.²²⁶ In the hypothetical, Service Unlimited blocked access to Dan's web site upon receiving notification of the infringing materials. Therefore, Service Unlimited satisfied all the conditions of § 512. As a result, Service Unlimited is immune from monetary relief and limited to only injunctive relief for direct, contributory, or vicarious copyright liability due to the infringing actions of a third party.

C. Comparison

Under both case law and the DMCA, Service Unlimited would most likely not be held liable for monetary damages for copyright infringement. Although the two systems for deter-

221. *See id.* § 512(c)(1)(A)(i).

222. *See* 17 U.S.C. § 512(c)(1)(A)(ii).

223. *See id.* § 512(c)(1)(B).

224. *See supra* Part IV.A.3.

225. *See* 17 U.S.C. § 512(c)(3).

226. *See id.* § 512(c)(1)(C).

mining the copyright infringement liability of OSPs for third party acts seem very different on their face, when compared closely, they are quite similar.²²⁷

In order to qualify for protection from all monetary relief and be subject only to limited injunctive relief under the DMCA, an OSP must comply with all of the requirements of § 512(c).²²⁸ These requirements do not depart significantly from the factors courts have used to avoid copyright infringement liability under the common law. In order for an OSP to be shielded under both case law and the DMCA, it must serve as a mere passive conduit in which a third party's copyright-infringing materials are allowed to reach the Internet.²²⁹ Further, both systems require that an OSP have no actual or constructive knowledge that infringing materials appear on its system.²³⁰ By requiring immediate removal or blocking of the infringing material upon notification,²³¹ the DMCA aligns with the knowledge²³² and substantial participation factors²³³ for no contributory copyright infringement liability under the common law. Finally, the DMCA's requirement that the OSP receive no financial benefit from the infringing materials when retaining the right and ability to control its member's conduct²³⁴ mirrors the "no direct financial benefit"²³⁵ and "right and ability to control" the infringing actions requirements²³⁶ under the case law.

In satisfying all the requirements under the DMCA, an OSP will probably not be liable for copyright infringement under any of the common law theories for copyright infringement. Although the DMCA seems, on its face, to give OSPs almost complete immunity from copyright infringement liability for a third party's actions, it does not drastically depart from the theories for an OSP's derivative copyright infringement liability under case law.

227. *See supra* Part IV.A-B.

228. *See* 17 U.S.C. § 512(c).

229. *See supra* Part IV.A.1 and Part IV.B.

230. *See* 17 U.S.C. § 512(c)(1)(A).

231. *See id.* § 512(c)(1)(C).

232. *See* *Religious Tech. Ctr. v. Netcom*, 907 F. Supp. 1361, 1373-75 (N.D. Cal. 1995).

233. *See id.* at 1375.

234. *See* 17 U.S.C. § 512(c)(1)(B).

235. *See* *Netcom*, 907 F. Supp. at 1376.

236. *See id.* at 1375.

V. PROPOSAL

The amendment to the Copyright Act, 17 U.S.C. § 512, appears to be a sufficient solution to define the liability of OSPs for a third party's copyright-infringing actions and seems mainly to codify the common law.²³⁷ Prior to the adoption of the DMCA, case law regarding the liability of OSPs was derived solely from federal district court decisions.²³⁸ Because the case law had not faced appellate scrutiny and was therefore still subject to reversal, the OSPs sought congressional action to clarify their liability for a third party's copyright-infringing actions.²³⁹

In providing this clarification, Congress codified the common law regarding OSP liability for the copyright-infringing actions of a third party. However, Congress also sought to protect the incentives provided by the intellectual property system to allow people to create and express their ideas.²⁴⁰ In balancing these equally important interests, Congress ensured that the copyright holder's rights were adequately protected by federal statute and, therefore, no further amendments are required to provide additional protections.

Although the DMCA (specifically § 512²⁴¹) limits the liability of OSPs for the acts of third parties, it does not affect the ability of a copyright holder to bring suit against a third party directly responsible for placing infringing materials on the Internet. While often removing the "deep pocket" that the copyright holder could sue for copyright infringement, the DMCA provides an alternate source through a specialized procedure whereby the copyright holder is able to get a subpoena from the court requiring an OSP to release information about its subscribers.²⁴² Through the subpoena process, the copyright holder is able to establish the identity of the person actually placing the infringing materials on the OSP's com-

237. See *supra* Part IV.

238. See *Playboy Enters., Inc. v. Webbworld, Inc.*, 991 F. Supp. 543 (N.D. Tex. 1997); *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503 (N.D. Ohio 1997); *Marobie-FL, Inc. v. National Ass'n of Fire Equip. Distribs.*, 983 F. Supp. 1167 (N.D. Ill. 1997); *Netcom*, 907 F. Supp. at 1361.

239. See 144 CONG. REC. H7095 (daily ed. Aug. 4, 1998) (statement of Rep. Goodlatte).

240. See 144 CONG. REC. H10620 (daily ed. Oct. 12, 1998) (statement of Rep. Goodlatte).

241. See 17 U.S.C. § 512(c) (1998).

242. See *id.* § 512(h).

puter network.²⁴³ This power enhances a copyright holder's ability to bring suit directly against the party infringing its copyright.

In addition, an OSP must comply with all of the requirements of § 512(c) in order to be eligible for protection under the DMCA.²⁴⁴ Otherwise, an OSP is still liable under the common law for copyright infringement. If an OSP complies with all of the requirements of § 512(c), then it will not be liable under the common law as well for copyright infringement.²⁴⁵

The copyright holder is also protected under the specialized notification procedure for removal or blocking of the infringing materials.²⁴⁶ Under the DMCA, an OSP seeking protection must remove or block access to the infringing materials after receiving notification of the presence of allegedly copyright-infringing materials on its computer network.²⁴⁷ Under this procedure, the copyright holder is able to have an OSP prevent others from further accessing the infringing materials. This procedure also prevents the further spread of the infringing materials and thereby limits the damage done by such dissemination.

The Act also protects the alleged infringer through the "put back" procedure,²⁴⁸ in which access to the allegedly infringing material can be restored under appropriate circumstances.²⁴⁹ The procedure is designed to protect those who believe that their materials have been mistakenly removed or blocked by their service provider. To have their materials replaced, an alleged infringer sends a counter-notification to an OSP certifying that he or she believes the allegedly infringing materials were removed by mistake.²⁵⁰ The OSP must replace the materials unless the copyright holder brings suit in federal court.²⁵¹ By instituting this procedure, the copyright holder is protected from having the infringing materials placed on the Internet because the alleged infringer agrees to

243. *See id.*

244. *See* H.R. REP. 105-551(II), at 56 (1998).

245. *See supra* Part IV.

246. *See* 17 U.S.C. § 512(c)(1)(C).

247. *See id.*

248. *See id.* § 512(g).

249. *See id.* § 512(g)(2)(B).

250. *See id.* § 512(g)(3).

251. *See id.*

subject itself to a district court's personal jurisdiction²⁵² in the event of a copyright infringement suit.

When drafting the DMCA, Congress took into consideration the rights and interests of all relevant parties: for OSPs, it provided clarification of their liability for copyright infringement under certain conditions;²⁵³ for copyright holders, it provided a method for obtaining relief for their injuries due to copyright infringement by others;²⁵⁴ and for alleged infringers, it provided a method for replacing materials they believe were mistakenly identified as infringing.²⁵⁵ In adopting the DMCA, Congress did not subordinate the copyright holders' rights in favor of the OSPs'. The DMCA provided methods²⁵⁶ for holding liable the parties actually responsible for disseminating infringing materials on the Internet and for having the infringing materials removed or having access to them blocked.²⁵⁷ In sum, since Congress fairly balanced the competing interests involved in situations like the Service Unlimited hypothetical, further legislation is not required in order to protect the rights of copyright holders.

VI. CONCLUSION

In passing the DMCA, Congress sought to update the copyright law to address changes in technology. Within the DMCA, Congress clarified the copyright infringement liability for online service providers whose computer systems are used by third parties to store or route copyright-infringing material.²⁵⁸ In defining the limits of an OSP's liability, Congress did not subordinate the copyright holder's rights to the OSP's, but instead installed procedures to protect those rights.²⁵⁹ Therefore, additional legislation is not needed to protect copyright holders.

Further legislation is not required because in defining the limits on liability of OSPs for acts of copyright infringement caused by third parties, the DMCA provides no protec-

252. See 17 U.S.C. § 512(g)(3)(C).

253. See *id.* § 512(c).

254. See *id.* § 512(c)(1)(A)(iii), (c)(1)(C), (g)(3)(C), (h).

255. See *id.* § 512(g).

256. See *id.* § 512(g)(3)(C), (h).

257. See *id.* § 512(c)(1)(A)(iii), (C).

258. See 144 CONG. REC. S11888 (daily ed. Oct. 8, 1998) (Statement of Sen. Thurmond).

259. See 17 U.S.C. § 512(c)(1)(A)(iii), (c)(1)(C), (g)(3)(C), (h).

tion greater than what an OSP would face under the common law.²⁶⁰ The DMCA merely sets out procedures the OSP must implement to prevent liability for copyright infringement.²⁶¹

In order to qualify for DMCA protection, an OSP must comply with all of the requirements set forth by the Act.²⁶² If an OSP does not comply with all of the requirements of the Act, then it is not eligible for protection under the Act and its liability is governed by the case law.²⁶³

The DMCA also does not alter the right of a copyright holder to sue the copyright infringer who actually places the allegedly infringing materials on the Internet.²⁶⁴ The DMCA only removes the "deep pocket" of an OSP from liability under certain conditions.²⁶⁵ Further, the DMCA grants subpoena power to the copyright holder whereby the identity of the actual infringer can be obtained.²⁶⁶ This procedure demonstrates how Congress acted to protect copyright holders' rights by providing them with a means to obtain relief against copyright infringers through the courts.²⁶⁷

The DMCA also provides procedures by which a copyright holder can have a service provider remove or block access to the allegedly infringing materials.²⁶⁸ By blocking or removing allegedly infringing information, a copyright holder may prevent the material from spreading any further, thereby limiting the damage from the dissemination of the materials.

Finally, the DMCA protects the rights of an alleged copyright infringer who believes that his or her materials have been confused or mistaken as infringing. The Act allows the alleged infringer to have access to the materials reinstated.²⁶⁹ However, under this "put back" procedure, the DMCA further protects the rights of a copyright holder by subjecting the alleged copyright infringer to personal jurisdiction in a U.S. district court.²⁷⁰

260. *See supra* Part IV.C.

261. *See* 17 U.S.C. § 512(c).

262. *See* H.R. REP. 105-551(II) at 56 (1998).

263. *See id.*

264. *See generally* 17 U.S.C. § 512.

265. *See id.*

266. *See id.* § 512(g)(3)(C), (h).

267. *See id.*

268. *See id.* § 512(c)(1)(A)(iii), (c)(1)(C).

269. *See id.* § 512(g).

270. *See* 17 U.S.C. § 512(g)(3)(D).

In the two-year process²⁷¹ that led to the DMCA, Congress has done an admirable job in balancing the interests of all relevant parties.²⁷² By involving all of the interested parties in the drafting of the legislation, Congress helped to ensure that the rights of all of the parties were protected. Therefore, because of the fairness of the DMCA in defining the rights and liabilities of the parties, further legislation is not needed to protect the rights of copyright holders.

271. See 144 CONG. REC. H10620 (daily ed. Oct. 12, 1998) (statement of Rep. Goodlatte).

272. See *id.*