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NEW LEGISLATION REGARDING ON-LINE SERVICE PROVIDER LIABILITY FOR COPYRIGHT INFRINGEMENT: A SOLUTION IN SEARCH OF A PROBLEM?

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I. Introduction

The use of the Internet by both private and corporate entities has grown dramatically in recent years. n1 Because it is rare to have access to a computer which is directly linked to the Internet, most computer users must rely on so-called "On-Line Service Providers" (OSPs) n2 to provide access to the vast web of networked computers. The term OSP usually applies to private companies that have large computers which are directly connected to the Internet. n3 Some are powerful, nationally-known

[*336] corporations, such as America Online (AOL) or the Microsoft Network (MSN), and some are small start-up firms with only basic equipment and few staff members. Users pay these companies for the privilege of connecting to their systems via telephone modems or, for larger clients, via some form of dedicated, direct link such as an Integrated Services Digital Network (ISDN) line.

Generally, these systems run automatically, with little human input or direction required, at least with regard to Internet-related functions. The main function of the OSP is to set up the system and maintain it. In fact, employees of OSPs never see most of what they transmit to or receive from users.

Many users of OSP services connect only to search for and retrieve information. However, OSPs also allow users to add or "upload" information onto the Internet, often by storing the information on the OSP's computers to which others "surfing" the Internet have access. For example, a company or individual may create a Web pageⁿ⁴ of text and images for others to see on the World Wide Web.ⁿ⁵ This page may be uploaded and stored as a file on the OSP's computer. Alternatively, one might upload individual images or text files onto another's Bulletin Board System(BBS)ⁿ⁶ through the computers of the OSP.ⁿ⁷ Herein lies the problem: some users upload information which infringes the intellectual property rights of others. The question that OSPs must face is whether by acting as a conduit for the infringer they are themselves liable for directly or contributorily infringing these intellectual property rights.

The question of OSP liability for the infringing activities of others, as important as it is at this stage in the computer revolution, is not yet completely resolved. The courts have just begun to create the precedent which will govern future litigation in this area, but much of it is

[*337] incomplete. Additionally, Congress has demonstrated a desire to modify the relevant intellectual property laws, although the direction or success of these efforts is far from certain.

This comment will first address the issue of OSP liability by analyzing the area of intellectual property law in which the courts have dealt with the problem most extensively: copyright. It will argue that recent court decisions have properly analyzed the culpability of OSPs for copyright infringement committed by third parties over their networks, and it will urge courts in future actions to adopt this line of reasoning. Next, this comment will examine legislation which is pending before Congress on the issue of OSP liability for third-party copyright infringement. It will conclude that such legislation is unnecessary at this point and that the specific measures proposed are overbroad with respect to their limitations on liability.

II. The Case Law on OSP Liability for Copyright Infringement

Although many types of intellectual property may be infringed over the Internet, copyright infringement appears to be the cause of action most often asserted against OSPs. Indeed, the quick, easy transfer of works of authorship is very much the purpose of the so-called "Information Super Highway."ⁿ⁸ However, the properties which make the medium useful, the low-cost reception, copying and re-transmission of material, also make it an excellent medium for copyright infringement. Additionally, the decentralized structure of the Internetⁿ¹⁰ means that infringement may come from a number of individual sources who are difficult to track down and ill-equipped to pay compensation for their tortious acts. Naturally, copyright owners have turned to OSPs to stem the tide of infringement.

Early copyright infringement actions involving OSPs mainly concerned their liability as operators of BBSs which contained infringing files.ⁿ¹¹ Future actions will probably entertain their liability potential in

[*338] the context of the World Wide Web, perhaps the most user-friendly communication format used on the Internet and the one with the most growth potential. n12 Whatever the case, courts address three major areas of OSP liability for copyright infringement: (1) liability for direct infringement; (2) liability for contributory infringement; and (3) vicarious liability for the infringement of another. An analysis of the recent case law demonstrates that the courts have appropriately determined the liability of OSPs.

A. Liability for Direct Infringement

The law of copyright infringement is governed by Section 501 of the Copyright Act n13 which holds one liable for violating any of the exclusive rights of a copyright owner. To establish a claim of copyright infringement, a plaintiff must first show (1) ownership of a valid copyright and (2) copying n14 of protectable expression by the defendant. n15 To show copying, a plaintiff may either produce direct evidence of copying or create an inference that copying occurred by showing (1) that defendants had access to the protected work and (2) that the protected work and the alleged copy are substantially similar. n16 It is important to note that direct infringers are held to a standard of "strict liability," determined without regard to the intent or knowledge of the infringer. n17

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The exclusive rights, listed in Section 106 of the Act include the right to make copies of the work as well as the right to publicly distribute and publicly display the work. n18 It is these three rights that an OSP may be most in danger of directly infringing by virtue of another's infringing acts.

1. Actual Copying of the Work

When an OSP's computers host individual files or databases on storage drives, all of that information necessarily exists as a copy. n19 When users are allowed to add information to the storage drives, there is the risk that the drives will contain copies of works which are copyrighted by others. For example, an OSP may provide the storage system for a BBS as well as the means to access it. Also, as is common today, OSPs may allocate space on their systems for users to upload files which appear as "pages" on the World Wide Web. Because the OSP owns and operates the equipment on which the file or database exists, it is literally copying each work that is added to the system and could thus be liable for direct infringement.

Additionally, an OSP could be liable even when the infringing copy was not originally stored on its computers. This is due to the fact that many OSPs engage in a practice known as "caching." n20 Caching involves temporarily storing information which is transmitted through the OSP's computers to an end user. n21 Future requests for the same information are thus easier to satisfy because the OSP can disseminate the data from its own computers instead of requesting it from another computer on the Internet. n22 Again, the OSP is literally making copies of

[*340] the work which may constitute a technical infringement of an owner's copyright.

Finally, following the holding in *MAI Systems Corp. v. Peak Computer, Inc.*,ⁿ²³ it is possible that a court may find that an OSP "copied" a work by simply loading it into the RAMⁿ²⁴ of its computer as it prepares to transfer it to the end user's computer via a telephone modem or direct line. This decision is especially troubling for OSPs because even when they are simply acting as conduits or pipelines for information, their computers copy information into RAM during the transmission process.ⁿ²⁵ In other words, any company that considers itself an OSP probably, at some point, commits MAI Systems-type copying.

However, it is unlikely that a court will find direct liability for any of these types of infringement due to the fact that the copying takes place through largely uncontrolled and mechanical action by the OSP's computers. In other words, the OSP does not directly participate in (cause) the copying but merely maintains the equipment which does. In what has become the leading case on the matter, the court in *Religious Technology Center v. Netcom On-Line Communication Services, Inc.* found that an OSP which provided access to a newsgroupⁿ²⁶ via the Usenetⁿ²⁷ system was not directly liable for copying a plaintiff's copyrighted material by copying and storing the infringing works on its computers for a period of eleven days.ⁿ²⁸ In this case which came before the court in a summary judgment context, a former minister of the Church of Scientology, Dennis Erlich, posted published and unpublished works from the Church on a Usenet newsgroup in order to criticize the teachings of Scientology. As a server on the Usenet, Netcom's computers maintained the infringing postings in a storage device for a short time period to allow other Usenet computers to copy and distribute the postings worldwide. The Church of Scientology sued Erlich for direct copyright infringement and Netcom for direct and indirect infringement.

[*341] The court distinguished the ruling in MAI Systems n29 and refused to find Netcom liable for direct infringement noting that "the mere fact that Netcom's system incidentally makes temporary copies of plaintiff's work does not mean Netcom had caused the copying." n30 The court went on to state that it believed 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. n31

A recent case which applied the logic in Netcom to infringement on the World Wide Web was Marobie- Fl, Inc. v. National Ass'n of Fire Equipment Distributors. n32 In this case, a co-defendant, Northwest Nexis, Inc., owned and operated the storage system on which the other co-defendant, the National Association of Fire Equipment Distributors (NAFED), had placed a file for a Web page containing the plaintiff's copyrighted "clip art." The court found that even though Northwest's computers "served as more than just a gateway to the Internet" because the infringing file was actually stored on the computer, "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." n33

An OSP may be found liable, however, if it engages in more than the passive copying detailed in Netcom and Marobie. This interesting factual contrast is provided by another recent case, Playboy Enterprises, Inc., v. Russ Hardenburgh, Inc. n34 This case involved the operator of a BBS whose files contained infringing copies of Playboy's copyrighted images. The court found that, although actions such as those in Netcom are insufficient to constitute copying, the defendant in this case engaged in two acts which went beyond that low threshold:

(1) defendant's policy of encouraging subscribers to upload files, including adult photographs, onto the system, and (2) defendant's policy of using a screening procedure in which [the bulletin board company] employees

[*342] viewed all files in the upload file and moved them into the generally available files for subscribers. n35

These acts, the court held, transformed the defendants from passive actors into "active participants in the process of copyright infringement." n36 The court, accordingly, entered summary judgment against the OSP defendant for direct copyright infringement. n37

2. Distribution or Display of the Work

In addition to the exclusive right to make reproductions of a work, copyright owners also possess the exclusive right to publicly distribute and display their works. n38 OSPs may infringe these rights by many of the same processes as detailed above. For example, an OSP which allows access to a BBS can "display" the work by transmitting the image to a user's computer or "distribute" the image by allowing the user to download the image. n39 A particularly interesting aspect of these rights is that they apply only to public display and distribution. n40 Therefore, the OSP is actually the party that makes it possible for this infringement to occur. In other words, without the aid of the OSP, an infringer would not have the means to publicly display or distribute the works (on the Internet, at least). Perhaps because of this fact, courts have been more willing to find that OSPs directly infringe these rights.

An early but significant case in this area is *Playboy Enterprises, Inc. v. Frena*. n41 In this case, Playboy sued Frena, a BBS operator, for violating its exclusive right to distribute and display its copyrighted

[*343] images. As in many of the cases involving a BBS, the defendant charged a fee to access the system. Significantly, Frena also admitted that the images on the BBS were Playboy's but sought refuge in the fact that the images were copied onto the BBS by its subscribers. n42 The court, however, found that this was no defense to infringing the plaintiff's distribution and display rights, noting that "it does not matter that defendant Frena claims he did not make the copies himself." n43 Essentially, the court found that Frena infringed these rights simply by virtue of the fact that they existed on his BBS.

A different conclusion was reached in Netcom where the court raised the issue of public distribution and display sua sponte. n44 The defendant in this case distributed and displayed the images by allowing a link to the co-defendant Erlich's BBS. However, the court found the same problems with causality that it found with regard to actual copying of the plaintiff's work. n45 Again, the court focused on the fact that Erlich actually caused the distribution and display of the work while Netcom acted merely as a conduit:

It would be especially inappropriate to hold liable a service that acts more like a conduit, in other words, one that does not itself keep an archive of files for more than a short duration. Finding such a service liable would involve an unreasonably broad construction of public distribution and display rights. No purpose would be served by holding liable those who have no ability to control the information to which their subscribers have access, even though they might be in some sense helping to achieve the Internet's automatic "public distribution" and the users' "public display" of files. n46

The seemingly divergent rulings in Frena and Netcom can be reconciled if one considers a BBS operator to be more directly the cause of the infringement than an OSP which simply provides a link. However, this reasoning would still conflict with the broader ruling in Marobie which stated that a defendant OSP is not liable even by operating the primary storage medium for the infringing files. n47 Perhaps the better view is to follow Netcom and disregard Frena's holding that OSPs are liable for direct infringement simply by providing the means for distribution and display. This view properly recognizes the technical constraints of the

[*344] Internet and the fact that the system, in large part, functions automatically. An OSP that merely functions as merely a piece of the Internet infrastructure should not be held to be the cause of the infringement.

Furthermore, following the holding in *Netcom* with regard to direct infringement comports with the views of the Information Infrastructure Task Force as stated in its report *Intellectual Property and the National Information Infrastructure* (hereinafter the "White Paper").ⁿ⁴⁸ In this report, the Task Force argues for "strict liability" for OSPs that commit direct copyright infringement.ⁿ⁴⁹ However, it is elementary tort law that, even if strict liability is applied, one cannot impose such liability if one cannot also prove causation.ⁿ⁵⁰ Therefore, the *Netcom* (and general tort) requirement of causation for direct liability still exists in an environment of strict liability, despite arguments to the contrary by some commentators.ⁿ⁵¹ While it is true that the pre- *Netcom* White Paper supports the finding of liability in *Frena*,ⁿ⁵² there is language in the document which can support the direct liability standard of *Netcom*:

No one rule [for OSPs] may be appropriate. If an entity provided only the wires and conduits such as the telephone company, it would have a good argument for an exemption if it was truly in the same position as a common carrier and could not control who or what was on its system.ⁿ⁵³

In other words, if an OSP can reasonably characterize itself as a conduit for infringement, a court should find that it did not sufficiently cause the infringement and thus should not be held liable for direct infringement.

B. Liability for Contributory Infringement

Although under the *Netcom* standard an OSP may escape liability for direct infringement, it must still be concerned about derivative, third-

[*345] party liability. The doctrine of contributory infringement is perhaps the most problematic of these liability theories for the OSP. Although contributory liability is not literally set out in the Copyright Act, the Supreme Court has expressly recognized this form of liability for infringement by parties who have not themselves engaged in the infringing activity. n54 One may be labeled a contributory infringer if one (1) has knowledge of the infringing activity, and (2) "induces, causes, or materially contributes to the infringing conduct of another." n55 Additionally, the general tort theory of "joint and several liability" dictates that a contributory infringer may be held liable for the entire amount of damages resulting from the infringement. n56

The requirement of knowledge is the most important distinction between contributory infringement and direct infringement. n57 As stated above, direct infringement imposes a strict liability standard, and the defendant's knowledge or intent is immaterial to a finding of liability. n58 However, a contributory infringer must know of the infringing activity and cannot be found liable without such a showing. n59 The difference is significant to OSPs because it is far more likely that they will be found to have contributed to infringement rather than to have directly infringed and this "higher threshold for liability" may be the only way to avoid culpability. n60

Despite the heightened requirements, recent court decisions have found a least a triable issue of fact as to an OSP's liability for contributory infringement. In *Netcom*, after entering summary judgment against a finding of direct infringement, the court entertained the possibility of *Netcom*'s liability for contributory infringement. The court distinguished

[*346] the facts of the case from the situation that exists in a landlord/tenant relationship. It found that Netcom not only leased space, but also served as an access provider that stored and transmitted the infringing material. n61 "Unlike a landlord," the court stated, "Netcom retains some control over the use of its system." n62 Netcom's ability to control its equipment caused the court to conclude that its service substantially contributed to co-defendant Erlich's infringement. n63 The court determined that

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 [co-defendant] Erlich's infringing postings yet continues to aid in the accomplishment of Erlich's purpose of publicly distributing the postings. n64

However, the court was not so certain about Netcom's knowledge of the infringement. Netcom did receive notice of Erlich's infringement some time before he completed his infringing activity. Netcom, though, claimed that it could not determine with any reasonable degree of certainty that the postings infringed the Church of Scientology's copyrights. The court thus found a triable issue of fact as to whether Netcom knew or should have known that the activities were infringing. n65

In *Sega Enterprises, Ltd. v. Maphia*, the court actually granted summary judgment against the operator of a BBS for contributory infringement of the plaintiff's copyrights. n66 This case involved a BBS known as Maphia which carried files containing unauthorized copies of the plaintiff's video games. The games were uploaded by BBS subscribers. Other subscribers to the BBS could then download the games onto their personal computers. Interestingly, the BBS operator, Chad Sherman, did not dispute his knowledge of the infringing activity. n67 The court merely

[*347] had to consider the substantiality of Sherman's contribution to the infringement.

In considering Sherman's participation, the Sega court noted a recent Ninth Circuit decision, *Fonovisa, Inc. v. Cherry Auction, Inc.*, which found that the owner of a site where a swap meet took place could be held liable for any copyright infringement which occurred on the site. n68 The court in *Fonovisa* stated that "providing the site and facilities for known infringing activity is sufficient to establish contributory liability." n69 The Sega court analogized this fact pattern to the activities occurring on Sherman's BBS and found that, because Sherman provided the BBS as a central depository site and facilitated the copying of the games by operating the BBS, he was liable as a contributory infringer. n70

These cases demonstrate that an OSP will face its most difficult challenge in the area of contributory liability. Commentators have suggested that this is proper because it combines the advantage of having a higher threshold of liability due to the knowledge requirement with the advantage of having the party most able to control the infringing activity retain at least some liability for infringement. n71 Essentially, an OSP is free from liability until it has knowledge of infringing activity. It must then take some action to prevent further infringement or face liability as a contributory infringer. n72 The scheme makes logical and practical sense and it is laudable that the courts have displayed such an ability to craft an appropriate allocation of liability in the midst of an electronic environment of ever-increasing complexity as the Internet.

C. Vicarious Liability

An OSP may be vicariously liable for a third party's infringement even if it is not liable as a direct infringer or liable under the doctrine of

[*348] contributory infringement. The doctrine of vicarious liability, based on the tort theory of respondeat superior, is similar to that of contributory infringement in that it is not explicitly in the Copyright Act but is impliedly incorporated due to its nearly universal application in tort law. n73 However, the requirements for a finding of vicarious liability are quite different from those applicable to contributory infringement; to be held a vicarious infringer a defendant must (1) have the ability to control the infringement in some manner and (2) expect commercial gain from the infringement. n74 The doctrine of joint and several liability also applies to a finding of vicarious liability. n75

Recent court decisions evince a reluctance to find OSPs vicariously liable for infringement. n76 This is attributable to the fact that, while it is not difficult to satisfy the control prong by demonstrating that OSPs have the ability to control (i.e., stop) the infringement, satisfying the commercial-gain prong generally requires a showing that the OSP measurably profited from the infringement in addition to whatever standard profit it made. n77 This is difficult to show because many OSPs charge users a flat access rate based on the amount of time a user is on-line, and revenues earned under such a pricing structure would not fluctuate solely because infringing materials are involved.

Even in this context, however, a showing of commercial gain may be possible if one can demonstrate that an OSP benefited from greater access fees because users were "drawn" to the infringing materials. In the analogous Fonovisa case, a valid cause of action was found to exist against the operator of a swap meet, Cherry Auction, at which pirated

[*349] musical recordings were sold. n78 The court found that the sale of the infringing recordings was a "draw" for customers, thus enabling Cherry Auction to benefit financially from the infringement. n79 It would therefore seem reasonable to hold an OSP vicariously liable if, for example, it could be shown to have benefited from increased user access of files containing copyrighted materials. n80 Additionally, the percentage of financial benefit attributable to infringing material may be a factor, although this concept was not endorsed by the Fonovisa court. n81

The court in Netcom did not take the Fonovisa point of view, holding that a showing of such financial benefit is not enough to sustain liability. n82 While finding that a triable issue fact existed as to Netcom's control over co-defendant Erlich, the court stated that it was "not convinced" that evidence of increased user fees due to Erlich's infringement would constitute direct financial benefit. n83 However, it is important to note that the Netcom court based this conclusion in part on the ruling of the district court in Fonovisa. n84 This holding was later specifically overturned by the Ninth Circuit. n85 It remains open to speculation as to whether the Netcom court would have ruled otherwise in light of the Ninth Circuit ruling.

In Marobie, the court also made a clear determination that vicarious liability was not present. n86 In this case, the defendant OSP, Northwest, charged its users a one-time set-up fee and a flat quarterly

[*350] rate. The court specifically noted that its fee never changed based on how many people visited the co-defendant's Web page containing infringing material. n87 The infringement, the court concluded, could not be said to have financially benefited Northwest. n88

Clearly, it is possible to find an OSP vicariously liable for the infringement of a third party; however, the necessary evidentiary showings make this cause of action far less attractive than contributory infringement in most cases. Still, it is important to recognize that liability for vicarious infringement may depend greatly on the type of service the OSP provides. For example, a BBS operator may face greater liability for third-party infringement than one who provides access to the Internet. But even Bulletin Board Systems, which were formerly accessed by users at a single connection point for a fee, are now often available via the World Wide Web. If no separate fee is collected for accessing the BBS files, it may be impossible to draw any connection between the user's on-line access payments, which could be made to an OSP completely separate from the one hosting the BBS, and the user's downloading of copyrighted files.

D. The Fair Use Defense

Finally, it is instructive to explore the success with which an OSP might apply "fair use" as a defense to copyright infringement. In copyright law, fair use is an equitable defense which "permits and requires courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which the law is designed to foster." n89 This general limitation on a copyright owner's exclusive rights is codified in the Copyright Act of 1976 n90 and requires courts to consider four factors: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. n91 All four factors must be explored and weighed together in light of the goals of copyright protection. n92

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The fair use defense has been asserted in recent cases involving OSP liability with varied success. In *Playboy v. Frena*, the court found that fair use was not applicable due to the detrimental market effects of Frena's acts coupled with his presumptively commercial use of the copyrighted material. n93 In analyzing the facts, the court focused especially on the fourth factor, calling it the "single most important element of fair use, since a proper application of fair use does not impair materially the marketability of the copied work." n94 Frena operated a BBS which contained files holding Playboy's copyrighted images, and the court found that this had a negative effect on both Playboy's "immediate" and "delayed" market. n95 The court had no trouble entering summary judgment against Frena for direct infringement without regard to any claim of fair use. n96

Similarly, the *Sega* court held that the defendant BBS operator, Sherman, could not sustain a defense of fair use, finding that all four of the factors weighed heavily against him. n97 Sherman's use was commercial since he intended to profit directly from the content existing on the BBS; n98 the nature of the copyrighted works, video games, was creative and thus more deserving of copyright protection; n99 Sherman copied almost one hundred percent of the copyrighted works; n100 and his BBS service had very negative effects on Sega's market for its video games. n101 The conclusion from the court's analysis of each factor was so clear that the court apparently did not need to extensively describe the weighing

[*352] process; it found that the fair use defense was negated and entered summary judgment against the defendant. n102

However, in Netcom, the court found at least a triable issue of fact as to whether fair use was applicable. n103 In fact, the court's analysis of the facts suggested that it actually leaned toward finding Netcom's use fair. The only factor that the court determined truly weighed against Netcom was the substantiality of the portion of the work used. n104 The other factors generally weighed in Netcom's favor n105 suggesting at least a strong possibility that the court would have upheld the defense had the case gone to trial. The court's analysis of the first factor was especially significant as it recalled the same line of reasoning used in the court's analysis of direct infringement. The court found that although Netcom's use of the work was commercial because an OSP by its very nature is commercial, the fact that Netcom gained no direct financial benefit from the infringement turned this factor in its favor. n106 Furthermore, the court commented that "Netcom's use, though commercial, also benefits the public in allowing for the functioning of the Internet and the dissemination of other creative works, a goal of the Copyright Act." n107

Of course, it is important to keep in mind the fact-specific nature of the Netcom ruling. The infringing material on defendant Netcom's computers was posted for the purpose of criticizing Scientology. Many other types of infringement occurring on the Internet (e.g., selling another's copyrighted images) will be more likely to cause a court to rule as the Sega court did.

III. Proposed Legislation to Exempt OSPs From Copyright Infringement Liability

When the White Paper was published it caused great concern among OSPs due to its recognition that, under current law, OSPs must be held to a standard of "strict liability" for any direct infringement of copyrighted materials. n108 This prompted some commentators to suggest

[*353] that, for policy reasons, a "knowledge requirement" for any finding of OSP liability should be added to the Copyright Act. n109 Additionally, some desire a definitive statement on the matter from Congress rather than the courts. Currently, three bills are pending before Congress which would modify OSP liability. n110 They are indicative of recurring efforts to address this issue in the legislature and have support inside and outside the OSP industry (and opposition from many copyright owners). However, a careful analysis demonstrates that these legislative efforts are premature and problematic in their specific provisions.

A. Legislation is Unnecessary at This Time

Each of the new measures would make significant changes to the Copyright Act. As a threshold matter, one should ask whether a change is necessary at all. The courts, as noted above, appear to have effectively applied the current law to the problem of OSP liability and arrived at a workable solution. Is there really a need for such legislation at this time?

This sentiment was echoed in the testimony of Michael K. Kirk, Executive Director of the American Intellectual Property Law Association (AIPLA), given during the House hearings on the On-Line Copyright Liability Limitation Act (OCLLA):

. . . it is difficult to identify jurisprudence which makes the issue of on-line liability a real problem as opposed to a perceived problem. There certainly seems to be no chilling effect on the growth of the Internet. . . . The courts have demonstrated their ability to interpret the copyright law flexibly, and in a manner which has produced fair results. Accordingly, while we applaud your effort to resolve this dispute, we cannot but wonder whether those advocating such legislation have adequately demonstrated a need for it. Do we have a solution in search of a problem? n111

Kirk states that it may be better to wait and see how the case law concerning OSP liability develops, forestalling these legislative acts based only on "hypothetical chilling effects and purely speculative concerns." n112

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As Kirk suggests, there are at least two important reasons why legislation is not needed at this time: (1) courts have not yet interpreted copyright law in a manner which would have a chilling effect on OSPs and (2) legislation constrains the courts at the very time they need the most room to forge OSP liability doctrine.

The electronic environment in which OSPs do business is unquestionably a novel development in our history, and to some degree, it is not well understood. It is only natural, therefore, that we are inclined to enact preemptive legislation to protect the elements which appear necessary for the functioning of the Internet. But such action, as with any change in the law, should be reserved for a showing of real harm in the alternative. Harm has simply not been demonstrated in the case of OSP liability. There is no evidence that the OSP business is becoming less attractive due to the liability that may exist in the wake of Netcom. In fact, the number of OSPs is increasing every year, n113 suggesting that the business is in fact lucrative and viable without the liability limitations proposed by pending legislation.

Similarly, attempting to codify judicial doctrine that is not yet fully formed binds the hands of the judiciary and may lead to unanticipated problems for both on-line content and service providers. By addressing problems on a case-by-case basis, the courts are able to slowly build a coherent structure for analyzing liability that is fluid and responsive to changes in technology. Legislation, on the other hand, tends to force a commitment to a broad scheme which may eventually prove inappropriate in the future, especially if the scheme is narrow and affects specific actors as in the case of OSP liability. The federal legal system operates, in part, on the premise that, due to the uncertainties of the future, it is preferable for Congress to provide the legal framework while the courts and the executive branch agencies fill in the rest of the structure. n114 For this reason, changes to the Copyright Act to address this issue are premature. Legislation would deny the court flexibility in assigning liability at the time when they most need it to fully develop a coherent doctrine which will apply to a full range of fact patterns.

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B. Current Legislative Efforts Would Excessively Limit OSP Liability

In September of 1997, Senator Ashcroft of Missouri introduced in the Senate a bill containing comprehensive modifications to the Copyright Act known as the Digital Copyright Clarification and Technology Education Act of 1997 or, alternatively, the Technology for Educators and Children (TECh) Act. n115 Section 512 of the bill deals specifically with on-line liability limitations. n116 Significantly, the measure precludes direct, contributory or vicarious liability for "persons" who provide "network services and facilities." n117 To qualify, a person must (1) be providing such services or facilities for the purpose of, essentially, transmitting information or (2) not generate or alter the content of the transmission. n118

Of course, the OSP liability provision of the TECh Act is limited in one major respect: it applies only to infringement arising out of the act of providing network services or facilities. n119 Possibly, the operator of a BBS containing "permanently" stored, downloadable files or an OSP that provides the storage site for Web pages may still face liability under

[*356] this statute as in *Sega* and *Frena*.ⁿ¹²⁰ In contrast, with regard to network-type liability, the limitation appears absolute. Although it is not entirely clear what OSP services would fall within the language of the Act, it would certainly preclude a finding of infringement in a *Netcom*-type case where the OSP simply provides a link in the Internet chain. If passed, this bill would eliminate the incentive to curb infringement created by *Netcom* and tilt the balance strongly in favor of OSPs.

Also in September, Representative Coble of North Carolina introduced into the House of Representatives a bill directed solely toward limiting OSP liability known as the On-Line Copyright Liability Limitation Act (OCLLA).ⁿ¹²¹ This bill, like the proposed TECh Act, precludes a finding of OSP liability for direct and vicarious infringement.ⁿ¹²² However, this preclusion only applies, *inter alia*, if the OSP has no knowledge of the copyright infringement (which is not generally a requirement for liability under either theory).ⁿ¹²³ Furthermore, an OSP that escapes liability under this Act for direct or vicarious infringement

[*357] may nonetheless be held liable for contributory infringement. n124 The remedy in this case, however, is limited to injunctive relief. n125 Therefore, in contrast to the TECh Act, liability could attach to an OSP in a Netcom-like case. In an extension of his introductory remarks, Representative Coble acknowledged that the bill was introduced in response to concerns raised by "a number of on-line service and Internet access providers" and was principally for the purpose of giving greater certainty on the application of copyright law in this area. n126

More recently, in February of 1998, Representative Coble introduced another bill which would limit OSP liability known as the On-Line Copyright Infringement Liability Limitation Act (OCILLA). n127 This bill provides a simpler but somewhat broader exemption of OSP liability for direct infringement than the OCLLA by explicitly precluding liability for intermediate "storage" in addition to "transmission" of infringing material, providing that the transmission was initiated by another person and that the storage and transmission are carried out through an "automatic technological process, without any selection of the material

[*358] by the provider." n128 Additionally, this preclusion applies without regard to the OSP's knowledge of the infringing material. n129 The OCILLA also precludes monetary relief for vicarious or contributory infringement that is based on conduct for which the OSP would not face liability for direct infringement. n130 Finally, in a fusion of the doctrines of vicarious and contributory liability, the OCILLA precludes monetary relief for conduct not covered under the direct infringement exemption if the remedy is based on contributory or vicarious liability for transmission of or providing access to infringing material if the OSP (1) has no knowledge of the infringing activity and (2) receives no direct financial benefit from it. n131 As a whole, the provisions of the OCILLA carve out an exemption which significantly limits the liability of OSPs that provide only Netcom- like services. Even when such an OSP has knowledge of the infringement, the most that the provider will be ever be liable for is an injunction.

In both the OCLLA and the OCILLA bills, the limitation of liability to an injunction is important. In the case of contributory infringement under the OCLLA, an OSP would face no liability for its actions until it had notice, and even then it would simply have to stop the infringement to avoid further damages. In the case of conduit-like conduct under the OCILLA, the OSP is never liable for damages resulting from contributory or vicarious infringement and, again, may only be enjoined to stop the infringement. In other words, under both measures there is little incentive for an OSP to take any action to prevent infringement because it could not be liable for any of the monetary damages resulting from the infringement, which generally act as the greatest deterrent.

Therefore, even if one accepts the notion that legislation is required at this point in time, the current measures clearly go too far in limiting OSP liability. In any effort to limit OSP liability there is always the danger that one may remove much of an OSP's incentive to address copyright infringement on the Internet which, in turn, could lead to rampant infringing of authors' rights. An excellent example of how the threat of liability can produce acceptable solutions is provided by Frank

[*359] Music Corp. v. CompuServe, Inc. n132 In this case, CompuServe, which operated a music BBS on which subscribers could upload and download digital versions of popular music, was sued by Frank Music and the National Music Publishers Association, music publishers that owned copyrights in some of the songs on CompuServe's BBS. Eventually, the parties agreed to a settlement in which CompuServe would pay a license fee to the publishers for the use of the music. n133 CompuServe could, in turn, recoup its costs by charging its subscribers a slightly increased fee for the right to access the BBS. Commentators have suggested that such a mutually beneficial agreement would not have resulted had CompuServe not faced some liability for its actions. n134 The current bills could destroy this environment. Depending on how it characterized itself, CompuServe might not be liable at all under the TECh Act and liable only for an injunction under the OCLLA and OCILLA. Without the threat of liability, the party with the greatest ability to control the infringement is, effectively, out of the game.

The Internet is perhaps the single most powerful medium for both legally and illegally transferring information, and one should be wary of arbitrarily removing liability for any of the actors connected with it. Currently, the law strikes a balance between content and service providers, and legislators should be loath to alter that balance without showing a defect in the law or the judicial reasoning that has created that law.

IV. Conclusion

The liability of On-Line Service Providers for copyright infringement by third parties is a critical issue which must be appropriately addressed if the phenomenon that is the Internet is expected to continue. Through recent decisions, courts have demonstrated a deft handling of this complex problem which can serve a road map for determining liability in future litigation. Basically, an OSP which engages in network-type operations will face contributory liability only if a plaintiff can demonstrate that the OSP had knowledge of the infringing acts. Liability for direct or vicarious infringement in either case will not attach.

An OSP providing other services, such as operating a Bulletin Board System, may face greater liability. If it clearly benefits financially from the infringement, the OSP may face liability for vicariously

[*360] infringing a plaintiff's copyright. Also, if the OSP actively participates in the infringement as opposed to simply maintaining the system, it can be liable as a direct infringer.

New legislation is not only unnecessary at this point, it may in fact be detrimental. As demonstrated by two recent bills, it is extremely difficult to craft measures which do not upset the delicate balance which has arisen both spontaneously and through the thoughtful jurisprudence of the courts. The current system limits the liability of OSPs to a level where they can operate efficiently and profitably while maintaining the incentive to curb truly egregious infringement. Disturbing this system merely provides a solution which is in search of a problem.

n1 The parties in the recent Internet case, *ACLU v. Reno*, 929 F. Supp. 824, 831 (E.D. Pa. 1996), aff'd, 117 S. Ct. 2329 (1997), estimated that there were forty million users of the Internet in 1996 and projected that the number would increase to two hundred million by 1999.

n2 On-line Service Providers which provide access to the Internet are also known as "Internet Access Providers" or "Internet Service Providers."

n3 It should be noted that the term "On-line Service Provider" also applies to companies which provide access to discrete databases, such as Bulletin Board Systems (BBSs) (see note 6). BBSs were traditionally accessed directly through telephone modems but many are now connected to the Internet and may be accessed through this medium in the same way that one accesses a Web site. Additionally, "OSP" applies to companies such as America Online which have discrete computer networks. Many of these companies also allow access to the Internet.

n4 A Web page is a single location on the World Wide Web, a hypertext-based information protocol that makes collections of information available across the Internet. Web browser users can access information from Web servers (usually run by OSPs) and these connections from one server to the next would create a web pattern if graphically represented. See G. Burgess Allison, *The Lawyer's Guide to the Internet, Glossary* (1995) (this book is not only a good general reference to Internet concepts but, in some parts, also provides interesting examples of how quickly Internet references become outdated).

n5 See *id.*

n6 A host computer providing an electronic forum for message or file exchange. On some Bulletin Board Systems, users must pay a fee to access the forum. See *id.* at 47-9.

n7 An OSP can also operate a bulletin board system, in which case the BBS files would also be stored on the OSP's computer.

n8 See generally Ian C. Ballon, *Intellectual Property Protection and Related Third Party Liability*, 482 PLI/Pat 559 (1997). This outline provides an excellent accounting of the different types of intellectual property which may be infringed in cyberspace.

n9 See Allison, *supra* note 4, at 49-53.

n10 See David R. Johnson, Granularity and the Law of Cyberspace (June 20, 1994) <http://www.eff.org/pub/Legal/granularity_cyberlaw_johnson.article>. >

n11 See, e.g., *Sega Enters. Ltd. v. Maphia*, 857 F. Supp. 679, 30 U.S.P.Q.2d (BNA) 1921 (N.D. Cal. 1994) (decision on preliminary injunction for infringement by a BBS).

n12 See, e.g., *Marobie-Fl, Inc. v. Nat'l Assn. of Fire Equip. Dist.*, No. 96 C 2966, 1997 WL 709747, 45 U.S.P.Q.2d (BNA) 1236 (N.D. Ill. Nov. 13, 1997) (discussed infra).

n13 17 U.S.C. 501 (1994).

n14 "Copying" in this context is understood to mean infringing any of the copyright owner's five exclusive rights. *Religious Tech. Ctr. v. Netcom On-line Communication, Inc.*, 907 F. Supp. 1361, 1367, n. 7, 37 U.S.P.Q.2d (BNA) 1545, 1548, n. 7 (N.D. Cal. 1995) (citing *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1085, n. 3, 12 U.S.P.Q.2d (BNA) 1241, 1245 (9th Cir. 1989)).

n15 *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 18 U.S.P.Q.2d (BNA) 1275, 1296 (1991); *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518, 26 U.S.P.Q.2d (BNA) 1458, 1463 (9th Cir. 1993), cert. dismissed, 114 S. Ct. 671 (1994); *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 261, 7 U.S.P.Q.2d (BNA) 1281, 1278 (5th Cir. 1988); 3 Nimmer on Copyright, 13.01 (1985).

n16 *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, No. 1:93 CV 0546, 1997 WL 755031 at *12 (N.D. Ohio 1997) (citing *Wickham v. Knoxville Int'l Energy Exposition, Inc.*, 739 F.2d 1094, 1097, 22 U.S.P.Q. (BNA) 778, 780 (6th Cir. 1984)).

n17 *Netcom*, 907 F. Supp. at 1367, 37 U.S.P.Q.2d (BNA) at 1548; Information Infrastructure Task Force (IITF), The Report of the Working Group on Intellectual Property Rights 103 (1995) (available at <<http://www.uspto.gov/web/offices/com/doc/ipnii/>>). >

n18 17 U.S.C. 106 (1994). The five exclusive rights listed in 106 are (1) the right to reproduce the work, (2) the right to prepare derivative works, (3) the right to distribute copies, (4) the right to perform the work publicly, and (5) the right to display the work publicly.

n19 In *MAI Systems*, 991 F.2d at 519, 26 U.S.P.Q.2d (BNA) at 1464, the court found that copies of computer software which existed only in a temporary form in a computer's Random Access Memory (RAM) could be properly termed a copy for purposes of infringement. This type of memory exists electronically on RAM chips (as opposed to somewhat more permanent magnetic storage mediums like hard drives or diskettes). Information typically remains in RAM only so long as the computer is on, contributing to the general perception that this type of memory is especially transitory or temporary.

n20 Richard S. Vermut, File Caching on the Internet: Technical Infringement or Safeguard for Efficient Network Operation?, 4 J. Intel. Prop. L. 273, 276 (1997).

n21 Id.

n22 Id.

n23 991 F.2d at 519, 26 U.S.P.Q.2d (BNA) at 1464; see note 19.

n24 See note 19.

n25 Information Infrastructure Task Force (IITF), *The Report of the Working Group on Intellectual Property Rights* 90, n. 315 (1995).

n26 An electronic discussion group, similar to public bulletin boards, in which participants come to a common location to read and post messages. In the background, the host computers that support newsgroups distribute individual postings to other computers. Allison, *supra* note 4, at 66-7.

n27 The collective process of exchanging newsgroup postings from host computer to host computer, creating a sort of network. See *id.*

n28 907 *F. Supp. at* 1368-69, 37 *U.S.P.Q.2d (BNA) at* 1552.

n29 991 *F.2d at* 519, 26 *U.S.P.Q.2d (BNA) 1464*, see note 19.

n30 907 *F. Supp. at* 1368-69, 37 *U.S.P.Q.2d (BNA) at* 1552; accord *Sega Enters. Ltd v. Maphia*, 948 *F. Supp.* 923, 932, 41 *U.S.P.Q.2d (BNA) 1705, 1713 (N.D. Cal. 1996)*.

n31 907 *F. Supp. at* 1369, 37 *U.S.P.Q.2d (BNA) at* 1550.

n32 No. 96 C 2966, 1997 *WL 709747*, 45 *U.S.P.Q.2d (BNA) 1236 (N.D. Ill. Nov. 13, 1997)*.

n33 1997 *WL 709747 at* * 10, 45 *U.S.P.Q.2d (BNA) at* 1245.

n34 No. 1:93 CV 0546, 1997 *WL 755031 (N.D. Ohio Nov. 25, 1997)*.

n35 *Id.* at *11 (one could argue whether act (1) is really a fact which relates more to contributory infringement).

n36 *Id.*

n37 *Id.* See also *Frank Music Corp. v. CompuServe, Inc.*, Civil Action No. 93 Civ. 8153 (S.D.N.Y. 1995) (OSP forced into settlement for infringement when there was a strong possibility that it could be found to be exploiting the copyrighted material); *Playboy Enters., Inc. v. Webworld, Inc.*, 968 *F. Supp.* 1171, 1175 (N.D. Tex. 1997) (court rejected defendants' conduit argument and found them liable for direct infringement because they sold the infringing images found on their Web site).

n38 17 *U.S.C. 106(3),(5)-(6)* (1994).

n39 Joseph V. Myers, III, *Speaking Frankly about Copyright Infringement on Computer Bulletin Boards: Lessons to be Learned from Frank Music, Netcom, and the White Paper*, 49 *Vand. L. Rev.* 439, 452 (1996). This author makes an interesting point about the difference between copying and browsing (or displaying) in suggesting that they cannot occur simultaneously.

n40 *Id. at* 452, 464; 17 *U.S.C. 106(3),(5)-(6)* (1994).

n41 839 *F. Supp.* 1552, 29 *U.S.P.Q.2d (BNA) 1827 (M.D. Fla. 1993)*.

n42 *Id. at* 1556, 29 *U.S.P.Q.2d (BNA) at* 1831.

n43 *Id.*

n44 *Religious Tech. Ctr. v. Netcom On-line Communication, Inc.*, 907 F. Supp. 1361, 1372, 37 U.S.P.Q.2d (BNA) 1545, 1552 (N.D. Cal. 1995).

n45 Id.

n46 Id. *Accord Marobie-Fl, Inc. v. Nat'l Assn. of Fire Equip. Dist.*, No. 96 C 2966, 1997 WL 709747 at *10, 45 U.S.P.Q.2d (BNA) 1236, 1245 (N.D. Ill. Nov. 13, 1997).

n47 1997 WL 709747 at *10, 45 U.S.P.Q.2d (BNA) at 1245.

n48 IITF, supra note 25, at 103.

n49 Id.

n50 See Restatement (Second) of Torts 431 (1964) (requirements for legal cause).

n51 See, e.g., Myers, supra note 39, at 475-76.

n52 IITF, supra note 25, at 108-9. The White Paper also notes that the decision in *Sega Enterprise. Ltd. v Maphia*, 857 F. Supp. 679, 30 U.S.P.Q.2d (BNA) 1921 (N.D. Cal. 1994), supports a finding of direct liability; however, this was a decision on a preliminary injunction and the court, in a subsequent decision on summary judgment, *Sega Enterprises Ltd. v Maphia*, 948 F. Supp. 923, 932, 41 U.S.P.Q.2d (BNA) 1705, 1713 (N.D. Cal. 1996), explicitly followed the reasoning in Netcom and did not find liability for direct infringement.

n53 IITF, supra note 25, at 110 (emphasis added).

n54 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 435, 220 U.S.P.Q. (BNA) 665, 677-78 (1983) (analogizing this form of copyright infringement to patent infringement and noting that the theory is expressly set out in the Patent Act).

n55 *Gershwin Publ'g Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162, 170 U.S.P.Q. (BNA) 182, 184-85 (2d Cir. 1971).

n56 *Demetriades v. Kaufmann*, 690 F. Supp. 289, 293, 8 U.S.P.Q.2d (BNA) 1130, 1132 (1988).

n57 It is unclear as to whether actual or constructive knowledge is required. Some courts have held that actual knowledge of infringement is not necessary to establish liability for contributory infringement. See, e.g., *Ez-Tixz, Inc. v. Hit-Tix, Inc.*, 919 F. Supp. 728, 732 (S.D.N.Y. 1996).

n58 *Religious Tech. Ctr. v. Netcom On-line Communication, Inc.*, 907 F. Supp. 1361, 1367, 37 U.S.P.Q.2d (BNA) 1545, 1548 (N.D. Cal. 1995); IITF, supra note 25, at 103.

n59 See *Gershwin*, 443 F.2d at 1162, 170 U.S.P.Q. (BNA) at 185.

n60 See generally IITF, supra note 25, at 104 (discussing the higher threshold of liability for contributory infringement and vicarious liability).

n61 *Netcom*, 907 F. Supp. at 1373-74, 37 U.S.P.Q.2d (BNA) at 1554.

n62 Id. at 1374, 37 U.S.P.Q.2d (BNA) at 1554.

n63 Id., 37 U.S.P.Q.2d (BNA) at 1555.

n64 Id. at 1375, 37 U.S.P.Q.2d (BNA) at 1556.

n65 *Id. at 1374-75, 37 U.S.P.Q.2d (BNA) at 1556*. See also *Marobie-Fl, Inc. v. Nat'l Assn. of Fire Equip. Dist.*, No. 96 C 2966, 1997 WL 709747 at *10, 45 U.S.P.Q.2d (BNA) 1236, 1245 (N.D. Ill. Nov. 13, 1997) (finding that a triable issue of fact existed on this issue of contributory infringement). It's important to keep in mind that simply because a court found "a triable issue of fact" on a motion for summary judgment does not necessarily mean that it would find the defendant liable for infringement. Some cases, such as *Netcom*, settle after the hearing on summary judgment and it is thus unknown whether the court would have found the defendant liable at trial.

n66 *Sega Enters. Ltd. v Maphia*, 948 F. Supp. 923, 926, 41 U.S.P.Q.2d (BNA) 1705, 1707 (N.D. Cal. 1996).

n67 *Id. at 933, 41 U.S.P.Q.2d (BNA) at 1712*.

n68 76 F.3d 259, 264, 37 U.S.P.Q.2d (BNA) 1590, 1595 (9th Cir. 1996).

n69 *Id.*

n70 *Sega*, 948 F. Supp. at 933, 41 U.S.P.Q.2d (BNA) at 1712. See also *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, No. 1:93 CV 0546, 1997 WL 755031 at *13 (N.D. Ohio Nov. 25, 1997) (finding on a motion for summary judgment that defendants were liable for contributory infringement as well as direct infringement).

n71 See, e.g., R. Carter Kirkwood, *When Should Computer Owners be Liable for Copyright Infringement by Users?* 64 U. Chi L. Rev. 709, 721 (1997); Wendy M. Melone, *Contributory Liability for Access Providers: Solving the Conundrum Digitalization has Placed on Copyright Laws*, 49 Fed. Comm. L. J. 491, 501 (1997).

n72 For an excellent list of things OSPs can do to minimize the risk of liability, see Joseph Levi, *Will On-line Service Provider Liability Unravel the Web?*, 477 PLI/Pat 547, 565-66 (1997).

n73 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 435, 220 U.S.P.Q. (BNA) 665, 675 (1983). See also *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399, 403, 150 U.S.P.Q. (BNA) 523, 526 (S.D.N.Y. 1966) ("common law concepts of tort liability are relevant in fixing the scope of the statutory copyright remedy").

n74 *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307-08, 137 U.S.P.Q. (BNA) 275, 277 (2d Cir. 1963). See also H.R. Rep. No 94-1476, 94th Cong., 2d Sess. 158-60 (1976).

n75 *Demetriades v. Kaufmann*, 690 F. Supp. 289, 293, 8 U.S.P.Q.2d (BNA) 1130, 1132 (1988).

n76 See, e.g., *Religious Tech. Ctr. v. Netcom On-line Communication, Inc.*, 907 F. Supp. 1361, 1377, 37 U.S.P.Q.2d (BNA) 1545, 1556 (N.D. Cal. 1995); *Marobie-Fl, Inc. v. Nat'l Assn. of Fire Equip. Dist.*, No. 96 C 2966, 1997 WL 709747 at *11, 45 U.S.P.Q.2d (BNA) 1236, 1245 (N.D. Ill. Nov. 13, 1997).

n77 See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264, 37 U.S.P.Q.2d (BNA) 1590, 1594 (9th Cir. 1996) (discussion of what is required to show financial benefit in the context of a swap meet).

n78 *Id. at 263-64, 37 U.S.P.Q.2d (BNA) at 1594.*

n79 *Id.* Liability was similarly found against establishments which attracted crowds and increased revenue, in part, because they played popular, copyrighted music in the so-called "dance hall" cases. IITF, *supra* note 25, at 99, n. 355 (citing *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929); *Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Ass'n, Inc.*, 554 F.2d 1213, 194 U.S.P.Q. (BNA) 177 (1st Cir. 1977); *KECA Music, Inc. v. Dingus McGee's Co.*, 432 F. Supp. 72, 199 U.S.P.Q. (BNA) 764 (W.D. Mo. 1977)).

n80 It is interesting to note that many OSPs now offer unlimited connection time for a single rate. Although this precludes a finding of vicarious liability based on increased connection time, it may still be possible to demonstrate a "draw" based on the increased number of subscribers.

n81 76 F.3d at 263, 37 U.S.P.Q.2d (BNA) at 1594. (rejecting the view that, because infringers were charged low daily fees, the defendant could not be said to have significantly benefited from the infringement).

n82 *Netcom*, 907 F. Supp. at 1377, 37 U.S.P.Q.2d (BNA) at 1556.

n83 *Id.*

n84 *Fonovisa, Inc. v. Cherry Auction, Inc.*, 847 F. Supp. 1492, 1496 (E.D. Cal. 1994).

n85 *Fonovisa*, 76 F.3d at 264, 37 U.S.P.Q.2d (BNA) at 1594.

n86 *Marobie*, 1997 WL 709747 at *11, 45 U.S.P.Q.2d (BNA) at 1245.

n87 *Id.* at *10, 45 U.S.P.Q.2d (BNA) at 1245.

n88 *Id.*

n89 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577, 29 U.S.P.Q.2d (BNA) 1961, 1965 (1994) (quoting *Steward v. Abend*, 495 U.S. 207, 236 (1990)).

n90 17 U.S.C. 107 (1994).

n91 *Id.*

n92 *Acuff-Rose*, 510 U.S. at 577, 29 U.S.P.Q.2d (BNA) at 1965.

n93 839 F. Supp. 1552, 1560, 29 U.S.P.Q.2d (BNA) 1827, 1833 (M.D. Fla. 1993)..

n94 *Id. at 1558, 29 U.S.P.Q.2d (BNA) at 1832* (quoting *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845 (11th Cir. 1990)). Courts have repeatedly identified this as the most significant of the four factors. IITF, *supra* note 25, at 71.

n95 *Frena*, 839 F. Supp. at 1558, 29 U.S.P.Q.2d (BNA) at 1832.

n96 *Id. at 1559, 29 U.S.P.Q.2d (BNA) at 1833.* It is important to note that one should be cautious in applying the holding in this case because, as stated above, the court also gave weight to a presumption that *Frena's* commercial use of the copyrighted material was unfair. This presumption stems from language in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 451, 220 U.S.P.Q. (BNA) 665, 682 (1983), which was

specifically rejected in the post-Playboy v. Frena case of *Acuff-Rose*, 510 U.S. at 583-84, 29 U.S.P.Q.2d (BNA) 1961.

n97 *Sega Enters. Ltd. v Maphia*, 948 F. Supp. 923, 934-36, 41 U.S.P.Q.2d (BNA) 1705, 1713-15 (N.D. Cal. 1996).

n98 *Id.* at 934, 41 U.S.P.Q.2d (BNA) at 1714.

n99 *Id.*

n100 *Id.* at 935, 41 U.S.P.Q.2d (BNA) at 1714.

n101 *Id.*, 41 U.S.P.Q.2d (BNA) at 1715.

n102 *Id.* at 936, 41 U.S.P.Q.2d (BNA) at 1715.

n103 *Religious Tech. Ctr. v. Netcom On-line Communication, Inc.*, 907 F. Supp. 1361, 1381, 37 U.S.P.Q.2d (BNA) 1545, 1561 (N.D. Cal. 1995).

n104 *Id.* at 1379, 37 U.S.P.Q.2d (BNA) at 1560.

n105 *Id.* at 1378-80, 37 U.S.P.Q.2d (BNA) at 1559-61.

n106 *Id.* at 1379, 37 U.S.P.Q.2d (BNA) at 1559.

n107 *Id.*

n108 IITF, *supra* note 25, at 103.

n109 See, e.g., Scott K. Pomeroy, Promoting the Progress of Science and the Useful Arts in the Digital Domain: Copyright, Computer Bulletin Boards, and Liability for Infringement by Others, 45 *Emory L. J.* 1035, 1082 (1996).

n110 S. 1146, 105th Cong. (1997); H.R. 2180, 105th Cong. (1997); H.R. 3209, 105th Cong. (1998). All three are discussed *infra* in further detail.

n111 The On-Line Copyright Liability Limitation Act and the WIPO Copyright Treaties Implementation Act: Hearings on H.R. 2180 and H.R. 2281 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary, 105th Cong. (1997) (statement of Michael K. Kirk, Executive Director, AIPLA) (page unavailable on-line).

n112 *Id.*

n113 For example, there were 1447 OSPs in 1996, but by August of 1997, there were 4133. Bits: Geek Mystique, Internet Influence Continues, BYTE, Dec. 1997, at 25 (compiling statistics from Boardwatch).

n114 See, e.g., *Amalgamated Meat Cutters v. Connally*, 337 F. Supp. 737 (D.D.C. 1971) (discussion of the delegation doctrine between Congress and government agencies).

n115 S. 1146, 105th Cong. (1997).

n116 *Id.* at 512. The text of 512 is as follows: (a) Material Being Transmitted Through an Electronic Communications System or Network (1)NETWORK SERVICES WITH RESPECT TO THE TRANSMISSION OF ELECTRONIC COMMUNICATIONS-A person shall not be liable for direct, vicarious or contributory

infringement of copyright arising out of providing electronic communications network services or facilities with respect to a copyright infringement by a user. A person shall be considered to provide "network services or facilities" when such person transmits, routes or provides connections for material on behalf of a user or an electronic communications system or network controlled or operated by or for the person, including intermediate and transient storage, the processing of information, and the provision of facilities therefor, if- (A) the provision of services is for the purpose of managing, controlling or operating a communications system or network, supplying local access, local exchange, telephone toll, trunk line, private line, or backbone services, including network components or communications carried out over those services; or (B) the transmission of material over the system or network on behalf of a user does not involve the generation or material alteration of content by the person.

n117 Id.

n118 Id. at 512(a)(1)(A), (B).

n119 The bill mentions only the "routing" and "transmission" of materials resulting in "intermediate" or "transient" storage. Id.

n120 See id.

n121 H.R. 2180, 105th Cong. (1997). The bill states, in part: SEC. 2. LIMITATIONS ON LIABILITY (a) IN GENERAL-Chapter 5 of title 17, United States Code, is amended by adding after section 511 the following new section: Sec. 512. Limitations on liability relating to material on-line (a) EXEMPTIONS-A person shall not be liable (1) for direct infringement, or vicariously liable for the infringing acts of another, based solely on transmitting or otherwise providing access to material on-line, if the person (A) does not initially place the material on-line; (B) does not generate, select, or alter the content of the material; (C) does not determine the recipients of the material; (D) does not receive a financial benefit directly attributable to a particular act of infringement; (E) does not sponsor, endorse, or advertise the material; and (F)(i) does not know, and is not aware by notice or other information indicating, that the material is infringing, or (ii) is prohibited by law from accessing the material; or (2) in the case of a finding of contributory infringement based solely on conduct for which a person is exempt from liability for direct infringement or vicarious liability under paragraph (1), for any remedy other than injunctive relief under section 502, except that such injunctive relief shall be available only to the extent that all acts required by such relief are technically feasible and economically reasonable to carry out. Nothing in clause (i) of paragraph (1)(F) shall impose an affirmative obligation to seek information described in such clause. . . .

n122 Id. at 2(a)(1).

n123 Id. at 2(a)(1)(F)(i).

n124 Id. at 2(a)(2).

n125 Id.

n126 143 Cong. Rec. E1452-01 (daily ed. July 17, 1997) (extension of remarks by Rep. Coble).

n127 H.R. 3209, 105th Cong. (1998). This bill provides, in part: SEC. 2. LIMITATIONS ON LIABILITY FOR COPYRIGHT INFRINGEMENT. (a) IN GENERAL-Chapter 5 of title 17, United States Code, is amended by adding after section 511 the following new section: Sec. 512. Limitations on liability relating to material on-line (a) LIMITATION-Notwithstanding the provisions of section 106, a provider shall not be liable for (1) direct infringement, based solely on the intermediate storage and transmission of material over that provider's system or network, if (A) the transmission was initiated by another person; (B) the storage and transmission is carried out through an automatic technological process, without any selection of that material by the provider; and (C) any copy made of the material is not retained longer than necessary for the purpose of carrying out that transmission; (2) monetary relief under section 504 or 505 for contributory infringement or vicarious liability, based solely on conduct described in paragraph (1); or (3) monetary relief under section 504 or 505 for contributory infringement or vicarious liability, based solely on transmitting or providing access to material over that provider's system or network, other than conduct described in paragraph (1), if the provider (A) does not know and is not aware of information indicating that the material is infringing; and (B) does not receive a financial benefit directly attributable to the infringing activity. . . .

n128 Id. at 2(a)(1). H.R. 2180 arguably provides the same preclusion on OSP liability for storage of infringing materials with the language "otherwise providing access," but the exemption is far more clear in H.R. 3209. See H.R. 2180, *supra* note 121, at 2(a)(1).

n129 Id.

n130 Id. at 2(a)(2).

n131 Id. at 2(a)(3).

n132 Frank Music Corp., No. 93 Civ. 8153 (S.D.N.Y. 1993)

n133 Id., Settlement Agreement, Oct. 25, 1995 (on file with the author).

n134 See, e.g., Myers, *supra* note 39, at 479.