

October 11, 2005

Copyright 3: Safe Harbors and Chilling Effects

- *DMCA Safe Harbors*, 17 U.S.C. 512 (enacted 1998)
- *Religious Technology Center v. Netcom On-Line Comm. Servs., Inc.*, 907 F.Supp. 1361 (N.D. Cal. 1995)
- *Hendrickson v. eBay, Inc.*, 165 F. Supp. 2d 1082 (C.D. Cal. 2001)
- *ALS Scan, Inc. v. RemarQ Communities, Inc.*, 239 F.3d 619 (4th Cir. 2001)
- *Online Policy Group v. Diebold*, 337 F Supp 2d 1195 (N.D. Cal. 2004)
- Chilling Effects, <<http://www.chillingeffects.org/>>, see *Google DMCA Takedowns: A three-month view* <http://www.chillingeffects.org/weather.cgi?WeatherID=498>

For further reading (optional):

- EFF, *Unsafe Harbors*, <http://www.eff.org/IP/P2P/20030926_unsafe_harbors.php>
- David Nimmer, *Repeat Infringers*
- Tim Wu, *Copyright's Communications Policy*, 103 Mich. L.Rev. 278 (2004)
- *Recording Indus. Ass'n of Am. v. Verizon Internet Servs.*, 351 F.3d 1229 (D.C. Cir. 2003)

This set of readings takes a deep look at the copyright liabilities of and protections for Internet Service Providers. Since you need an ISP to connect you to the Net to speak or read online, their policies and the incentives that motivate them are key to the Internet's shape.

The Digital Millennium Copyright Act of 1998 has several parts, all packaged as an update of copyright law for the "digital millennium." We'll look at anticircumvention in a later week, but focus here on the "safe harbors" for online service providers, the "Online Copyright Infringement Liability Limitation Act" codified at Section 512. Scan the section 512 before reading the cases, then come back to read it in more detail after. There's a lot of detail packed into its tangled prose.

RTC v. Netcom predates the DMCA, but remains relevant after since "The failure of a service provider's conduct to qualify for limitation of liability under [Section 512] 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." 512(l). The discussion of secondary liability in *RTC v. Netcom* should look familiar from *A&M v. Napster*, which drew upon its analysis.

The DMCA offers immunity from liability to those who fit within its definitions and meet its procedural and substantive requirements. Naturally, that leads to litigation over whether a given provider and situation meets the DMCA criteria. The courts in *Hendrickson v. eBay, Inc.*, and *ALS Scan, Inc. v. RemarQ Communities, Inc.*, reach different conclusions about providers' conformity to the DMCA "notice and takedown" provision, 512(c). Are the decisions consistent? What happens if a provider does not meet the statutory criteria? Can a provider ignore DMCA 512 altogether?

Most of the safe harbor seems made for the demands of copyright claimants and ISPs, but *Online Policy Group v. Diebold*, shows how the law can be used by fair users as well, suing for DMCA misuse. Why do you think Diebold invoked the DMCA in the first place? What are the options available to someone whose online speech has been wrongly taken down?

The RIAA initially used another part of DMCA 512 in its campaign against peer-to-peer infringers. The RIAA served ISPs with 512(h) “subpoena[s] to identify infringer[s]” to attach names to the IP addresses RIAA agents found sharing music. Often, RIAA followed these subpoenas with settlement requests, before (or instead of) filing complaints. Verizon challenged the practice, and the D.C. Circuit agreed that these subpoenas were not authorized by the statute for peer-to-peer filesharing where the ISP was a conduit – but only where the ISP was performing a host or location function. *Recording Indus. Ass’n of Am. v. Verizon Internet Servs.*, 351 F.3d 1229 (D.C. Cir. 2003). The RIAA member labels turned to Doe lawsuits instead: suing several “Doe” defendants at a time and issuing third-party discovery subpoenas to ISPs for the same information.

Read the Chilling Effects “Weather Report” *Google DMCA Takedowns: A three-month view*, <<http://www.chillingeffects.org/weather.cgi?WeatherID=498>>, to see the range of copyright claimants who have used the DMCA takedowns. Google sends these notices to Chilling Effects and then links to the ChillingEffects.org website when it has removed results from a search. For an example, scroll to the bottom of the page at <<http://www.google.com/search?q=kazaa+lite>>. What part of the safe harbor are claimants invoking against Google? Based on your understanding of the background liability issues, does Google need the “safe harbor” in all instances?

Compare the DMCA safe harbor from copyright liability with the immunity from defamation liability offered by CDA 230 ([Week 3](#)). Why might copyright and defamation be treated differently? Do you agree with the policy priorities?

"Online Copyright Infringement Liability Limitation Act," DMCA, § 201, Pub. L. 105-304, 112 Stat. 2877 (1998)
codified at 17 U.S.C. § 512

§ 512. Limitations on liability relating to material online

(a) Transitory digital network communications. A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider's transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or by reason of the intermediate and transient storage of that material in the course of such transmitting, routing, or providing connections, if--

(1) the transmission of the material was initiated by or at the direction of a person other than the service provider;

(2) the transmission, routing, provision of connections, or storage is carried out through an automatic technical process without selection of the material by the service provider;

(3) the service provider does not select the recipients of the material except as an automatic response to the request of another person;

(4) no copy of the material made by the service provider in the course of such intermediate or transient storage is maintained on the system or network in a manner ordinarily accessible to anyone other than anticipated recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to such anticipated recipients for a longer period than is reasonably necessary for the transmission, routing, or provision of connections; and

(5) the material is transmitted through the system or network without modification of its content.

(b) System caching.

(1) Limitation on liability. A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the intermediate and temporary storage of material on a system or network controlled or operated by or for the service provider in a case in which--

(A) the material is made available online by a person other than the service provider;

(B) the material is transmitted from the person described in subparagraph (A) through the system or network to a person other than the person described in subparagraph (A) at the direction of that other person; and

(C) the storage is carried out through an automatic technical process for the purpose of making the material available to users of the system or network who, after the material is transmitted as described in subparagraph (B), request access to the material from the person described in subparagraph (A),

if the conditions set forth in paragraph (2) are met.

(2) Conditions. The conditions referred to in paragraph (1) are that--

(A) the material described in paragraph (1) is transmitted to the subsequent users described in paragraph (1)(C) without modification to its content from the manner in which the material was transmitted from the person described in paragraph (1)(A);

(B) the service provider described in paragraph (1) complies with rules concerning the refreshing, reloading, or other updating of the material when specified by the person making the material available online in accordance with a generally accepted industry standard data communications protocol for the system or network through which that person makes the material available, except that this subparagraph applies only if those rules are not used by the person described in paragraph (1)(A) to prevent or unreasonably impair the intermediate storage to which this subsection applies;

(C) the service provider does not interfere with the ability of technology associated with the material to return to the person described in paragraph (1)(A) the information that would have been available to that person if the material had been obtained by the subsequent users described in paragraph (1)(C) directly from that person, except that this subparagraph applies only if that technology--

(i) does not significantly interfere with the performance of the provider's system or network or with the intermediate storage of the material;

(ii) is consistent with generally accepted industry standard communications protocols; and

(iii) does not extract information from the provider's system or network other than the information that would have been available to the person described in paragraph (1)(A) if the subsequent users had gained access to the material directly from that person;

(D) if the person described in paragraph (1)(A) has in effect a condition that a person must meet prior to having access to the material, such as a condition based on payment of a fee or provision of a password or other information, the service provider permits access to the stored material in significant part only to users of its system or network that have met those conditions and only in accordance with those conditions; and

(E) if the person described in paragraph (1)(A) makes that material available online without the authorization of the copyright owner of the material, the service provider responds expeditiously to remove, or disable access to, the material that is claimed to be infringing upon notification of claimed infringement as described in subsection (c)(3), except that this subparagraph applies only if--

(i) the material has previously been removed from the originating site or access to it has been disabled, or a court has ordered that the material be removed from the originating site or that access to the material on the originating site be disabled; and

(ii) the party giving the notification includes in the notification a statement confirming that the material has been removed from the originating site or access to it has been disabled or that a court has ordered that the material be removed from the originating site or that access to the material on the originating site be disabled.

(c) Information residing on systems or networks at direction of users.

(1) In general. A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright 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, if the service provider--

(A) (i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances

from which infringing activity is apparent; or

(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

(B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

(C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

(2) Designated agent. The limitations on liability established in this subsection apply to a service provider only if the service provider has designated an agent to receive notifications of claimed infringement described in paragraph (3), by making available through its service, including on its website in a location accessible to the public, and by providing to the Copyright Office, substantially the following information:

(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.

The Register of Copyrights shall maintain a current directory of agents available to the public for inspection, including through the Internet, in both electronic and hard copy formats, and may require payment of a fee by service providers to cover the costs of maintaining the directory.

(3) Elements of notification.

(A) To be effective under this subsection, a notification of claimed infringement must be a written communication provided to the designated agent of a service provider that includes substantially the following:

(i) A physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

(ii) Identification of the copyrighted work claimed to have been infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site.

(iii) Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material.

(iv) Information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available, an electronic mail address at which the complaining party may be contacted.

(v) A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.

(vi) A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

(B) (i) Subject to clause (ii), a notification from a copyright owner or from a person authorized to act on behalf of the copyright owner that fails to comply substantially with the provisions of subparagraph (A) shall not be considered under paragraph (1)(A) in determining whether a service provider has actual knowledge or is aware of facts or

circumstances from which infringing activity is apparent.

(ii) In a case in which the notification that is provided to the service provider's designated agent fails to comply substantially with all the provisions of subparagraph (A) but substantially complies with clauses (ii), (iii), and (iv) of subparagraph (A), clause (i) of this subparagraph applies only if the service provider promptly attempts to contact the person making the notification or takes other reasonable steps to assist in the receipt of notification that substantially complies with all the provisions of subparagraph (A).

(d) Information location tools. A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider referring or linking users to an online location containing infringing material or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hypertext link, if the service provider--

(1) (A) does not have actual knowledge that the material or activity is infringing;

(B) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

(C) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

(2) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

(3) upon notification of claimed infringement as described in subsection (c)(3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity, except that, for purposes of this paragraph, the information described in subsection (c)(3)(A)(iii) shall be identification of the reference or link, to material or activity claimed to be infringing, that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate that reference or link.

(e) Limitation on liability of nonprofit educational institutions.

(1) When a public or other nonprofit institution of higher education is a service provider, and when a faculty member or graduate student who is an employee of such institution is performing a teaching or research function, for the purposes of subsections (a) and (b) such faculty member or graduate student shall be considered to be a person other than the institution, and for the purposes of subsections (c) and (d) such faculty member's or graduate student's knowledge or awareness of his or her infringing activities shall not be attributed to the institution, if--

(A) such faculty member's or graduate student's infringing activities do not involve the provision of online access to instructional materials that are or were required or recommended, within the preceding 3-year period, for a course taught at the institution by such faculty member or graduate student;

(B) the institution has not, within the preceding 3-year period, received more than two notifications described in subsection (c)(3) of claimed infringement by such faculty member or graduate student, and such notifications of claimed infringement were not actionable under subsection (f); and

(C) the institution provides to all users of its system or network informational

materials that accurately describe, and promote compliance with, the laws of the United States relating to copyright.

(2) For the purposes of this subsection, the limitations on injunctive relief contained in subsections (j)(2) and (j)(3), but not those in (j)(1), shall apply.

(f) Misrepresentations. Any person who knowingly materially misrepresents under this section--

(1) that material or activity is infringing, or

(2) that material or activity was removed or disabled by mistake or misidentification,

shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer, by any copyright owner or copyright owner's authorized licensee, or by a service provider, who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing, or in replacing the removed material or ceasing to disable access to it.

(g) Replacement of removed or disabled material and limitation on other liability.

(1) No liability for taking down generally. Subject to paragraph (2), a service provider shall not be liable to any person for any claim based on the service provider's good faith disabling of access to, or removal of, material or activity claimed to be infringing or based on facts or circumstances from which infringing activity is apparent, regardless of whether the material or activity is ultimately determined to be infringing.

(2) Exception. Paragraph (1) shall not apply with respect to material residing at the direction of a subscriber of the service provider on a system or network controlled or operated by or for the service provider that is removed, or to which access is disabled by the service provider, pursuant to a notice provided under subsection (c)(1)(C), unless the service provider--

(A) takes reasonable steps promptly to notify the subscriber that it has removed or disabled access to the material;

(B) upon receipt of a counter notification described in paragraph (3), promptly provides the person who provided the notification under subsection (c)(1)(C) with a copy of the counter notification, and informs that person that it will replace the removed material or cease disabling access to it in 10 business days; and

(C) replaces the removed material and ceases disabling access to it not less than 10, nor more than 14, business days following receipt of the counter notice, unless its designated agent first receives notice from the person who submitted the notification under subsection (c)(1)(C) that such person has filed an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the service provider's system or network.

(3) Contents of counter notification. To be effective under this subsection, a counter notification must be a written communication provided to the service provider's designated agent that includes substantially the following:

(A) A physical or electronic signature of the subscriber.

(B) Identification of the material that has been removed or to which access has been disabled and the location at which the material appeared before it was removed or access

to it was disabled.

(C) A statement under penalty of perjury that the subscriber has a good faith belief that the material was removed or disabled as a result of mistake or misidentification of the material to be removed or disabled.

(D) The subscriber's name, address, and telephone number, and a statement that the subscriber consents to the jurisdiction of Federal District Court for the judicial district in which the address is located, or if the subscriber's address is outside of the United States, for any judicial district in which the service provider may be found, and that the subscriber will accept service of process from the person who provided notification under subsection (c)(1)(C) or an agent of such person.

(4) Limitation on other liability. A service provider's compliance with paragraph (2) shall not subject the service provider to liability for copyright infringement with respect to the material identified in the notice provided under subsection (c)(1)(C).

(h) Subpoena to identify infringer.

(1) Request. A copyright owner or a person authorized to act on the owner's behalf may request the clerk of any United States district court to issue a subpoena to a service provider for identification of an alleged infringer in accordance with this subsection.

(2) Contents of request. The request may be made by filing with the clerk--

(A) a copy of a notification described in subsection (c)(3)(A);

(B) a proposed subpoena; and

(C) a sworn declaration to the effect that the purpose for which the subpoena is sought is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of protecting rights under this title.

(3) Contents of subpoena. The subpoena shall authorize and order the service provider receiving the notification and the subpoena to expeditiously disclose to the copyright owner or person authorized by the copyright owner information sufficient to identify the alleged infringer of the material described in the notification to the extent such information is available to the service provider.

(4) Basis for granting subpoena. If the notification filed satisfies the provisions of subsection (c)(3)(A), the proposed subpoena is in proper form, and the accompanying declaration is properly executed, the clerk shall expeditiously issue and sign the proposed subpoena and return it to the requester for delivery to the service provider.

(5) Actions of service provider receiving subpoena. Upon receipt of the issued subpoena, either accompanying or subsequent to the receipt of a notification described in subsection (c)(3)(A), the service provider shall expeditiously disclose to the copyright owner or person authorized by the copyright owner the information required by the subpoena, notwithstanding any other provision of law and regardless of whether the service provider responds to the notification.

(6) Rules applicable to subpoena. Unless otherwise provided by this section or by applicable rules of the court, the procedure for issuance and delivery of the subpoena, and the remedies for noncompliance with the subpoena, shall be governed to the greatest extent practicable by those provisions of the Federal Rules of Civil Procedure governing the issuance, service, and enforcement of a subpoena duces tecum.

(i) Conditions for eligibility.

(1) Accommodation of technology. The limitations on liability established by this section shall apply to a service provider only if the service provider--

(A) has adopted and reasonably implemented, and informs subscribers and account holders of the service provider's system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers; and

(B) accommodates and does not interfere with standard technical measures.

(2) Definition. As used in this subsection, the term "standard technical measures" means technical measures that are used by copyright owners to identify or protect copyrighted works and--

(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) are available to any person on reasonable and nondiscriminatory terms; and

(C) do not impose substantial costs on service providers or substantial burdens on their systems or networks.

(j) Injunctions. The following rules shall apply in the case of any application for an injunction under section 502 against a service provider that is not subject to monetary remedies under this section:

(1) Scope of relief.

(A) With respect to conduct other than that which qualifies for the limitation on remedies set forth in subsection (a), the court may grant injunctive relief with respect to a service provider only in one or more of the following forms:

(i) An order restraining the service provider from providing access to infringing material or activity residing at a particular online site on the provider's system or network.

(ii) An order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is engaging in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order.

(iii) Such other injunctive relief as the court may consider necessary to prevent or restrain infringement of copyrighted material specified in the order of the court at a particular online location, if such relief is the least burdensome to the service provider among the forms of relief comparably effective for that purpose.

(B) If the service provider qualifies for the limitation on remedies described in subsection (a), the court may only grant injunctive relief in one or both of the following forms:

(i) An order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is using the provider's service to engage in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order.

(ii) An order restraining the service provider from providing access, by taking reasonable steps specified in the order to block access, to a specific, identified, online location outside the United States.

(2) Considerations. The court, in considering the relevant criteria for injunctive relief under applicable law, shall consider--

(A) whether such an injunction, either alone or in combination with other such injunctions issued against the same service provider under this subsection, would significantly burden either the provider or the operation of the provider's system or network;

(B) the magnitude of the harm likely to be suffered by the copyright owner in the digital network environment if steps are not taken to prevent or restrain the infringement;

(C) whether implementation of such an injunction would be technically feasible and effective, and would not interfere with access to noninfringing material at other online locations; and

(D) whether other less burdensome and comparably effective means of preventing or restraining access to the infringing material are available.

(3) Notice and ex parte orders. Injunctive relief under this subsection shall be available only after notice to the service provider and an opportunity for the service provider to appear are provided, except for orders ensuring the preservation of evidence or other orders having no material adverse effect on the operation of the service provider's communications network.

(k) Definitions.

(1) Service provider.

(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 as 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).

(2) Monetary relief. As used in this section, the term "monetary relief" means damages, costs, attorneys' fees, and any other form of monetary payment.

(l) Other defenses not affected. The 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.

(m) Protection of privacy. Nothing in this section shall be construed to condition the applicability of subsections (a) through (d) on--

(1) a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with the provisions of subsection (i); or

(2) a service provider gaining access to, removing, or disabling access to material in cases in which such conduct is prohibited by law.

(n) Construction. Subsections (a), (b), (c), and (d) describe separate and distinct functions for purposes of applying this section. Whether a service provider qualifies for the limitation on liability in any one of those subsections shall be based solely on the criteria

in that subsection, and shall not affect a determination of whether that service provider qualifies for the limitations on liability under any other such subsection.

Religious Technology Center v. Netcom On-Line Comm. Servs., Inc.
907 F.Supp. 1361 (N.D. Cal. 1995)

This case concerns an issue of first impression regarding intellectual property rights in cyberspace. Specifically, this order addresses whether the operator of a computer bulletin board service ("BBS"), and the large Internet access provider that allows that BBS to reach the Internet, should be liable for copyright infringement committed by a subscriber of the BBS.

Plaintiffs Religious Technology Center ("RTC") and Bridge Publications, Inc. ("BPI") hold copyrights in the unpublished and published works of L. Ron Hubbard, the late founder of the Church of Scientology ("the Church"). Defendant Dennis Erlich ("Erlich") is a former minister of Scientology turned vocal critic of the Church, whose pulpit is now the Usenet newsgroup alt.religion.scientology ("a.r.s."), an on-line forum for discussion and criticism of Scientology. Plaintiffs maintain that Erlich infringed their copyrights when he posted portions of their works on a.r.s. Erlich gained his access to the Internet through defendant Thomas Klemesrud's ("Klemesrud's") BBS "support.com." [A separate order granted a preliminary injunction against Erlich because plaintiffs had shown a likelihood of success on their copyright infringement claims against him.] Klemesrud is the operator of the BBS, which is run out of his home and has approximately 500 paying users. Klemesrud's BBS is not directly linked to the Internet, but gains its connection through the facilities of defendant Netcom On-Line Communications, Inc. ("Netcom"), one of the largest providers of Internet access in the United States.

After failing to convince Erlich to stop his postings, plaintiffs contacted defendants Klemesrud and Netcom. Klemesrud responded to plaintiffs' demands that Erlich be kept off his system by asking plaintiffs to prove that they owned the copyrights to the works posted by Erlich. However, plaintiffs refused Klemesrud's request as unreasonable. Netcom similarly refused plaintiffs' request that Erlich not be allowed to gain access to the Internet through its system. Netcom contended that it would be impossible to prescreen Erlich's postings and that to kick Erlich off the Internet meant kicking off the hundreds of users of Klemesrud's BBS. Consequently, plaintiffs named Klemesrud and Netcom in their suit against Erlich, although only on the copyright infringement claims.

... For the reasons set forth below, the court grants in part and denies in part Netcom's motion for summary judgment and Klemesrud's motion for judgment on the pleadings....

To establish a claim of copyright infringement, a plaintiff must demonstrate (1) ownership of a valid copyright and (2) "copying" of protectable expression by the defendant. [Baxter v. MCA, Inc., 812 F.2d 421, 423](#) (9th Cir.), cert. denied, [484 U.S. 954, 108 S. Ct. 346, 98 L. Ed. 2d 372](#) (1987). Infringement occurs when a defendant violates one of the exclusive rights of the copyright holder. [17 U.S.C. § 501](#)(a). These rights include the right to reproduce the copyrighted work, the right to prepare derivative works, the right to distribute copies to the public, and the right to publicly display the work. [17 U.S.C. §§ 106](#)(1)-(3) & (5). The court has already determined that plaintiffs have

established that they own the copyrights.... The court also found plaintiffs likely to succeed on their claim that defendant Erlich copied the Exhibit A and B works and was not entitled to a fair use defense. Plaintiffs argue that, although Netcom was not itself the source of any of the infringing materials on its system, it nonetheless should be liable for infringement, either directly, contributorily, or vicariously. Netcom disputes these theories of infringement and further argues that it is entitled to its own fair use defense.

1. Direct Infringement

Infringement consists of the unauthorized exercise of one of the exclusive rights of the copyright holder delineated in section 106. 17 U.S.C. § 501. Direct infringement does not require intent or any particular state of mind, although willfulness is relevant to the award of statutory damages. 17 U.S.C. § 504(c). ...

Undisputed Facts

The parties do not dispute the basic processes that occur when Erlich posts his allegedly infringing messages to a.r.s. Erlich connects to Klemesrud's BBS using a telephone and a modem. Erlich then transmits his messages to Klemesrud'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 Klemesrud'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 period of time--eleven days for Netcom's system and three days for Klemesrud'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 postings 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.

Creation of Fixed Copies

... In the present case, there is no question after MAI that "copies" were created, as Erlich's act of sending a message to a.r.s. caused reproductions of portions of plaintiffs' works on both Klemesrud's and Netcom's storage devices. Even though the messages remained on their systems for at most eleven days, they were sufficiently "fixed" to constitute recognizable copies under the Copyright Act. See Information Infrastructure Task Force, Intellectual Property and the National Information Infrastructure: The Report of the Working Group on Intellectual Property Rights 66 (1995) ("IITF Report").

Is Netcom Directly Liable for Making the Copies?

Accepting that copies were made, Netcom argues that Erlich, and not Netcom, is directly liable for the copying.... The court believes 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. Although some of the people using the machine may directly infringe copyrights, courts analyze the machine owner's liability under the rubric of contributory infringement, not direct infringement. Plaintiffs' theory would create many separate acts of infringement and, carried to its natural extreme, would lead to unreasonable liability. It is not difficult to conclude that Erlich infringes by copying a protected work onto his computer and by posting a message to a newsgroup. However, plaintiffs' theory further implicates a Usenet server that carries Erlich's message to other servers regardless of whether that server acts without any human intervention beyond the initial setting up of the system. It would also result in liability for every single Usenet server in the worldwide link of computers transmitting Erlich's message to every other computer. These parties, who are liable under plaintiffs' theory, do no more than operate or implement a system that is essential if Usenet messages are to be widely distributed. There is no need to construe the Act to make all of these parties infringers. Although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party.

...While it is possible that less "damage" would have been done if Netcom had heeded plaintiffs' warnings and acted to prevent Erlich's message from being forwarded, this is not relevant to its direct liability for copying.... Whether a defendant makes a direct copy that constitutes infringement cannot depend on whether it received a warning to delete the message.

[The court likewise concludes that Netcom is not directly liable for infringement of the public distribution or display rights]

Conclusion

The court is not persuaded by plaintiffs' argument that Netcom is directly liable for the copies that are made and stored on its computer. Where the infringing subscriber is clearly directly liable for the same act, it does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet. Such a result is unnecessary as there is already a party directly liable for causing the copies to be made... . The court does not find workable a theory of infringement that would hold the entire Internet liable for activities that cannot reasonably be deterred... . Because the court cannot see any meaningful distinction (without regard to knowledge) between what Netcom did and what every other Usenet server does, the court finds that Netcom cannot be held liable for direct infringement.

2. Contributory Infringement

Netcom is not free from liability just because it did not directly infringe plaintiffs' works; it may still be liable as a contributory infringer. Although there is no statutory rule of

liability for infringement committed by others.... Liability for participation in the infringement will be established where the defendant, "with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another." [Gershwin Publishing Corp. v. Columbia Artists Management, Inc., 443 F.2d 1159 \(2d Cir. 1971\).](#)

a. Knowledge of Infringing Activity

Plaintiffs insist that Netcom knew that Erlich was infringing their copyrights at least after receiving notice from plaintiffs' counsel indicating that Erlich had posted copies of their works onto a.r.s. through Netcom's system. Despite this knowledge, Netcom continued to allow Erlich to post messages to a.r.s. and left the allegedly infringing messages on its system so that Netcom's subscribers and other Usenet servers could access them. Netcom argues that it did not possess the necessary type of knowledge because (1) it did not know of Erlich's planned infringing activities when it agreed to lease its facilities to Klemesrud, (2) it did not know that Erlich would infringe prior to any of his postings, (3) it is unable to screen out infringing postings before they are made, and (4) its knowledge of the infringing nature of Erlich's postings was too equivocal given the difficulty in assessing whether the registrations were valid and whether Erlich's use was fair. The court will address these arguments in turn.

Netcom cites cases holding that there is no contributory infringement by the lessors of premises that are later used for infringement unless the lessor had knowledge of the intended use at the time of the signing of the lease. ... Here, Netcom not only leases space but also serves as an access provider, which includes the storage and transmission of information necessary to facilitate Erlich's postings to a.r.s. Unlike a landlord, Netcom retains some control over the use of its system. Thus, the relevant time frame for knowledge is not when Netcom entered into an agreement with Klemesrud. It should be when Netcom provided its services to allow Erlich to infringe plaintiffs' copyrights. ... It is undisputed that Netcom did not know that Erlich was infringing before it received notice from plaintiffs. ...

However, the evidence reveals a question of fact as to whether Netcom knew or should have known that Erlich had infringed plaintiffs' copyrights following receipt of plaintiffs' letter. Because Netcom was arguably participating in Erlich's public distribution of plaintiffs' works, there is a genuine issue as to whether Netcom knew of any infringement by Erlich before it was too late to do anything about it. If plaintiffs can prove the knowledge element, Netcom will be liable for contributory infringement since its failure to simply cancel Erlich's infringing message and thereby stop an infringing copy from being distributed worldwide constitutes substantial participation in Erlich's public distribution of the message. ...

Netcom argues that its knowledge after receiving notice of Erlich's alleged infringing activities was too equivocal given the difficulty in assessing whether registrations are valid and whether use is fair. Although a mere unsupported allegation of infringement by a copyright owner may not automatically put a defendant on notice of infringing activity,

Netcom's position that liability must be unequivocal is unsupportable. ... Where works contain copyright notices within them, as here, it is difficult to argue that a defendant did not know that the works were copyrighted. To require proof of valid registrations would be impractical and would perhaps take too long to verify, making it impossible for a copyright holder to protect his or her works in some cases, as works are automatically deleted less than two weeks after they are posted. The court is more persuaded by the argument that it is beyond the ability of a BBS operator to quickly and fairly determine when a use is not infringement where there is at least a colorable claim of fair use. Where 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.

Since Netcom was given notice of an infringement claim before Erlich had completed his infringing activity, there may be a question of fact as to whether Netcom knew or should have known that such activities were infringing. Given the context of a dispute between a former minister and a church he is criticizing, Netcom may be able to show that its lack of knowledge that Erlich was infringing was reasonable. However, Netcom admits that it did not even look at the postings once given notice and that had it looked at the copyright notice and statements regarding authorship it would have triggered an investigation into whether there was infringement. These facts are sufficient to raise a question as to Netcom's knowledge once it received a letter from plaintiffs on December 29, 1994.

b. Substantial Participation

Where a defendant has knowledge of the primary infringer's infringing activities, it will be liable if it "induces, causes or materially contributes to the infringing conduct of" the primary infringer. *Gershwin Publishing*, 443 F.2d at 1162. Such participation must be substantial.

Providing a service that allows for the automatic distribution of all Usenet postings, infringing and noninfringing, goes well beyond renting a premises to an infringer. See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 847 F.Supp. 1492, 1496 (E.D.Cal. 1994) (finding that renting space at swap meet to known bootleggers not "substantial participation" in the infringers' activities)... . Netcom allows Erlich's infringing messages to remain on its system and be further distributed to other Usenet servers worldwide. It does not completely relinquish control over how its system is used, unlike a landlord. Thus, it is fair, assuming Netcom is able to take simple measures to prevent further damage to plaintiffs' copyrighted works, to hold Netcom liable for contributory infringement where Netcom has knowledge of Erlich's infringing postings yet continues to aid in the accomplishment of Erlich's purpose of publicly distributing the postings. Accordingly, plaintiffs do raise a genuine issue of material fact as to their theory of contributory infringement as to the postings made after Netcom was on notice of plaintiffs' infringement claim.

3. Vicarious Liability

Even if plaintiffs cannot prove that Netcom is contributorily liable for its participation in the infringing activity, it may still seek to prove vicarious infringement based on Netcom's relationship to Erlich. A defendant is liable for vicarious liability for the actions of a primary infringer where the defendant (1) has the right and ability to control the infringer's acts and (2) receives a direct financial benefit from the infringement. Unlike contributory infringement, knowledge is not an element of vicarious liability.

a. Right and Ability To Control

The first element of vicarious liability will be met if plaintiffs can show that Netcom has the right and ability to supervise the conduct of its subscribers. Netcom argues that it does not have the right to control its users' postings before they occur. Plaintiffs dispute this and argue that Netcom's terms and conditions, to which its subscribers must agree, specify that Netcom reserves the right to take remedial action against subscribers. Plaintiffs argue that under "netiquette," the informal rules and customs that have developed on the Internet, violation of copyrights by a user is unacceptable and the access provider has a duty take measures to prevent this; where the immediate service provider fails, the next service provider up the transmission stream must act. Further evidence of Netcom's right to restrict infringing activity is its prohibition of copyright infringement and its requirement that its subscribers indemnify it for any damage to third parties. Plaintiffs have thus raised a question of fact as to Netcom's right to control Erlich's use of its services.

Netcom argues that it could not possibly screen messages before they are posted given the speed and volume of the data that goes through its system. Netcom further argues that it has never exercised control over the content of its users' postings. Plaintiffs' expert opines otherwise, stating that with an easy software modification Netcom could identify postings that contain particular words or come from particular individuals. Plaintiffs further dispute Netcom's claim that it could not limit Erlich's access to Usenet without kicking off all 500 subscribers of Klemesrud's BBS. As evidence that Netcom has in fact exercised its ability to police its users' conduct, plaintiffs cite evidence that Netcom has acted to suspend subscribers' accounts on over one thousand occasions [for commercial advertising, posting obscene materials, and off-topic postings]. Further evidence shows that Netcom can delete specific postings. Whether such sanctions occurred before or after the abusive conduct is not material to whether Netcom can exercise control. The court thus finds that plaintiffs have raised a genuine issue of fact as to whether Netcom has the right and ability to exercise control over the activities of its subscribers, and of Erlich in particular.

b. Direct Financial Benefit

Plaintiffs must further prove that Netcom receives a direct financial benefit from the infringing activities of its users. For example, a landlord who has the right and ability to

supervise the tenant's activities is vicariously liable for the infringements of the tenant where the rental amount is proportional to the proceeds of the tenant's sales. However, where a defendant rents space or services on a fixed rental fee that does not depend on the nature of the activity of the lessee, courts usually find no vicarious liability because there is no direct financial benefit from the infringement.... Plaintiffs cannot provide any evidence of a direct financial benefit received by Netcom from Erlich's infringing postings.... Netcom receives a fixed fee. There is no evidence that infringement by Erlich, or any other user of Netcom's services, in any way enhances the value of Netcom's services to subscribers or attracts new subscribers.... Plaintiffs point to Netcom's advertisements that, compared to competitors like CompuServe and America Online, Netcom provides easy, regulation-free Internet access. Plaintiffs assert that Netcom's policy attracts copyright infringers to its system, resulting in a direct financial benefit. The court is not convinced that such an argument, if true, would constitute a direct financial benefit to Netcom from Erlich's infringing activities. Further, plaintiffs' argument is not supported by probative evidence... . Because plaintiffs have failed to raise a question of fact on this vital element, their claim of vicarious liability fails.

4. First Amendment Argument

Netcom argues that plaintiffs' theory of liability contravenes the first amendment, as it would chill the use of the Internet because every access provider or user would be subject to liability when a user posts an infringing work to a Usenet newsgroup. While the court agrees that an overbroad injunction might implicate the First Amendment ... imposing liability for infringement where it is otherwise appropriate does not necessarily raise a First Amendment issue. The copyright concepts of the idea/expression dichotomy and the fair use defense balance the important First Amendment rights with the constitutional authority for "promot[ing] the progress of science and useful arts," U.S. CONST. art. I, § 8, cl. 8... .

5. Fair Use Defense

...In balancing the various factors, the court finds that there is a question of fact as to whether there is a valid fair use defense.... Accordingly, the court does not find that Netcom's use was fair as a matter of law.

C. Conclusion

The court finds that plaintiffs have raised a genuine issue of fact regarding whether Netcom should have known that Erlich was infringing their copyrights after receiving a letter from plaintiffs, whether Netcom substantially participated in the infringement, and whether Netcom has a valid fair use defense. Accordingly, Netcom is not entitled to summary judgment on plaintiffs' claim of contributory copyright infringement. However, plaintiffs' claims of direct and vicarious infringement fail.

Hendrickson v. eBay, Inc.

165 F. Supp. 2d 1082 (C.D. Cal. 2001)

...eBay provides an Internet website service where over 25 million buyers and sellers of consumer goods and services have come together to buy and sell items through either an auction or a fixed-price format ... eBay's website allows sellers to post "listings" (or advertisements) containing descriptions of items they wish to offer for sale; and it allows buyers to bid for items they wish to buy...

On or about December 20, 2000, eBay received a "cease and desist" letter from pro se Plaintiff Robert Hendrickson. The letter advised eBay that Plaintiff dba Tobann International Pictures is the copyright owner of the documentary "Manson." The letter also stated that pirated copies of "Manson" in digital video disk ("DVD") format were being offered for sale on eBay. However, the letter did not explain which copies of "Manson" in DVD format were infringing copies; nor did it fully describe Plaintiff's copyright interest. The letter demanded that eBay cease and desist "from any and all further conduct considered an infringement(s) of [Plaintiff's] right" or else face prosecution "to the fullest extent provided by law."

Promptly after receiving this letter, eBay sent Plaintiff e-mails asking for more detailed information concerning his copyright and the alleged infringing items. eBay advised Plaintiff that he ha[d] to submit proper notice under the DMCA. ... "Specifically, we would need you to, among other things, identify the exact items which you believe infringe your rights. In addition, we would need a statement from you, under penalty of perjury, that you own (or are the agent of the owner) the copyrights in the documentary."

Plaintiff refused to ... fill out eBay's Notice of Infringement form. Before filing suit, Plaintiff never provided eBay the specific item numbers that it sought....

Plaintiff alleges that eBay participated in and facilitated the unlawful sale and distribution of pirated copies of "Manson" DVDs by providing an online forum, tools and services to the third party sellers. ... [T]he issue raised by Plaintiff's copyright claim is ... whether eBay can be held secondarily liable for providing the type of selling platform/forum and services that it provided, however limited or automated in nature, to sellers of counterfeit copies of the film "Manson." Before the Court reaches the merits of that question, the Court must address a preliminary issue: whether the DMCA shields eBay from liability for copyright infringement.

The DMCA "is designed to facilitate the robust development and world-wide expansion of electronic commerce, communications, research, development, and education." S. Rep. No. 105-190, at 1 (105th Congress, 2d Session 1998). Title II of the DMCA, set forth in 17 U.S.C. § 512, "protects qualifying Internet service providers from liability for all monetary relief for direct, vicarious and contributory infringement." *Id.* at 20. "Title II preserves strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment." *Id.* at 40.

There is no dispute over whether eBay is an Internet "service provider" within the meaning of Section 512. eBay clearly meets the DMCA's broad definition of online "service provider." See 17 U.S.C. § 512(k)(1)(B) ("the term 'service provider' means a provider of online services or network access, or the operator of facilities therefor").

[The court considered the various categories of 512 safe-harbor] ... Subsection (c) limits liability for "infringement of copyright 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." 17 U.S.C. § 512(c). ... Here, because the focus of the copyright claims against eBay concerns infringing activity -- the sale and distribution of pirated copies of "Manson" -- using "materials" posted eBay's website, Section 512(c) would provide eBay a safe harbor from liability if eBay meets the conditions set forth therein.

Three requirements for safe harbor are delineated in Section 512(c)(1). **First**, the service provider must demonstrate that it does not have actual knowledge that an activity using the material stored on its website is infringing or an awareness of "facts or circumstances from which infringing activity is apparent." 17 U.S.C. § 512(c)(1)(A)(i)-(ii). Alternatively, the service provider must show that it expeditiously removed or disabled access to the problematic material upon obtaining knowledge or awareness of infringing activity. See 17 U.S.C. § 512(c)(1)(A)(iii). **Second**, the service provider must show it "does not receive a financial benefit directly attributable to the infringing activity" if the service provider has "the right and ability to control such activity." 17 U.S.C. § 512(c)(1)(B). **Third**, the service provider must show that it responded expeditiously to remove the material that is the subject of infringing activity upon receiving notification of the claimed infringement in the manner described in Section 512(c)(3). 17 U.S.C. § 512(c)(1)(C).

a. The Third Prong of the Test: Notification of the Alleged Infringing Activity

Under the third prong of the test, the service provider's duty to act is triggered only upon receipt of proper notice. See *id.* Section 512(c)(3) sets forth the required elements for proper notification by copyright holders. First, rights holders must provide written notification to the service provider's designated agent. See 17 U.S.C. § 512(c)(3). ...

Preliminary, the Court rejects Plaintiff's argument that he need not submit written notification in the manner described above (i.e., provide the notification referenced in the third prong of the safe harbor test) as long as other facts show the service provider received actual or constructive knowledge of infringing activity. Plaintiff refers to the first prong of the safe harbor test set forth in Section 512(c)(1)(ii) and (iii) in support of this argument. Plaintiff's argument has no merit.

The DMCA expressly provides that if the copyright holder's attempted notification fails to "comply substantially" with the elements of notification described in subsection (c)(3), that notification "shall not be considered" when evaluating whether the service provider had actual or constructive knowledge of the infringing activity under the first prong set

forth in Section 512(c)(1). 17 U.S.C. § 512(c)(3)(B)(i). Here, Plaintiff does not dispute that he has not strictly complied with Section 512(c)(3). The question is whether Plaintiff's imperfect attempts to give notice satisfy Section 512(c)(3)'s "substantial[]" compliance requirement.

(1) No Statement Attesting to Good Faith And Accuracy of Claim

Plaintiff's pre-suit "cease and desist" letter and e-mails to eBay do not include several of the key elements for proper notice required by Section 513(c)(3). None of these writings includes a written statement under "penalty of perjury" attesting to the fact "that the information in the notification is accurate . . . [and] the complaining party is authorized to act on behalf of the owner" of the copyright at issue. 17 U.S.C. § 512(c)(3)(A)(vi). Additionally, none of these writings includes a written statement that Plaintiff "has a good faith belief that use of the material in the manner complained of is not authorized." 17 U.S.C. § 512(c)(3)(A)(v). The complete failure to include these key elements in his written communications to eBay, even after eBay specifically asked for these items, renders Plaintiff's notification of claimed infringement deficient under Section 512(c)(3).

(2) Inadequate Identification of Material Claimed to be the Subject of Infringing Activity

Moreover, the record shows that Plaintiff failed to comply substantially with the requirement that he provide eBay with sufficient information to identify the various listings that purportedly offered pirated copies of "Manson" for sale. See 17 U.S.C. § 512(c)(3)(A)(iii). It is true that Plaintiff has informed eBay in writing that counterfeit copies of "Manson" were being offered and sold on eBay's website. However, when eBay requested that Plaintiff identify the alleged problematic listings by the eBay item numbers, Plaintiff refused. Plaintiff contends that it is not his job to do so once he has notified eBay of the existence of infringing activity by eBay sellers.

The Court recognizes that there may be instances where a copyright holder need not provide eBay with specific item numbers to satisfy the identification requirement. For example, if a movie studio advised eBay that all listings offering to sell a new movie (e.g., "Planet X,") that has not yet been released in VHS or DVD format are unlawful, eBay could easily search its website using the title "Planet X" and identify the offensive listings. However, the record in this case indicates that specific item numbers were necessary to enable eBay to identify problematic listings.

Plaintiff has never explained what distinguishes an authorized copy of "Manson" from an unauthorized copy.... A copyright holder must comply with the "written communication" requirement. See 17 U.S.C. § 512(3)(A). The writing requirement is not one of the elements listed under the substantial compliance category. Therefore, the Court disregards all evidence that purports to show Plaintiff gave notice that all DVDs violate his copyright in "Manson."...

In sum, the record in this case shows that proper identification under Section

512(c)(3)(A)(iii) should include the specific item numbers of the listings that are allegedly offering pirated copies of "Manson" for sale. It is undisputed that Plaintiff refused to provide specific item numbers of problematic listings before filing suit. Accordingly, the Court holds that Plaintiff failed to comply substantially with Section 512(c)(3)'s identification requirement.

Consequently, eBay did not have a duty to act under the third prong of the safe harbor test. See 17 U.S.C. § 512(c)(1)(C). Thus, if eBay establishes that it meets the remaining prongs of the safe harbor test, eBay would be entitled to judgment in its favor on the copyright claims.

b. The First Prong of the Test: Actual or Constructive Knowledge

Under the DMCA, a notification from a copyright owner that fails to comply substantially with Sections 512(c)(3)(A)(ii), (iii) or (iv) "shall not be considered under [the first prong of the safe harbor test] in determining whether a service provider has actual knowledge or is aware of the facts or circumstances from which infringing activity is apparent." See 17 U.S.C. § 512(c)(3)(B)(i) & (ii) (emphasis added). As discussed above, Plaintiff's written notifications do not comply substantially with Section (c)(3)(A)(ii)'s adequate identification requirement. Therefore, the Court does not consider those notices when evaluating the actual or constructive knowledge prong of the safe harbor test.

eBay's evidence shows that prior to this lawsuit, it did not have actual or constructive knowledge that particular listings were being used by particular sellers to sell pirated copies of "Manson." The limited information that Plaintiff provided to eBay cannot, as a matter of law, establish actual or constructive knowledge that particular listings were involved in infringing activity. Accordingly, the Court holds that eBay has satisfied the first prong of the safe harbor test under Section 512(c). See 17 U.S.C. § 512(c)(1)(A).

c. The Second Prong of the Test: Right and Ability to Control Infringing Activity

To satisfy the second prong of the test, eBay must show that it "does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity." 17 U.S.C. § 512(c)(1)(B). Because the undisputed facts establish that eBay does not have the right and ability to control the infringing activity, the Court need not evaluate the financial benefit element of this prong.

Plaintiff's only argument on the "ability to control" issue centers on eBay's ability to remove infringing listings (1) after it receives proper notification of infringing activity and (2) upon detecting an "apparent" infringement on its own. Plaintiff argues that the record shows eBay has the right and ability to control the infringing activity because it has removed the listings for the sale of various items in the past, including the listings offering pirated copies of "Manson" (in response to Plaintiff's complaints). Plaintiff's argument has no merit.

First, the "right and ability to control" the infringing activity, as the concept is used in the DMCA, cannot simply mean the ability of a service provider to remove or block access to materials posted on its website or stored in its system. To hold otherwise would defeat the purpose of the DMCA and render the statute internally inconsistent. The DMCA specifically requires a service provider to remove or block access to materials posted on its system when it receives notice of claimed infringement. See 17 U.S.C. §§ 512(c)(1)(C). The DMCA also provides that the limitations on liability only apply to a service provider that has "adopted and reasonably implemented . . . a policy that provides for the termination in appropriate circumstances of [users] of the service provider's system or network who are repeat infringers." See 17 U.S.C. § 512(i)(1)(A). Congress could not have intended for courts to hold that a service provider loses immunity under the safe harbor provision of the DMCA because it engages in acts that are specifically required by the DMCA.

Second, eBay's voluntary practice of engaging in limited monitoring of its website for "apparent" infringements under the VeRO program cannot, in and of itself, lead the Court to conclude that eBay has the right and ability to control infringing activity within the meaning of the DMCA. The legislative history shows that Congress did not intend for companies such as eBay to be penalized when they engage in voluntary efforts to combat piracy over the Internet....

Because eBay has established that it meets the test for safe harbor under Section 512(c), eBay is entitled to summary judgment in its favor on the copyright claims. ...

ALS Scan, Inc. v. RemarQ Communities, Inc.
239 F.3d 619 (4th Cir. 2001)

ALS Scan, Inc., a Maryland corporation, is engaged in the business of creating and marketing "adult" photographs. ...

RemarQ Communities, Inc., a Delaware corporation, is an online Internet service provider that provides access to its subscribing members. ... In providing access to newsgroups, RemarQ does not monitor, regulate, or censor the content of articles posted in the newsgroup by subscribing members. It does, however, have the ability to filter information contained in the newsgroups and to screen its members from logging onto certain newsgroups, such as those containing pornographic material.

Two of the newsgroups to which RemarQ provides its subscribers access contain ALS Scan's name in the titles. These newsgroups - "alt.als" and "alt.binaries.pictures.erotica.als" -- contain hundreds of postings that infringe ALS Scan's copyrights. These postings are placed in these newsgroups by RemarQ's subscribers.

Upon discovering that RemarQ databases contained material that infringed ALS Scan's copyrights, ALS Scan sent a letter, dated August 2, 1999, to RemarQ, stating:

Both of these newsgroups ["alt.als" and "alt.binaries.pictures.erotica.als"] were created for the sole purpose of violating our Federally filed Copyrights and Tradename. These newsgroups contain virtually all Federally Copyrighted images. . . . Your servers provide access to these illegally posted images [**4] and enable the illegal trans mission of these images across state lines.

This is a cease and desist letter. You are hereby ordered to cease carrying these newsgroups within twenty-four (24) hours upon receipt of this correspondence . . .

America Online, Erol's, Mindspring, and others have all complied with our cease and desist order and no longer carry these newsgroups.

* * *

Our ALS Scan models can be identified at <http://www.alsscan.com/modlinf2.html>[.] Our copyright information can be reviewed at <http://www.alsscan.com/copyrite.html>[.]

For its principal argument, ALS Scan contends that it substantially complied with the notification requirements of the DMCA and thereby denied RemarQ the "safe harbor" from copyright infringement liability granted by that Act. See 17 U.S.C. § 512(c)(3)(A) (setting forth notification requirements). It asserts that because its notification was sufficient to put RemarQ on notice of its infringement activities, RemarQ lost its service-provider immunity from infringement liability. ...

In this case, ALS Scan provided RemarQ with information that (1) identified two sites created for the sole purpose of publishing ALS Scan's copyrighted works, (2) asserted that virtually all the images at the two sites were its copyrighted material, and (3) referred RemarQ to two web addresses where RemarQ could find pictures of ALS Scan's models and obtain ALS Scan's copyright information. In addition, it noted that material at the site could be identified as ALS Scan's material because the material included ALS Scan's "name and/or copyright symbol next to it." We believe that with this information, ALS Scan substantially complied with the notification requirement of providing a representative list of infringing material as well as information reasonably sufficient to enable RemarQ to locate the infringing material. To the extent that ALS Scan's claims about infringing materials prove to be false, RemarQ has remedies for any injury it suffers as a result of removing or disabling noninfringing material. See 17 U.S.C. § 512(f), (g).

Accordingly, we reverse the district court's ruling granting summary judgment in favor of RemarQ on the basis of ALS Scan's noncompliance with the notification provisions of 17 U.S.C. § 512(c)(3)(A)(ii) and (iii). Because our ruling only removes the safe harbor defense, we remand for further proceedings on ALS Scan's copyright infringement claims and any other affirmative defenses that RemarQ may have.

Online Policy Group v. Diebold,
337 F Supp 2d 1195 (N.D. Cal. 2004)

...Defendants Diebold, Inc. and Diebold Election Systems, Inc. (collectively "Diebold") produce electronic voting machines. The machines have been the subject of critical commentary. Both the reliability and verification procedures of the machines have been called into question, in part because not all of the machines provide a means for verifying whether a voter's choice has been recorded correctly. It is undisputed that internal emails exchanged among Diebold employees (the "email archive") contain evidence that some employees have acknowledged problems associated with the machines. According to Diebold, the email archive also contains discussion of "the development of Diebold's proprietary computerized election systems, as well as Diebold trade secret information, and even employees' personal information such as home addresses and cell phone numbers." At some point early in 2003, the entire email archive was obtained and reproduced on the internet by unknown persons, giving rise to the events pertinent to the present motions.

Plaintiffs Nelson Chu Pavlosky and Luke Thomas Smith are students at Swarthmore College. Using internet access provided by Swarthmore, which for present purposes is considered their internet service provider ("ISP"), Pavlosky and Smith posted the email archive on various websites. An on-line newspaper, IndyMedia, published an article criticizing Diebold's electronic voting machines and containing a hyperlink to the email archive. Plaintiff Online Policy Group ("OPG") provides IndyMedia's internet access. OPG, in turn, obtains internet access from an upstream ISP, Hurricane Electric.

In response to the activities of Pavlosky, Smith, and IndyMedia, and in an alleged effort to prevent further public viewing of the email archive, Diebold sent cease and desist letters to many ISPs, including Swarthmore, OPG, and Hurricane, pursuant to the safe harbor provisions of the Digital Millennium Copyright Act ("DMCA"). Swarthmore, OPG, and Hurricane were advised that pursuant to these provisions they would be shielded from a copyright infringement suit by Diebold if they disabled access to or removed the allegedly infringing material. Swarthmore thereafter required Pavlosky and Smith to remove the email archive from their website. At the same time, Hurricane notified OPG that it might be required to terminate OPG's internet access if IndyMedia's hyperlink to the email archive was not removed. Hurricane agreed, however, not to act during the pendency of the present action, and consequently OPG did not disable access to or remove any material.

Diebold has not filed any lawsuits related to publication of the email archive. Plaintiffs Smith, Pavlosky, and OPG nonetheless seek injunctive, declaratory, and monetary relief from this Court, alleging that Diebold's claim of copyright infringement was based on knowing material misrepresentation ...

Internet Service Provider Safe Harbor Provisions

Section 202 of the DMCA contains various nonexclusive [FN7] safe harbors designed to

limit the liability of ISPs for incidental acts of copyright infringement. It provides immunity to ISPs that satisfy the conditions of eligibility, *see* 17 U.S.C. § 512(i), "from copyright infringement liability for passive, automatic actions in which [an ISP's] system engages through a technological process initiated by another without the knowledge of the" ISP. [*ALS Scan, Inc. v. RemarQ Communities, Inc.*, 239 F.3d 619, 625 \(4th Cir. 2001\)](#). Once the ISP has actual knowledge of the infringing material, it loses the safe harbor protections unless it complies with the DMCA.

----- Footnotes -----

FN7 Nothing in the DMCA suggests that Congress intended this statute to constitute the exclusive legal basis for protecting a copyright or defending against allegations of infringement. In fact, 17 U.S.C. § 512(l) provides that "failure to . . . qualify for limitation of liability under this section shall not bear adversely upon the consideration of . . . any other defense."

----- End Footnotes -----

17 U.S.C. § 512(a) -- the "conduit" safe harbor -- does not require notice and takedown of any content. Instead, an ISP is not liable for "transmitting, routing, or providing connections, for material through a system or network controlled or operated by or for the service provider" if the ISP did not (1) initiate the transmission, (2) select the material in a nonautomatic way, (3) select the recipients in a nonautomatic way, (4) retain a copy for longer than necessary to transmit it, and (5) modify the material. 17 U.S.C. § 512(a). In contrast, section 512(c) -- the "storage" safe harbor -- does require notice and takedown of allegedly infringing material. This provision

gives Internet service providers a safe harbor from liability for infringement of copyright 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 as long as the service provider can show that: (1) it has neither actual knowledge that its system contains infringing materials nor an awareness of facts or circumstances from which infringement is apparent, or it has expeditiously removed or disabled access to infringing material upon obtaining actual knowledge of infringement; (2) it receives no financial benefit directly attributable to infringing activity; *and* (3) it responded expeditiously to remove or disable access to material claimed to be infringing after receiving from the copyright holder a notification conforming with requirements of § 512(c)(3).

[*ALS Scan, Inc.*, 239 F.3d at 623](#). 17 U.S.C. § 512(d) provides a similar safe harbor from liability for copyright infringement resulting from use of "information location tools," which include "hypertext links" ("hyperlinks"). Section 512(g) provides for replacement of the removed material upon counter-notice by the alleged infringer. Upon counter-notice of noninfringement by an ISP subscriber, the ISP may reestablish access to the content without fear of liability. Such replacement generally must be performed within approximately fourteen days. See 17 U.S.C. § 512(g)(2)(C).

17 U.S.C. § 512(f) provides as follows:

Misrepresentations. -- Any person who knowingly materially misrepresents under this section --

- (1) that material or activity is infringing, or
 - (2) that material or activity was removed or disabled by mistake or misidentification,
- shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer, by any copyright owner or copyright owner's authorized licensee, or by a service provider, who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing, or in replacing the removed material or ceasing to disable access to it.

Thus, any person who sends a cease and desist letter with knowledge that claims of infringement are false may be liable for damages....

Misrepresentation of Copyright Infringement: 17 U.S.C. § 512(f)

1. Publication of some of the contents in the email archive is lawful.

At the hearing on Plaintiffs' motion for preliminary injunction, Diebold's counsel asserted that portions of the email archive contain material that is copyrighted and has no "public interest" value. However, Diebold did not identify and has never identified specific emails that contain copyrighted content, and thus it has not provided evidence to support its counsel's assertion. At the same time, Diebold appears to have acknowledged that at least some of the emails are subject to the fair use doctrine.

The purpose, character, nature of the use, and the effect of the use upon the potential market for or value of the copyrighted work all indicate that at least part of the email archive is not protected by copyright law. The email archive was posted or hyperlinked to for the purpose of informing the public about the problems associated with Diebold's electronic voting machines. It is hard to imagine a subject the discussion of which could be more in the public interest. If Diebold's machines in fact do tabulate voters' preferences incorrectly, the very legitimacy of elections would be suspect. Moreover, Diebold has identified no specific commercial purpose or interest affected by publication of the email archive, and there is no evidence that such publication actually had or may have any affect on the putative market value, if any, of Diebold's allegedly copyrighted material. Even if it is true that portions of the email archive have commercial value, there is no evidence that Plaintiffs have attempted or intended to sell copies of the email archive for profit. Publishing or hyperlinking to the email archive did not prevent Diebold from making a profit from the content of the archive because there is no evidence that Diebold itself intended to or could profit from such content. At most, Plaintiffs' activity might have reduced Diebold's profits because it helped inform potential customers of problems with the machines. However, copyright law is not designed to prevent such an outcome. *See, e.g., Acuff-Rose, 510 U.S. at 591-92.* Rather, the goal of copyright law is to protect creative works in order to promote their creation. To the extent that Diebold argues that publication of the entire email archive diminished the value of some of its

proprietary software or systems information, it must be noted that there is no evidence that *Plaintiffs* published or linked to the archive in order to profit. Finally, Plaintiffs' and IndyMedia's use was transformative: they used the email archive to support criticism that is in the public interest, not to develop electronic voting technology. Accordingly, there is no genuine issue of material fact that Diebold, through its use of the DMCA, sought to and did in fact suppress publication of content that is not subject to copyright protection.

2. Diebold violated section 512(f).

Plaintiffs argue that Diebold "knowingly materially misrepresented" that publication of the email archive constituted copyright infringement and thus is liable for damages pursuant to 17 U.S.C. § 512(f). The parties dispute the meaning of the phrase "knowingly materially misrepresents." Plaintiffs argue that a type of preliminary injunction standard should be applied. That is, the Court should conclude that Diebold violated section 512(f) if it did not have a "likelihood of success" on the merits of a copyright infringement claim when it sent the DMCA letters. Diebold contends that the Court should apply a type of Federal Rule of Civil Procedure 11 ("Rule 11") standard and thus conclude that Diebold did not violate section 512(f) unless sending the DMCA letters was "frivolous." Because the DMCA is of relatively recent vintage, the issue appears to be one of first impression.

The Court concludes that neither standard is appropriate. A requirement that a party have an objectively measured "likelihood of success on the merits" in order to assert claims of copyright infringement would impermissibly chill the rights of copyright owners. At the same time, in requiring a showing of "knowing material misrepresentation," Congress explicitly adopted a standard different from that embodied in Rule 11, which contains a variety of other requirements that are not necessarily coextensive with those set forth in section 512(f). The Court concludes that the statutory language is sufficiently clear on its face and does not require importation of standards from other legal contexts. A party is liable if it "knowingly" and "materially" misrepresents that copyright infringement has occurred. "Knowingly" means that a party actually knew, should have known if it acted with reasonable care or diligence, or would have had no substantial doubt had it been acting in good faith, that it was making misrepresentations. *See* BLACK'S LAW DICTIONARY (8th ed. 2004) (definitions of "knowledge," in particular, "actual" and "constructive" knowledge). "Material" means that the misrepresentation affected the ISP's response to a DMCA letter. *See id.*

Applying this standard and in light of the evidence in the record, the Court concludes as a matter of law that Diebold knowingly materially misrepresented that Plaintiffs infringed Diebold's copyright interest, at least with respect to the portions of the email archive clearly subject to the fair use exception. No reasonable copyright holder could have believed that the portions of the email archive discussing possible technical problems with Diebold's voting machines were protected by copyright, and there is no genuine issue of fact that Diebold knew -- and indeed that it specifically intended [FN15: Indeed, Diebold's counsel stated that "the DMCA provides the rapid response, the rapid remedies that Congress had in mind."] -- that its letters to OPG and Swarthmore would result in

prevention of publication of that content. The misrepresentations were material in that they resulted in removal of the content from websites and the initiation of the present lawsuit. The fact that Diebold never actually brought suit against any alleged infringer suggests strongly that Diebold sought to use the DMCA's safe harbor provisions -- which were designed to protect ISPs, not copyright holders -- as a sword to suppress publication of embarrassing content rather than as a shield to protect its intellectual property.

...

[The plaintiffs subsequently settled the damages question for \$125,000 from Diebold.]
