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## Internet Copyright Infringement Liability: Is an Online Access Provider More Like a Landlord or a Dance Hall Operator?

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## COMMENT

### INTERNET COPYRIGHT INFRINGEMENT LIABILITY: IS AN ONLINE ACCESS PROVIDER MORE LIKE A LANDLORD OR A DANCE HALL OPERATOR?

#### I. INTRODUCTION

From its beginning, the law of copyright has developed in response to technological change.<sup>1</sup> Digital technology<sup>2</sup> is the

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1. "[T]he invention of the . . . printing press . . . gave rise to the original need for copyright protection." Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 430 (1984). Congress first enacted copyright legislation in 1790, limiting protection to maps, charts, and books. Andrea Sloan Pink, *Copyright Infringement Post Isoquantic Shift: Should Bulletin Board Services Be Liable?*, 43 UCLA L. REV. 587, 597 (1995) (referring to Act of May 31, 1790, ch. 15 § 1, 1 Stat. 124, 124 (repealed 1831)). Since that time, the inventions of radio, television, movies, and videocassette recorders ("VCRs") have had a dramatic impact on intellectual property rights. BRUCE A. LEHMAN, INFORMATION INFRASTRUCTURE TASK FORCE, INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE: THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS 4 (1995) (hereinafter "NII White Paper"). Responding to significant technological changes, Congress enacted the Copyright Act of 1976, noting that "[d]uring the past half century a wide range of new techniques for capturing and communicating printed matter, visual images, and recorded sounds have come into use, and the increasing use of information storage and retrieval devices, communications satellites, and laser technology promise even greater changes in the near future." *Id.* at 8 (quoting H.R. REP. NO. 1476, 94th Cong., 2d Sess. 47 (1976)).

2. Digital technology is a method that converts information into an electrical impulse in the form of a binary number, represented by either a zero or one. Robert D. Sprague, *Multimedia: The Convergence of New Technologies and Traditional Copyright Issues*, 71 DENV. U.L. REV. 635, 637 n.9 (1994). For example, music is initially composed of analog sound waves which can be converted into digital code by breaking the waves into small bits of information expressed as a zero or a one. *Id.* Before information can be received, stored, and manipulated by a computer, it must be converted into digital code. Adam P. Segal, *Dissemination of Digitized Music on the Internet: A Challenge to the Copyright Act*, 12 SANTA CLARA COMPUT-

most recent innovation affecting copyright law and intellectual property.<sup>3</sup> Current technology can convert most forms of intellectual property into digital form.<sup>4</sup> Computer networks, such as the Internet,<sup>5</sup> electronically transfer digital information around the world.<sup>6</sup> The growing use of the Internet, coupled with the availability of intellectual property in digital form, create a technological backdrop for massive copyright infringement.<sup>7</sup>

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ER & HIGH TECH. L.J. 97, 103 (1996) (noting quality of music distributed online identical to original due to digital technology). Digitization allows all information, whether text, images or sounds, to be recorded and transmitted in a universal computer language. Marshall Leaffer, *Protecting Authors' Rights In A Digital Age*, 27 U. TOL. L. REV. 1, 6 (1995) (discussing the digital revolution).

3. Pink, *supra* note 1, at 588.

4. *Id.* at 590. For example, digitized music is available on compact discs. Computer programs, magazines, books, and video games can all be digitized. Photographs can be stored on computer disks. In addition, companies are developing filmless electronic cameras to record photographs on a video floppy disk. With the advent of digital scanners, entire books and magazines can be converted into digital form with little effort. *Id.* at 590-96.

5. The Internet is a giant network which connects innumerable smaller groups of linked computer networks worldwide. American Civil Liberties Union v. Reno, 929 F. Supp. 824, 830-32 (E.D. Pa. 1996). It is thus a network of networks. An estimated 9,400,000 host computers are linked to the Internet, approximately 60 percent of which are located within the United States. This count does not include the personal computers that people use to access the Internet. Some of the computer networks that make up the Internet are owned by governmental agencies and public institutions, some are owned by non-profit organizations, and some are privately owned. No single entity administers the Internet. A common feature among all Internet-linked computer networks is an agreement to use the same data transfer protocols to insure technical compatibility in the transmission of communications between computers. Communication over this redundant system of computer links could travel over any number of routes to its destination. Thus, a message sent from a computer in Washington, D.C. to a computer in Palo Alto, California, might first be sent to a computer in Philadelphia. If one computer network malfunctioned or was otherwise unavailable, the message would automatically be re-routed across a different computer network, without any human intervention. The Internet has evolved into a public communications forum, allowing anyone with access to the Internet to exchange information. *Id.* at 830-32. Contrary to myth, the Internet did not begin as a Cold War effort by the U.S. military to establish defense communications in case of nuclear attack. KATIE HAFNER & MATTHEW LYON, *WHERE WIZARDS STAY UP LATE* 10 (1996). Although funded by the Defense Department, the computer network project, called ARPANET, linked researchers to powerful supercomputers located at key universities. *Id.* Later, it became a network allowing universities, corporations and people around the world to exchange information. *ACLU*, 929 F. Supp. at 831-32. It is estimated that 40 million people around the world access the Internet. The number of users is expected to grow to 200 million Internet users by 1999. *Id.*

6. NII White Paper, *supra* note 1, at 4.

7. Pink, *supra* note 1, at 592. The NII White Paper states "the establishment of high-speed, high-capacity electronic information systems [computer networks]

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Advances in digital technology have a significant impact on intellectual property rights.<sup>8</sup> Authors are increasingly able to distribute their works directly to consumers, reducing the time between creation and distribution.<sup>9</sup> The Internet also opens additional markets for authors.<sup>10</sup> Creators have access to the entire world of online users.<sup>11</sup> Theoretically, every computer user can become his or her own publisher, and every computer terminal can become a library, bookstore, or audio and video jukebox.<sup>12</sup>

Distribution on the Internet, however, exposes authors to a greater risk of uncontrolled copying, adaptation and piracy than traditional media.<sup>13</sup> Once a work is digitized, it can be

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makes it possible for one individual, with a few key strokes, to deliver perfect copies of digitized works to scores of other individuals." NII White Paper, *supra* note 1, at 7.

8. Jane C. Ginsburg, *Putting Cars on the 'Information Superhighway': Authors, Exploiters, and Copyright in Cyberspace*, 95 COLUM. L. REV. 1466, 1466-67 (1995).

9. NII White Paper, *supra* note 1, at 6.

10. Ginsburg, *supra* note 8, at 1467-68. The Internet provides an easy and inexpensive way for an author to reach a large audience. *ACLU*, 929 F. Supp. at 843. Using the World Wide Web, a popular graphical platform linking key words or concepts to additional sites for more information, an author can establish a site or "home page" to advertise and distribute her work. *Id.* at 836-42. Thus, start-up costs of production and advertising are significantly lower using the Internet than traditional media, greatly reducing cost barriers to market entry. *Id.* at 843. All that is required to publish on the Web is a personal computer, appropriate software, and a modem to connect over a telephone line directly to the Internet or indirectly by subscribing to an Internet access provider. *Id.* at 837. Besides cost savings for authors, the Internet establishes a new venue for distribution. Patrick M. Reilly, *N2K Hires Phil Ramone to Start Up a Music Label Linked to the Internet*, WALL ST. J., Nov. 18, 1996, at B5. For example, the record label N2K recently released a single from David Bowie's new album only available via its Internet site, hoping to attract a new market segment. *Id.* In addition, various newspapers and magazines have introduced electronic editions on the Internet that supplement or exclusively present material. NII White Paper, *supra* note 1, at 105. David Scott Lewis, publisher of E-Magazine, distributed via the Internet, commented that "I haven't spent a nickel and I'm putting out an international magazine and rounding up tens of thousands of subscribers." Pink, *supra* note 1, at 593 n.30 (quoting Dean Takahashi, *Paper-Less Publisher*, L.A. TIMES (Orange County Ed.), Mar. 2, 1994, at D1.)

11. Ginsburg, *supra* note 8, at 1467. The nature of Internet technology blurs geographic boundaries, creating a worldwide electronic marketplace for the creator of an artistic work. Fred H. Cate, *Law in Cyberspace*, 39 HOW. L.J. 565, 567 (1996).

12. Ginsburg, *supra* note 8, at 1467.

13. NII White Paper, *supra* note 1, at 6.

stored, modified, and reproduced easily and quickly, with virtually no loss of quality.<sup>14</sup> A single unauthorized uploading<sup>15</sup> of a copyrighted work onto an electronic bulletin board<sup>16</sup> may diminish or destroy the market for an author's work.<sup>17</sup> Such exposure may inhibit an author's incentive to create new works.<sup>18</sup>

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14. Michael D. McCoy & Needham J. Boddie, *Cybertheft: Will Copyright Law Prevent Digital Tyranny on the Superhighway?*, 30 WAKE FOREST L. REV. 169, 174 (1995).

15. "Uploading/downloading" are terms in the Internet lexicon. Uploading refers to the transfer of information from a user's personal computer to a computer network, usually via a bulletin board, while downloading refers to the transfer of information from a bulletin board or the Internet to one's personal computer. *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1554 nn. 1, 3 (M.D. Fla. 1993).

16. An electronic bulletin board system ("BBS") is an online service that allows subscribers (free or for a fee) to exchange electronic mail messages ("e-mail"), text, computer programs, photographs, music and other forms of information. Niva Elkin-Koren, *Copyright Law and Social Dialogue on the Information Superhighway: The Case Against Copyright Liability of Bulletin Board Operators*, 13 CARDOZO ARTS & ENT. L.J. 345, 347 n.5 (1995). A user simply uploads material from her computer onto the bulletin board. All subscribers have access to all bulletin board messages, and any subscriber may download the material to her own computer. Bulletin boards may be subject specific. *Id.* The electronic bulletin board is one of the most popular services available through the Internet and other computer networks. Kelly Tickle, *The Vicarious Liability of Electronic Bulletin Board Operators for the Copyright Infringement Occurring on their Bulletin Boards*, 80 IOWA L. REV. 391, 394 (1995). An estimated 50,000 bulletin board systems now operate in the United States. *Id.* at 395. More than 70,000 bulletin board systems are estimated in operation worldwide. Telephone Interview with Stanton McCandlish, Program Director of the Electronic Frontier Foundation (March 12, 1997). The number of subscribers to bulletin boards vary. Tickle, *supra*, at 395. The largest bulletin board systems, operated by commercial online services such as America Online, CompuServe, Microsoft Network, and Prodigy, together have over twelve million subscribers. George Tibbits, *Microsoft Offers a Snazzier Online Service*, S.F. CHRON., Oct. 11, 1996, at E3. Small bulletin board systems, often operating out of an organizer's home, may have 20 to 200 subscribers. Tickle, *supra*, at 395.

17. NII White Paper, *supra* note 1, at 6. Since digital works may be instantaneously transmitted to hundreds of thousands of bulletin board subscribers, a user could download or print unlimited copies of a copyrighted work without paying a royalty to the copyright owner. *Id.* In 1994, electronic piracy on the Internet and other computer networks accounted for nearly one billion dollars. Adam S. Bauman, *The Pirates of the Internet*, L.A. TIMES, Nov. 3, 1994, at A1. In addition, digital works are easily modified and manipulated, raising concerns about derivative works. Pink, *supra* note 1, at 595. A derivative work is "based upon one or more preexisting works . . . in which a work may be recast, transformed or adapted." 17 U.S.C. § 101 (1996). Besides economic damage, digitization implicates an author's moral rights in the integrity of her work, raising concerns about alteration or mutilation of a work in digital form. See, THOMAS J. SMEDINGHOFF, SOFTWARE PUBLISHER'S ASSOCIATION, LEGAL GUIDE TO MULTIMEDIA 57-60 (1994).

18. Leaffer, *supra* note 2, at 5.

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In addition to technological advances, the culture of the Internet adds to copyright protection concerns.<sup>19</sup> The prevailing attitude of Internet users is that anything available over the Internet should be free.<sup>20</sup> Thus, a basic tension exists between the goal of a free flow of information on the Internet and the protection of intellectual property rights.<sup>21</sup> Finding solutions to protect intellectual property rights while maintaining the unrestricted flow of ideas via the Internet is essential to realizing the full potential of the Internet.<sup>22</sup>

The digital environment of cyberspace<sup>23</sup> poses serious challenges to existing copyright law.<sup>24</sup> The development of legal standards of liability for copyright infringement lags behind advances in digital technology and growth of the Internet.<sup>25</sup> The liability of an Internet access provider (hereinafter "access provider")<sup>26</sup> for the infringing activities of one of

19. Segal, *supra* note 2, at 98-100 (discussing entitlement philosophy of Internet users).

20. *Id.*

21. See NII White Paper, *supra* note 1, at 6; McCoy & Boddie, *supra* note 14, at 169-72 (discussing author's fear of electronic theft and potential chilling effect on development of Internet); Ginsburg, *supra* note 8, at 1467 (discussing whether author will be in driver's seat on information highway or "deer in the headlights" of vast traffic author cannot control).

22. NII White Paper, *supra* note 1, at 6.

23. The term "cyberspace" was coined by science fiction novelist William Gibson to describe the fantasy electronic world in which his characters interacted. Anne Wells Branscomb, *Anonymity, Autonomy, and Accountability: Challenges to the First Amendment in Cyberspaces*, 104 YALE L.J. 1639, 1639 n.3 (1995). The term has been adopted by users of computer networks as a metaphor to represent an electronic representation of the real world, broadly encompassing the entire experience of communicating through computer networks. *Id.*

24. Tickle, *supra* note 16, at 392.

25. *Id.* at 392 n.5.

26. An access provider is distinguished from a commercial online service in this Comment. An access provider is a company that leases the use of its computer facilities to connect a subscriber to a regional network linked to the Internet. Karen S. Frank, *Potential Liability on the Internet*, 437 PLI/Pat 417, 422 (1996). Netcom On-line Communication Services is the country's largest access provider. David Einstein, *AT & T Move Hurts Internet Providers*, S.F. CHRON., Feb. 28, 1996, at B3. Others are PANIX, and Infonet. Frank, *supra*, at 422. In contrast, a commercial online service not only provides access to the Internet, but also offers proprietary content-based services through its own private computer network. *Id.* The largest commercial online services are America On-line, CompuServe, Microsoft Network, and Prodigy. Tibbits, *supra* note 16, at E3. These commercial online services create content-based services specifically for their subscribers. Alex Alben, *What is an On-line Service? (In the Eyes of the Law)*, 13 No. 6 COMPUTER LAW 1, 3 (1996). Content services may include news stories, original articles, shopping in-

its subscribers is far from clear.<sup>27</sup> The few cases involving the Internet have been decided with inconsistent results.<sup>28</sup> Thus, case law has left online access providers uncertain about when and under what circumstances they would be liable for the infringing activities of their users.<sup>29</sup>

Although the case did not involve the Internet, the Ninth Circuit's decision in *Fonovisa v. Cherry Auction*<sup>30</sup> may have a significant impact on an access provider's liability.<sup>31</sup> In this case, the U.S. Court of Appeals for the Ninth Circuit concluded that the operator of a swap meet may be held contributorily and vicariously liable for copyright infringement, based on a finding that it had rented booths to vendors who sold counterfeit tape recordings.<sup>32</sup> Considering the Ninth Circuit holding in *Fonovisa*, online access providers may face greater scrutiny for a subscriber's infringing activities.<sup>33</sup>

This Comment examines the issue of whether an access provider may be found liable for copyright infringement by a bulletin board subscriber.<sup>34</sup> It provides a background of copyright law and policy,<sup>35</sup> discusses traditional legal theories of

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formation, or sports scores and weather information automatically updated from a wire service. *Id.* Other services may include operating bulletin boards, hosting chat groups, or setting up interactive discussion forums. Giorgio Bovenzi, *Liabilities of System Operators on the Internet*, 11 BERKELEY TECH. L.J. 93, 99 (1996).

27. Tickle, *supra* note 16, at 398.

28. Kevin M. Cox, *Online Service Providers and Copyright Law: The Need for Change*, 1 SYRACUSE J. LEGIS. & POL'Y. 197, 199 (1995). See *Cubby v. CompuServe*, 776 F. Supp. 135, 140-41 (S.D.N.Y. 1991) (holding online service provider not liable for defamatory statement of subscriber without actual or constructive knowledge); *Playboy*, 839 F. Supp. at 1559 (holding bulletin board system operator liable for direct infringement regardless of lack of knowledge of infringing activities of subscriber); *Sega Enters., Ltd. v. MAPHIA*, 857 F. Supp. 679, 687 (N.D. Cal. 1994) (granting copyright owner's motion for preliminary injunction based on strong likelihood of success in showing contributory infringement by bulletin board system operator); *ACLU*, 929 F. Supp. at 883 (holding provisions in Communications Decency Act of 1996 which impose liability on Internet access providers for transmission of obscene and indecent communications unconstitutional).

29. Cox, *supra* note 28, at 202.

30. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

31. David Goldberg & Robert J. Bernstein, *Contributory Liability for Swap Meets, Internet Providers*, 215 N.Y.L.J., May 17, 1996, at 3, 3.

32. *Fonovisa*, 76 F.3d at 261-64.

33. Goldberg, *supra* note 31, at 33.

34. See *infra* part III.

35. See *infra* notes 46-85 and accompanying text.

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copyright infringement liability,<sup>36</sup> and analyzes a recent case that, for the first time, directly addressed the issue of an Internet access provider's liability, *Religious Technology Center v. Netcom On-Line Communication Services*.<sup>37</sup> This Comment discusses the application of the legal principles in *Fonovisa v. Cherry Auction* to the potential liability of an online access provider.<sup>38</sup> This Comment concludes with a critique proposing that revision of the copyright law is necessary to preserve intellectual property rights without chilling the growth of the Internet.<sup>39</sup>

## II. BACKGROUND

To understand the complexity of liability issues in the online environment, a familiarity with the statutory rights granted to authors, limitations such as the "fair use" doctrine, rules regarding infringement and the explication of those rules through case law is important.<sup>40</sup> This section summarizes copyright law and its underlying purpose to promote the progress of science and the useful arts, motivating the first Copyright Act signed into law in 1790 by George Washington<sup>41</sup> to the current revisions.<sup>42</sup> Next, this section analyzes traditional theories of infringement liability and traces the applicable case law.<sup>43</sup> Finally, this section analyzes the first case to directly address the liability of an Internet access provider, *Religious Technology Center v. Netcom*.<sup>44</sup> Although the case settled before reaching judicial determination, a pre-trial ruling on a motion for summary judgment raises the possibility that an access provider may be held contributorily liable for copyright

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36. See *infra* notes 86-170 and accompanying text.

37. *Religious Technology Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995). See *infra* notes 171-234 and accompanying text.

38. This will be done by applying the *Fonovisa* analysis to the facts presented in *Netcom*.

39. See *infra* notes 354-64 and accompanying text.

40. See *infra* notes 54-170 and accompanying text.

41. NII White Paper, *supra* note 1, at 11 n.31.

42. See 17 U.S.C. §§ 101-1101 (1996).

43. See *infra* notes 86-170 and accompanying text.

44. *Religious Technology Ctr. v. Netcom On-line Communication Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995).

infringement by computer users.<sup>45</sup>

#### A. COPYRIGHT LAW AND POLICY

Intellectual property protection in the United States has both a constitutional and statutory basis.<sup>46</sup> Under the Constitution, Congress has the power to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.<sup>47</sup> The intent of the framers of the Constitution was to provide authors an economic incentive to create and make their works available to the public.<sup>48</sup> Thus, the primary purpose of copyright law is to motivate the creation of works of literature, music, art and entertainment for the benefit of society.<sup>49</sup> As the text of the Constitution makes clear, it is Congress that has the task of defining the scope of copyright protection to balance the competing interests of authors and society.<sup>50</sup> Congress enacted the first copyright law on May 31, 1790.<sup>51</sup> Repeatedly, as innovations in technology altered the balance, Congress fashioned new rules.<sup>52</sup> Digital communica-

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45. *Id.* at 1383.

46. Ariel B. Taitz, *Removing Road Blocks Along the Information Superhighway: Facilitating the Dissemination of New Technology by Changing the Law of Contributory Copyright Infringement*, 64 GEO. WASH. L. REV. 133, 137 (1995).

47. U. S. CONST. art. I, § 8, cl. 8.

48. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985).

49. NII White Paper, *supra* note 1, at 11-13. The Supreme Court has often articulated the purpose of copyright, stating that the primary objective of copyright is not to reward the labor of authors. *Feist Publication, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349-50 (1991). Rather, it is to "promote the progress of science and useful arts." *Id.* By granting a marketable right to the author, copyright supplies the economic incentive to produce and distribute creative works. *Harper & Row*, 471 U.S. at 546. The monopoly created by copyright thus rewards the individual author so that the public will benefit. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 477 (1984). In *Mazer v. Stein*, the Supreme Court stated that the "economic philosophy behind the [constitutional] clause . . . is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare . . . ." *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

50. *Sony*, 464 U.S. at 429.

51. NII White Paper, *supra* note 1 at 11 n.31.

52. *Sony*, 464 U.S. at 430-31. For example, development of the copy machine prompted a statutory exemption for library copying in the Copyright Act of 1976; development of computer software prompted expansion of copyright protection; development of cable and microwave technologies prompted enactment of re-transmission of television program provisions; development of the audio tape recorder

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tions and the Internet now present new challenges to preserve the balance.<sup>53</sup>

### 1. Exclusive rights

To accomplish the goal of stimulating creativity, the 1976 Copyright Act<sup>54</sup> grants the owner of a copyright certain exclusive rights for a limited time,<sup>55</sup> often referred to as a "bundle of rights."<sup>56</sup> Under the terms of the Act, a copyright owner has exclusive rights to reproduce the copyrighted work,<sup>57</sup> prepare derivative works,<sup>58</sup> distribute copies,<sup>59</sup> and in certain instanc-

prompted the Sound Recording Amendment of 1971. *Id.* at 430 n.11.

53. NII White Paper, *supra* note 1, at 8.

54. 17 U.S.C. §§ 101-810 (1996). For more than two centuries, U.S. copyright law has been periodically amended to adapt to technology changes; the 1976 Copyright Act is the most recent major revision. NII White Paper, *supra* note 1, at 8.

55. See 17 U.S.C. § 302(a) (1996). Generally, a copyrighted work is protected for the length of the author's life plus another 50 years. *Id.* The terms of protection for works created before January 1, 1978, the effective date of the 1976 revisions to the Copyright Act, are set forth in sections 303 and 304 of the Act. See 17 U.S.C. §§ 303-04 (1996). When the term of protection for a copyrighted work expires, the work falls into the "public domain," the legal status for a work that does not require permission to use. NII White Paper, *supra* note 1, at 38.

56. *Stewart v. Abend*, 495 U.S. 207, 220 (1990).

57. 17 U.S.C. § 106(1) (1996). This right is defined as the right to reproduce the copyrighted work in copies or phonorecords. *Id.* Because of the nature of computer technology, this right is implicated in most Internet transmissions. NII White Paper, *supra* note 1, at 41. For example, when a computer user downloads a file from a bulletin board, a copy is reproduced in the user's computer memory. Under U.S. copyright law, a copy is made and subject to infringement liability whenever a work is placed into a computer, irrespective of whether the work is stored on a disk, hard drive or in the random access memory (RAM) of the user's computer; when a photograph is scanned into a digital file; when a sound recording is digitized; or when a digitized file is transferred from one computer to another via a computer network. *Id.* at 41-42.

58. 17 U.S.C. § 106(2) (1996). A "derivative work is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, . . . or any other form in which a work may be recast, transformed, or adapted." 17 U.S.C. § 101 (1996). This right is also implicated in the transmission of messages on the Internet. NII White Paper, *supra* note 1, at 43. A computer user who edits, translates, or otherwise modifies a downloaded file creates a derivative work. *Id.*

59. 17 U.S.C. § 106(3) (1996). The copyright owner has the exclusive right to sell, give away, rent or lend copies or phonorecords of the copyrighted work to the public. *Id.* According to a Florida district court, the unauthorized downloading of copyrighted photographs by bulletin board subscribers implicated the copyright owner's right to distribute copies. *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1556 (M.D. Fla. 1993). Notwithstanding such right, the owner of a legal copy or phonorecord has the right to sell or otherwise dispose of her copy. 17 U.S.C.

es, publicly perform<sup>60</sup> or display<sup>61</sup> the work.<sup>62</sup> Each of these

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§109(a) (1996). Such right is referred to as the "first sale" doctrine. NII White Paper, *supra* note 1, at 43. This means that the copyright owner generally has only the right to authorize or prohibit the initial distribution of a copy of a copyrighted work. *Id.* It is unclear, however, if the legal owner of a copyrighted work, such as a CD, may upload it onto a bulletin board for others to download. Segal, *supra* note 2, at 115-16. Part of the confusion arises from the nature of a digital transaction. Unlike a conventional transaction in which the original owner no longer possesses her copy, in a digital transaction, the original owner retains her copy. This aspect of dispossession is extremely important. *Id.* Under the "first-sale doctrine," the original owner may "dispose of the possession of that copy" without infringing the author's right of distribution. 17 U.S.C. § 109(a) (1996). Therefore, if one characterizes the uploading of a lawful copy of a work onto a bulletin board for others to download as a distribution rather than a reproduction, the computer user may be entitled under the first-sale doctrine to re-distribute the work without infringing the copyright owner's right of distribution. Segal, *supra*, at 116. President Clinton's task force on the National Information Infrastructure takes the position that no loophole exists because a digital transmission does not fit the terms of the first-sale limitation. NII White Paper, *supra* note 1, at 61. The first sale doctrine limits only the copyright owner's distribution right; it in no way affects the reproduction right. *Id.* at 59. Under current technology, a computer user who transmits a copy of a copyrighted work via the Internet is actually reproducing the work because she retains her original copy. Thus, the transmission would constitute infringement of the copyright owner's reproduction right, unless exempt under another provision of the Copyright Act. *Id.*

60. 17 U.S.C. § 106(4) (1996). The public performance right is limited to literary, musical, dramatic, and choreographic works, pantomimes, motion pictures and other audiovisual works. *Id.* Only "public" performances are covered by copyright law. 17 U.S.C. § 101 (1996). The Copyright Act defines a "public" place as one that is open to the public or any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered. *Id.* Most commentators believe that the definition of "public" is sufficiently broad to apply to the Internet where multiple individual viewers may watch a performance in a variety of locations at different times. NII White Paper, *supra* note 1, at 46.

61. 17 U.S.C. § 106(5) (1996). The right to display is available to copyright owners of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, with the exception of sound recordings. *Id.* In the context of the Internet, when a computer user posts a copyrighted work in any medium and another user visually browses through it, the work has been displayed. NII White Paper, *supra* note 1, at 46.

62. 17 U.S.C. § 106 (1)-(5) (1996). It is important to note that the rights of copyright owners of sound recordings, typically record companies, are listed separately in section 114(a). *Id.* § 114. Unlike copyright owners of the underlying musical composition, typically songwriters and music publishers, record companies do not have the right to perform nor display the work publicly. *Id.* Thus, how a work is categorized affects the bundle of rights accorded to it, raising issues of classification for "multimedia" works transmitted on the Internet. NII White paper, *supra* note 1, at 26-28. "Multimedia" works combine elements of text, sound, and images in a single medium of expression. *Id.* The recent passage of the Digital Performance Right in Sound Recordings Act in November, 1996, however, creates an exclusive performance right in sound recordings that are digitally transmitted and may offer new protection in the online environment. Richard Raysman & Peter

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exclusive rights is implicated by communication on the Internet.<sup>63</sup>

## 2. Infringement

Under the Copyright Act, any invasion of these exclusive rights constitutes infringement.<sup>64</sup> Since scienter is not required, even innocent or accidental infringement is actionable.<sup>65</sup> The Copyright Act further prescribes an array of remedies to compensate owners for such copyright infringement.<sup>66</sup>

To prevail on a claim of direct copyright infringement, a plaintiff must prove 1) ownership of the copyrighted work and 2) "copying" by the defendant.<sup>67</sup> Implicit in the first requirement is eligibility for copyright protection.<sup>68</sup> Copyright protection extends only to works of authorship satisfying three crite-

Brown, *Intellectual Copyright Developments*, N.Y.L.J., Jan. 9, 1996, at 3, 3.

63. NII White Paper, *supra* note 1, at 40-47.

64. See 17 U.S.C. §§ 501-05 (1996). Section 501(a) provides that anyone who engages in or authorizes violation of any of the exclusive rights of the copyright owner is an infringer of the copyright. *Id.* at §501(a). Of course, permission of the copyright owner exempts one from liability. NII White Paper, *supra* note 1 at 65. In addition, sections 107 through 118 of Title 17 describe a variety of uses of copyrighted material that are not infringements. *Sony*, 464 U.S. at 447. Statutory limitations on a copyright owner's exclusive rights include "fair use" enumerated in section 107, certain library exemptions enumerated in section 108, the "first sale doctrine" enumerated in section 109, performance or display of copyrighted works in teaching activities by a nonprofit institution as enumerated in section 110, and compulsory licensing provisions that allow cable systems and satellite operators to retransmit copyrighted programming without infringement liability by paying a statutory licensing fee. 17 U.S.C. §§ 107-118 (1996).

65. Segal, *supra* note 2, at 125.

66. See 17 U.S.C. §§ 502-05 (1996). Remedies for infringement include an injunction to prevent further violation of the copyright holder's rights, impoundment and destruction of all infringing works, the option of electing statutory damages or actual damages and profits, and costs and attorneys' fees. *Id.*; *Sony*, 464 U.S. at 433-34. Criminal sanctions may also be levied if the infringement was willful and for purposes of commercial advantage or private financial gain. See 17 U.S.C. § 506(a) (1996).

67. *Playboy*, 839 F. Supp. at 1556.

68. NII White Paper, *supra* note 1, at 14. The Copyright Act enumerates eight broad categories of protectible subject matter: 1) literary works (encompassing computer programs); 2) musical works, including any accompanying words; 3) dramatic works, including any accompanying music; 4) pantomimes and choreographic works; 5) pictorial, graphic and sculptural works; 6) motion pictures and other audiovisual works; 7) sound recordings; and 8) architectural works. 17 U.S.C. § 102(a) (1996).

ria: originality, creativity, and fixation in a tangible medium of expression.<sup>69</sup> Even if they meet these criteria, certain works and subject matter are expressly excluded from protection under the Copyright Act.<sup>70</sup> Ideas and facts are not copyrightable; this protection extends only to the expression of ideas and facts.<sup>71</sup> In addition, titles, names, short phrases and slogans,<sup>72</sup> as well as works of the U.S. Government, are generally not copyrightable.<sup>73</sup>

With regard to the second requirement in an infringement action, courts generally use the term "copying" as shorthand for a violation of any of the exclusive rights of the copyright owner, not merely the reproduction right.<sup>74</sup> In the context of the Internet, recent cases have held that the process of uploading or downloading digital messages constitutes copying.<sup>75</sup> Thus, individuals who post or receive unauthorized copies of copyrighted work on the Internet may be liable for copyright infringement.<sup>76</sup>

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69. NII White Paper, *supra* note 1, at 14. To be original, a work must be independently created and not copied. In contrast to patent law, there is no requirement that a work be novel, unique or ingenious. As to creativity, the threshold is very low. *Id.* "The vast majority of works make the grade quite easily, as they possess some creative spark . . . ." *Feist*, 499 U.S. at 345. Congress left room for technological advances in the area of fixation by noting that the method of fixation may be "now known or later developed." See 17 U.S.C. § 102(a) (1996). A work is fixed "when its embodiment in a copy or phonorecord . . . is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration." 17 U.S.C. § 101 (1996). As an example, the telecast of a live baseball game that is videotaped at the same time it is broadcast is fixed in a tangible form, thus copyrightable. *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663, 668 (7th Cir. 1986), *cert. denied*, 480 U.S. 941 (1987).

70. NII White Paper, *supra* note 1, at 20.

71. *Harper & Row*, 471 U.S. at 547; 17 U.S.C. § 102(b) (1996).

72. NII White Paper, *supra* note 1, at 20.

73. 17 U.S.C. § 105 (1996).

74. NII White Paper, *supra* note 1, at 66.

75. *Advanced Computer Servs. of Michigan, Inc. v. MAI Systems Corp.*, 845 F. Supp. 356, 363 (E.D. Va. 1994) (holding that "copying" for the purposes of copyright law occurs when a computer program is placed into a computer's random access memory); *Triad Systems Corp. v. Southeastern Express Co.*, 64 F.3d 1330, 1335 (9th Cir. 1995), *cert. denied*, 116 S. Ct. 1015 (1996); see 2 MELVILLE B. NIMMER, NIMMER ON COPYRIGHT §8.08(A)(1) at 8-112 (1994).

76. Taitz, *supra* note 46, at 152.

### 3. Fair Use Defense

One of the statutory limitations on a copyright owner's exclusive rights is the doctrine of fair use.<sup>77</sup> Fair use is an affirmative defense to an action for copyright infringement.<sup>78</sup> The judicially-created doctrine, now codified in the Copyright Act, excuses otherwise infringing conduct if the social benefit outweighs the loss to the copyright owner.<sup>79</sup> This defense reflects the basic goal of copyright law in balancing an author's claim to her work against the public's interest in access to the work.<sup>80</sup>

Statutory language suggests the type of activities which might be considered fair use: criticism, comment, news reporting, teaching or research.<sup>81</sup> A common example of fair use is the incorporation of a quotation from a book or play by a reviewer.<sup>82</sup> In applying the doctrine of fair use, the courts consider four factors enumerated in the Act.<sup>83</sup> These factors include the purpose of the use, the nature of the material, the amount used, and, perhaps most importantly, the effect of the use upon the market for or value of the copyrighted work.<sup>84</sup> The determination of fair use requires a case-by-case analysis and is difficult to predict.<sup>85</sup>

77. See 17 U.S.C. § 107 (1996).

78. *Campbell v. Acuff-Rose Music, Inc.*, 114 S. Ct. 1164, 1177 (1994). As an affirmative defense, the defendant carries both the burden of coming forward with evidence and persuasion to avoid liability. *Id.*

79. Elkin-Koren, *supra* note 16, at 365-66.

80. *Id.* at 365.

81. See 17 U.S.C. § 107 (1996).

82. NII White Paper, *supra* note 1, at 47.

83. *Playboy*, 839 F. Supp. at 1557.

84. Eric J. Schwartz, Address at the American Bar Association Summer Conference (June 28, 1996) (transcript available in office of Proskauer Rose Goetz & Mendelsohn LLP); see 17 U.S.C. § 107 (1996).

85. Schwartz, *supra* note 84. In the notable decision involving the manufacturer of VCRs, the Supreme Court held videotaping at home to make time-shifting tapes of copyrighted television programs was fair use. *Sony*, 464 U.S. at 456. In contrast, a New York district court held a school system's taping of educational television broadcasts to create an educational film library for later use in classrooms was not fair use. *Encyclopaedia Britannica Educ. Corp. v. Crooks*, 558 F. Supp. 1247, 1252 (W.D.N.Y. 1983). Despite its commercial purpose, the Supreme Court held a parody of lyrics of the popular song "Oh, Pretty Woman" was not per se unfair use, giving the parody leeway because of its "transformative" use. *Campbell*, 114 S. Ct. at 1177. Courts have repeatedly identified the economic effect on

## B. TRADITIONAL THEORIES OF INFRINGEMENT LIABILITY

The Copyright Act expressly provides only for liability based on direct copyright infringement.<sup>86</sup> The statute contains no provision for liability based on acts committed by another.<sup>87</sup> Rather, the courts have developed standards of third party liability through case law, drawing from patent law and traditional tort theories of contributory and vicarious liability.<sup>88</sup> Copyright law imposes different standards of liability for direct, contributory, and vicarious forms of copyright infringement.<sup>89</sup> For example, direct infringers are held to a standard of strict liability, assuring a high probability of successful prosecution.<sup>90</sup> Unlike direct infringement, however, contributory infringement requires proof of knowledge, which increases the difficulty of successful legal action.<sup>91</sup> Thus, the controlling legal theory affects the likelihood of success in a claim for copyright infringement.<sup>92</sup> Because of the small number of cases involving the Internet, and their inconsistent results, the legal theory of liability for an online access provider is not clear.<sup>93</sup>

The lack of clarity in characterizing the role of an access

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the market as the most significant of the four factors. *Stewart*, 495 U.S. at 238. The Supreme Court held that Nation magazine's scoop of Time magazine's right to publish the first serial of President Ford's memoirs was not fair use, notwithstanding the newsworthiness of its account of the Nixon pardon. *Harper & Row*, 471 U.S. at 569. In its analysis, the court found that the magazine caused economic harm by causing cancellation of Time's contract with Harper & Row. *Id.* at 567.

86. 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12.04 (1996).

87. *Id.*

88. NII White Paper, *supra* note 1, at 71.

89. *Id.* at 74.

90. See 17 U.S.C. § 501(a) (1996). In contrast to copyright law, other bodies of law do not adopt strict liability. NII White Paper, *supra* note 1, at 74. Defamation, for example, requires knowledge for liability. *Cubby, Inc. v. CompuServe, Inc.*, 776 F. Supp. 135, 140-41 (S.D.N.Y. 1991). In that case, the court likened CompuServe, an online content-provider, to an electronic library, without any practical ability to monitor all users. *Id.* at 137. Consequently, the court held that CompuServe could not be found liable unless it knew or had reason to know of the defamatory statements. *Id.* at 140-41.

91. *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

92. Taitz, *supra* note 46, at 153-56.

93. See *supra* note 28 and accompanying text.

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provider in infringing activities by computer users has serious implications for both the copyright owner and access provider.<sup>94</sup> For the copyright owner, legal action against an access provider may be one of the few avenues for economic relief.<sup>95</sup> Although copyright owners may have a strong legal case against individual users making unauthorized copies on the Internet, locating them may be almost impossible, and the cost of litigation against these individuals would likely dwarf the amount of any recovery.<sup>96</sup> Consequently, if the copyright owner is to enjoy any practical relief, she will proceed against a defendant with "deep pockets."<sup>97</sup> In the context of the Internet, the only practical "deep pocket" defendants are the access provider and bulletin board system operator.<sup>98</sup> If legal action is not effective, the incentive to create may be jeopardized.<sup>99</sup> In addition, the fear of lost sales may motivate copyright owners to oppose and obstruct advancement of the Internet.<sup>100</sup> For the access provider, the threat of suit without knowing

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94. PAUL GOLDSTEIN, COPYRIGHT LAW AND PRACTICE 713 (1989)

95. Taitz, *supra* note 46, at 152-59.

96. *Id.* at 152.

97. See GOLDSTEIN, *supra* note 94, at 713.

98. Taitz, *supra* note 46, at 153-58. In Taitz's opinion, however, the viability of legal action against access providers is short-term because technology advances will circumvent the need for bulletin board systems and online service companies. *Id.* at 158. She argues that the most effective remedy to deter infringement would be a contributory copyright infringement suit against manufacturers of digital transmission equipment. *Id.* at 156-58. Until the courts modify the "substantial non-infringing uses" doctrine, however, Taitz believes legal action against equipment manufacturers will almost certainly fail. *Id.* at 157.

99. *Id.* at 143.

100. *Id.* at 146. The record industry's opposition to the introduction of the DAT player, a digital recording device capable of duplicating CDs on digital cassettes, illustrates such opposition to technological development by copyright owners. *Id.* at 143-46. In 1985, Sony announced its intent to market consumer DAT recorders. Gary S. Lutzker, *DAT's All Folks: Cahn v. Sony and the Audio Home Recording Act of 1991 - Merrie Melodies or Looney Tunes?*, 11 CARDOZO ARTS & ENT. J. 145, 172 (1992). Record companies, one of the most powerful groups of copyright owners, fearing that the DAT would displace sales of CDs, opposed its introduction. Taitz, *supra*, at 146. Besides lobbying for royalty schemes and threatening to sue manufacturers for contributory copyright infringement, almost all record companies refused to produce prerecorded DATs, severely limiting the attractiveness of the DAT player. *Id.* at 147. It was not until enactment of the Audio Home Recording Act of 1992 ("AHRA"), seven years later, that the recorders reached the market. The AHRA required manufacturers to pay a royalty fee to record companies, music publishers and artists for every recorder and medium sold, as well as requiring copy prevention technology in the machines that prevented copying of anything but an original DAT. *Id.*

which legal precedents apply may chill its investment in the Internet.<sup>101</sup>

### 1. Direct infringement

A direct infringer is defined in the Copyright Act as anyone who violates one of the exclusive rights enumerated in Section 106.<sup>102</sup> To establish direct copyright infringement, a plaintiff must prove ownership of a valid copyright and "copying" by the defendant.<sup>103</sup> Since direct evidence of copying is rarely available, a plaintiff may prove copying by inference, by showing that the defendant had access to the copyrighted work and that the allegedly infringing work is substantially similar to the copyrighted work.<sup>104</sup>

The standard for direct copyright infringement is strict liability, regardless of intent or knowledge.<sup>105</sup> According to a Florida federal district court, even an innocent infringer may be liable.<sup>106</sup> In *Playboy Enterprises v. Frena*, the publisher of Playboy magazine alleged that Frena, a bulletin board operator, infringed its exclusive right to distribute when subscribers uploaded the magazine's copyrighted photographs onto the bulletin board for others to download.<sup>107</sup> The district court agreed, applying the direct copyright infringement test.<sup>108</sup> Even though Frena contended that subscribers, not he, uploaded the photographs without his knowledge, the district court held the bulletin board operator liable for direct infringement.<sup>109</sup> The court held that the plaintiff proved the requisite elements of copyright ownership and violation of an exclusive

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101. See Tickle, *supra* note 16, at 417-18 (noting the chilling effect on bulletin board operators if held to a strict standard of liability); Pink, *supra* note 1, at 611-12 (noting online industry arguments against liability for copyright infringement by subscribers to prevent chilling effect on industry); Elkin-Koren, *supra* note 16, at 406 (noting risk of liability may discourage incentive to provide online services).

102. 17 U.S.C. § 501(a) (1996).

103. *Playboy*, 839 F. Supp. at 1556.

104. *Id.*

105. Pink, *supra* note 1, at 618.

106. *Playboy*, 839 F. Supp. at 1559.

107. *Id.* at 1554.

108. *Id.* at 1554-59.

109. *Id.*

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right,<sup>110</sup> noting that knowledge or intent to infringe is not an element of direct copyright infringement.<sup>111</sup> Although direct copyright infringement is a strict liability tort, a fair use privilege and several other defenses are available.<sup>112</sup>

## 2. Contributory infringement

To be liable for contributory copyright infringement, the plaintiff must prove that the alleged contributory infringer 1) knew or should have known<sup>113</sup> of the infringing activity<sup>114</sup> and 2) "induced, caused or materially contributed to the infringing conduct of another."<sup>115</sup> Thus, the touchstones of contributory infringement are knowledge and participation.<sup>116</sup> Participation may take the form of personal conduct or the contribution of materials or equipment that provide the means of infringing.<sup>117</sup>

The theory of contributory infringement, derived from the common law doctrine that one who knowingly participates in or furthers a tortious act is jointly and severally liable with the prime tortfeasor,<sup>118</sup> is a relatively recent development of copyright law.<sup>119</sup> Few precedents exist in the context of copyright.<sup>120</sup> Of those cases, several key decisions have helped

110. *Id.* The Playboy court held that defendant infringed plaintiff's exclusive rights of distribution and display; the court made no finding concerning the right of reproduction. *Id.*

111. *Playboy*, 839 F. Supp. at 1559.

112. See *supra* notes 64, 77-80 and accompanying text.

113. Confusion persists regarding the level of knowledge required for contributory infringement in copyright law. Pink, *supra* note 1, at 623. Such confusion may exist because copyright law was created by analogy to patent law. *Id.* at 623-24. The Patent Act requires that contributory infringers have actual knowledge. 35 U.S.C. § 271(c) (1996). In contrast, the Supreme Court in *Sony* required only constructive knowledge in the copyright context, a far broader basis of liability. *Sony*, 464 U.S. at 437-38 n.18 (1984).

114. To be liable as a contributory infringer, the plaintiff must first establish direct copyright infringement by the primary infringer. Elkin-Koren, *supra* note 16, at 365.

115. *Sega Enters., Ltd. v. MAPHIA*, 857 F. Supp. 679, 686 (N.D. Cal. 1994).

116. Pink, *supra* note 1, at 621.

117. Elkin-Koren, *supra* note 16, at 372.

118. *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399, 402-03 (S.D.N.Y. 1966).

119. Tickle, *supra* note 16, at 405.

120. *Id.*

shape the doctrine of contributory copyright infringement.<sup>121</sup> In *Kalem Co. v. Harper Bros.*,<sup>122</sup> the Supreme Court held a movie producer liable as a contributory infringer for the unauthorized film dramatization of the copyrighted book, *Ben Hur*.<sup>123</sup> The movie producer hired a writer to create a screenplay based on the book.<sup>124</sup> In addition, the movie producer designed advertisements that depicted the film as a dramatization of the book.<sup>125</sup> The movie producer then sold the film to distributors who placed the film in theaters, giving rise to the producer's argument that the distributors, not he, infringed the copyrighted book.<sup>126</sup> The Supreme Court rejected this argument, stating that if the defendant was not liable unless he were the direct infringer, it would be impossible to hold a third party accountable.<sup>127</sup> This decision established the legal foundation that a defendant who knowingly and actively participates in the acts preceding infringement, but who falls just short of committing the infringing act is liable as a contributory infringer.<sup>128</sup>

Another important decision, *Screen Gems-Columbia Music v. Mark-Fi Records*, highlighted the importance of knowledge in establishing contributory infringement.<sup>129</sup> In that case, music publishers sued a record company for reproducing its songs in an unauthorized album.<sup>130</sup> More importantly, the music publishers also sued the particular radio stations that sold advertising spots for the albums, the advertising agency that purchased media time, and the service agency that handled mail order distribution of the albums.<sup>131</sup> The copyright owners asserted that anyone involved in furthering sales of the infringing records, with or without knowledge of the infringement, should be liable as contributory infringers.<sup>132</sup> Rejecting

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121. *Id.*

122. *Kalem Co. v. Harper Bros.*, 222 U.S. 55 (1911).

123. *Id.* at 63.

124. *Id.* at 60.

125. *Id.* at 61.

126. *Id.* at 62.

127. *Kalem*, 222 U.S. at 62-63.

128. Tickle, *supra* note 16, at 405.

129. *Screen Gems-Columbia Music*, 256 F. Supp. at 404.

130. *Id.* at 401.

131. *Id.* at 401-02.

132. *Id.* at 403.

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the assertion, the New York district court refused to impose contributory infringement liability unless defendants knew or had reason to know the album violated copyrighted works.<sup>133</sup>

In *Gershwin Publishing Corp. v. Columbia Artists Management*, the Second Circuit articulated the modern test for contributory infringement.<sup>134</sup> The court defined a contributory infringer as one who knowingly “induces, causes or materially contributes to the infringing conduct of another . . . .”<sup>135</sup> In that case, a copyright owner sued a concert promoter for contributorily causing the infringing performance of its songs by artists at local community concerts.<sup>136</sup> The defendant performed a dual role: it managed the artists and also functioned as a concert promoter by organizing local nonprofit organizations around the country to sponsor a series of local community concerts.<sup>137</sup> In holding the concert promoter liable, the circuit court emphasized that the promoter knew that artists would perform copyrighted songs at the concerts, and also created the venue for the artists.<sup>138</sup>

In the most recent development of the doctrine, *Sony Corp. of America v. Universal City Studios*, the Supreme Court limited the scope of third party liability based on the contribution of materials or equipment.<sup>139</sup> In its landmark decision, the *Sony* court held that the sale of copying equipment alone does not constitute contributory infringement if the product is capable of “substantial noninfringing uses.”<sup>140</sup> In that case, plaintiffs brought a contributory copyright infringement action against Sony Corporation, the manufacturer of video cassette record-

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133. *Id.* at 403-05. In denying defendants’ motion for summary judgment, the district court held that defendants could be held liable if plaintiff proved at trial that they had actual or constructive knowledge. *Id.*

134. *Gershwin*, 443 F.2d at 1162.

135. *Id.*

136. *Id.* at 1160.

137. *Id.* at 1160-61.

138. *Id.* at 1162-63. The circuit court also held the concert promoter liable as a vicarious infringer. *Id.*

139. Tickle, *supra* note 16, at 409.

140. *Sony*, 464 U.S. at 442.

ers.<sup>141</sup> Plaintiffs alleged that Sony supplied the means to accomplish the infringing activity of consumers who made illegal copies of protected works.<sup>142</sup> In finding the manufacturer not liable, the court applied a patent law principle which provides that the sale of staple articles of commerce suitable for substantial noninfringing uses does not constitute contributory infringement.<sup>143</sup> The court reasoned that holding manufacturers of such articles of commerce liable as contributory infringers would "block the wheels of commerce."<sup>144</sup> Courts have not yet decided whether the *Sony* limitation applies in an online context.<sup>145</sup>

Thus far, only one contributory copyright infringement action involving the Internet has reached judicial decision.<sup>146</sup> In *Sega Enterprises v. MAPHIA*, a California district court imposed a preliminary injunction against a bulletin board operator, concluding that Sega had shown a strong likelihood of success in establishing a prima facie case of contributory infringement against the operator for unauthorized uploading and downloading of Sega video games by subscribers.<sup>147</sup> The court found that the bulletin board operator advertised the video games on the bulletin board, actively solicited subscribers to download the games for a fee, and sold descrambling

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141. *Id.* at 422. Plaintiffs in that case were Universal City Studios and Walt Disney Productions. *Id.* at 421. Plaintiffs did not pursue any action against individual consumers. *Id.*

142. *Id.* at 420.

143. *Id.* at 440; 35 U.S.C. § 271(c) (1996). The *Sony* court ruled that the VCR was capable of substantial noninfringing use, specifically time-shifting taping of television programs, finding that even if unauthorized, the taping was a fair use. *Sony*, 464 U.S. at 454-56.

144. *Sony*, 464 U.S. at 441.

145. Tickle, *supra* note 16, at 410.

146. *Id.* at 399-400. A contributory and vicarious copyright infringement action was brought in a California district court in 1995 by copyright holders of texts of the Church of Scientology against Netcom, an Internet access provider, for the infringing activities of a bulletin board subscriber. *Netcom*, 907 F. Supp. at 1361. The case settled recently. See *infra* notes 171-234 and accompanying text. In 1993, the Music Publisher's Association filed suit against CompuServe in a New York district court for contributory copyright infringement of hundreds of songs uploaded and downloaded by bulletin board subscribers. *Frank Music Corp. v. CompuServe*, No. 93 Civ. 8153 (S.D.N.Y. filed Nov. 19, 1993). That case settled on December 19, 1995. Raysman & Brown, *supra* note 62, at 3. This was the first legal action involving copyright infringement of music on the Internet. Pink, *supra* note 1, at 609.

147. *Sega*, 857 F. Supp. at 687-89.

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equipment necessary to copy the games.<sup>148</sup> Although the operator had not directly placed copies of Sega's game programs onto the system, the court determined that its role in providing facilities, direction, and encouragement materially contributed to the infringing conduct of others.<sup>149</sup>

### 3. Vicarious infringement

To establish vicarious liability, the plaintiff must prove that the defendant 1) had the right and ability to control the direct infringer and 2) had a financial interest in the infringement.<sup>150</sup> Vicarious liability requires neither knowledge nor participation.<sup>151</sup> Rather, a person may be liable for vicarious infringement "when the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials . . . ."<sup>152</sup> Thus, the focus is on the relationship between the defendant and the direct infringer.<sup>153</sup>

Traditionally, precedent for vicarious copyright infringement liability has divided along the lines of two genres of relationships — landlord-tenant and dance hall operators.<sup>154</sup> Under the first genre, courts have held that a landlord who leases her property at a fixed rental to a tenant who engages in copyright-infringing activity on the premises is not liable because

148. *Id.* at 683-85.

149. *Id.* at 686-87.

150. *Netcom*, 907 F. Supp. at 1375.

151. Goldberg, *supra* note 31, at 3.

152. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963).

153. Tickle, *supra* note 16, at 410.

154. *Shapiro*, 316 F.2d at 307. The theory of vicarious liability stems from the tort doctrine of respondeat superior. Segal, *supra* note 2, at 128. Under the doctrine of respondeat superior, an employer may be vicariously liable for copyright infringement by an employee. *Bradbury v. Columbia Broadcasting Sys., Inc.* 287 F.2d 478, 484-85 (9th Cir. 1961), *cert. denied*, 368 U.S. 801 (1961) (holding theater owner vicariously liable for copyright infringement by piano player employee even though employer had no knowledge of infringement); *Shapiro, Bernstein & Co. v. Veltin*, 47 F. Supp. 648, 649 (D.C. La. 1942) (holding dance hall operator vicariously liable for infringement by orchestra despite instructions not to play copyrighted materials). This relationship model, however, does not apply in the online context because an employment relationship does not exist between the access provider or bulletin board operator and the computer user. Tickle, *supra* note 16 at 412. Even in the absence of an employer-employee relationship, the courts have imposed liability in other business relationships. *Shapiro*, 316 F.2d at 307.

she had no control over the leased premises.<sup>155</sup> In a seminal case, *Deutsch v. Arnold*, the Second Circuit established that something more than the mere relationship of landlord and tenant must exist to give rise to vicarious liability.<sup>156</sup> In that case, the circuit court held that a landlord who leased outdoor space to a tenant who sold infringing handwriting analysis charts was not vicariously liable.<sup>157</sup> In its analysis, the court found that the landlord leased the property at a fixed rental and received no financial benefit from the acts of infringement.<sup>158</sup> In further support of its finding that the landlord was not liable under any theory of infringement, the court found that the landlord had no knowledge of infringing activities at the time the lease was executed.<sup>159</sup>

In the "dance hall" cases, however, the courts have held dance hall operators liable for infringing performances by entertainers because they exercise control by leasing the premises or hiring the bands and receive profits from patrons who pay to attend performances.<sup>160</sup> For example, in *Dreamland Ball Room v. Shapiro, Bernstein & Co.*,<sup>161</sup> the Seventh Circuit held the dance hall operator liable for the infringing performance of copyrighted songs played by the orchestra it hired because the dance hall stood to make a profit from the performance.<sup>162</sup> In its analysis, the *Dreamland Ball Room* court found that hiring the orchestra to play music to increase its audience created liability for the dance hall proprietor irrespec-

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155. See *Deutsch v. Arnold*, 98 F.2d 686, 688 (2d Cir. 1938) (holding landlord not liable for sales by tenant of infringing handwriting analysis charts due to lack of knowledge and financial benefit); *Fromont v. AEolian Co.*, 254 F. 592, 594 (D.C.N.Y. 1918) (holding landlord not liable for infringing performance of "Claire De Lune" by pianist who leased concert hall at fixed rental due to lack of knowledge, control or financial benefit).

156. *Deutsch*, 98 F.2d at 688.

157. *Id.*

158. *Id.*

159. *Id.*

160. See, e.g., *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191, 198-99 (1931) (holding hotel proprietor liable for infringing performance of unlicensed musical compositions on radio broadcasts aired on speakers in hotel); *Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Ass'n*, 554 F.2d 1213, 1215 (1st Cir. 1977) (holding race track owner liable for infringing performance over public address system of musical compositions supplied by independent contractor).

161. *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354, 355 (7th Cir. 1929).

162. *Id.*

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tive of whether the orchestra was an employee or independent contractor or whether the dance hall operator selected the music or knew that the music was copyrighted.<sup>163</sup>

The leading case to synthesize the “dance-hall” model and the landlord-tenant model, *Shapiro, Bernstein & Co. v. H.L. Green*, articulated the two-prong test of control and financial interest.<sup>164</sup> The infringing party in *Shapiro* had a concession to operate a record store in defendant’s department stores.<sup>165</sup> Under terms of their lease agreement, the store owner retained the right to supervise the concessionaire’s employees and received 10% of gross sales.<sup>166</sup> Determining that the relationship between the store owner and concessionaire was closer to the dance-hall model than to the landlord-tenant model, the *Shapiro* court held the store owner vicariously liable for the sale of “bootleg” records.<sup>167</sup> In reaching its determination, the court found that the lease gave the store owner power to exercise control over business activities on the premises as well as employee conduct, and the right to a percentage of profits established a direct financial interest in the exploitation of the copyrighted materials.<sup>168</sup>

In the online context, the two-prong test of control and financial interest means that a copyright holder must prove that an access provider has the ability to monitor and control thousands of postings by computer users and show a direct financial interest in the infringing acts of subscribers.<sup>169</sup> To determine vicarious liability, courts must decide if the relationship between an access provider and direct infringer is closer on the spectrum to the dance-hall model or landlord-tenant model.<sup>170</sup>

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163. *Id.*

164. *Shapiro*, 316 F.2d at 307.

165. *Id.* at 305.

166. *Id.* at 306.

167. *Id.* at 308.

168. *Id.* at 307-08.

169. See *supra* notes 150-53 and accompanying text for articulation of test for vicarious liability.

170. Tickle, *supra* note 16, at 405.

### C. AN ACCESS PROVIDER'S LIABILITY IN *RELIGIOUS TECHNOLOGY CENTER V. NETCOM ON-LINE COMMUNICATIONS SERVICES*

In the first case to directly address the issue of an Internet access provider's copyright infringement liability, *Religious Technology Center v. Netcom*,<sup>171</sup> a California federal district court considered all three traditional theories: direct, contributory, and vicarious liability.<sup>172</sup> In ruling on a pre-trial motion, the court held that Netcom, one of the industry's largest access providers,<sup>173</sup> was not directly or vicariously liable for the infringing acts of a bulletin board subscriber.<sup>174</sup> The court, however, raised the possibility Netcom might be held contributorily liable if the plaintiff proved knowledge.<sup>175</sup> Before the issue of liability was resolved, the parties settled out-of-court.<sup>176</sup> Even so, an examination of the court's analytic approach is useful in revealing the approach future courts may take.

#### 1. Facts and procedural history

This copyright infringement action arose from unauthorized Internet postings by a bulletin board subscriber.<sup>177</sup> The subscriber, a former Scientology minister who became a vocal church critic, posted messages on a private bulletin board service.<sup>178</sup> The Church of Scientology, through its Religious Technology Center,<sup>179</sup> alleged that the subscriber infringed its copyrights when he posted confidential lectures<sup>180</sup> by the late

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171. *Religious Technology Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995).

172. *Id.* at 1367 n.9.

173. *ISPs Double in Number Despite Industry Giants*, S.F. CHRON., Dec. 24, 1996, at C4. Netcom has upwards of 500,000 subscribers. *Id.*

174. *Netcom*, 907 F. Supp. at 1373-77.

175. *Id.* at 1373.

176. Benjamin Pimentel, *Netcom Settles Scientology Copyright Suit*, S.F. CHRON., Aug. 5, 1996, at A22.

177. *Netcom*, 907 F. Supp. at 1365-66.

178. *Id.*

179. Plaintiffs Religious Technology Center and Bridge Publications, both non-profit California corporations affiliated with the Church of Scientology, hold copyrights in the works of the Church's founder, L. Ron Hubbard. *Id.*

180. The Church claimed many of its literary works were copyrighted and also trade secrets for a spiritual healing technology, referred to as the Advanced Technology works. *Religious Technology Ctr. v. Netcom On-line Communication Serv-*

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founder of Scientology, L. Ron Hubbard.<sup>181</sup> The subscriber addressed his message to a Usenet newsgroup<sup>182</sup> organized exclusively to discuss and criticize the Scientology religion.<sup>183</sup> Although not directly linked to the Internet, the bulletin board operator gained access by contracting with Netcom.<sup>184</sup> Once the subscriber posted the message, Netcom's computers automatically copied and transmitted the message to other Usenet sites via the computer network system of the Internet.<sup>185</sup> Shortly, the message was accessible to bulletin board subscribers throughout the world, available for downloading to their own computers.<sup>186</sup>

The Church notified Netcom and the bulletin board service operator about the alleged infringement, but both refused to do anything about it.<sup>187</sup> In February, 1995, the Church sued the

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es, Inc., 923 F. Supp. 1231, 1239 (1995). The Ninth Circuit described the Church's teachings as a belief that a person's behavior and well-being are improved by removing "engrams" from the unconscious mind. *Religious Technology Ctr. v. Wollersheim*, 796 F.2d 1076, 1077 (9th Cir. 1986), *cert. denied*, 479 U.S. 1103 (1987). Engrams are impressions recorded in the unconscious mind in times of trauma which return in moments of stress. Removing engrams from one's unconscious permits the person's mind to function unhindered. Engrams are purged through "auditing," which uses the "advanced technology" of the Church. The Church asserted that the unsupervised, premature exposure to the Advanced Technology course materials would have a spiritually harmful effect. *Id.* During his years with the Church, from approximately 1968 until 1982, the defendant former minister received training to provide counseling services, known as "auditing." *Religious Technology Center*, 923 F. Supp. at 1238-39.

181. *Netcom*, 907 F. Supp. at 1365-66.

182. The Usenet has been described as a worldwide network of electronic bulletin boards. *Id.* at 1365 n.4. It is one of the most popular methods of communication on the Internet. *American Civil Liberties Union v. Reno*, 929 F. Supp. 824, 833-34 (E.D. Pa. 1996). Messages are divided into topical "newsgroups." *Netcom*, 907 F. Supp. at 1365 n.4. The Usenet system functions as a public discussion forum or "chat room" on the Internet, a way for people around the world to exchange information and debate topics which interest them. *ACLU*, 929 F. Supp. at 834-35. The former minister posted his message to "alt.religion.scientology," the Usenet newsgroup organized solely to discuss and criticize Scientology. *Netcom*, 907 F. Supp. at 1365-66. Using many computer network systems, including the Internet, each Usenet server automatically distributes its users' postings to other Usenet sites that subscribe to the newsgroup for review by individual users. *ACLU*, 929 F. Supp. at 835-36. Similarly, responses to messages are automatically distributed to all other host computers for that newsgroup. Periodically, messages are automatically purged from each system to make room for new messages. *Id.*

183. *Netcom*, 907 F. Supp. at 1365-66.

184. *Id.*

185. *Id.* at 1367-68.

186. *Id.*

187. *Id.* at 1368. Netcom contended that it would be impossible to prescreen the

subscriber, the bulletin board operator, and Netcom for copyright infringement, seeking damages and injunctive relief.<sup>188</sup>

## 2. Court's analysis and conclusion

In November, 1995, the federal district court held that the access provider was not directly or vicariously liable.<sup>189</sup> However, the court concluded that the existence of a genuine issue of fact as to Netcom's knowledge of the infringement precluded granting Netcom's motion for summary judgment on the issue of contributory infringement.<sup>190</sup> The court indicated that Netcom may have been contributorily liable by failing to remove the infringing documents if plaintiff could prove Netcom had knowledge of the infringement.<sup>191</sup>

### a. Direct infringement

Although acknowledging that Netcom was not itself the source of the infringing materials, the Church alleged that Netcom was liable either directly, contributorily, or vicariously.<sup>192</sup> Regarding direct liability, the Church pointed out that Netcom's computers made copies of the infringing materials and stored them in its memory system for a short period of time.<sup>193</sup> Netcom argued that copying was a necessary function

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subscriber's postings. *Id.* at 1366. To remove the subscriber from the Internet, Netcom argued, would entail closing off Internet access to all of the other bulletin board subscribers. *Id.*

188. *Religious Technology Center*, 923 F. Supp. at 1240. The suit also claimed misappropriation of trade secrets by the subscriber. *Id.* In February, 1995, the district court granted a preliminary injunction enjoining the subscriber from further copying of the protected religious works. *Id.* at 1258. The court also authorized a writ of seizure directing authorities to raid the subscriber's home to seize copyrighted documents. *Id.* at 1240. The writ was later vacated for defects. *Id.* at 1265. In September, 1995, the court granted a preliminary injunction against the subscriber to enjoin further posting of Scientology materials on the Internet. *Id.*

189. *Netcom*, 907 F. Supp. at 1373-77. The analysis in this Comment focuses on the liability of the access provider defendant only. See *infra* notes 171-234 and accompanying text.

190. *Netcom*, 907 F. Supp. at 1381.

191. *Id.* at 1374.

192. *Id.* at 1367.

193. *Id.* at 1370.

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of the computer network system, that it did not take any affirmative action other than implementing a software system that automatically made copies of messages to retransmit onto the Usenet network.<sup>194</sup> Netcom compared itself to a common carrier that merely acts as a passive conduit for information.<sup>195</sup>

To establish a claim of direct copyright infringement, a plaintiff must show ownership of a valid copyright and "copying" of a protectable expression by the defendant.<sup>196</sup> Although the *Netcom* court agreed that copying occurred,<sup>197</sup> pointing to the Ninth Circuit's decision in *MAI v. Peak Computer*,<sup>198</sup> the court refused to hold the access provider directly liable.<sup>199</sup> In its analysis, the court distinguished the factual setting in *MAI*.<sup>200</sup> In *MAI*, a computer service technician booted up a computer to check its error log to diagnose a problem.<sup>201</sup> In so doing, the copyrighted operating system software was loaded into the computer's random access memory, thus creating a copy.<sup>202</sup> Unlike the defendant in *MAI*, Netcom did not initiate the copying.<sup>203</sup> Rather, the court found that Netcom's computer system automatically made a temporary copy of all data sent through it as a necessary function to forward messages onto the Usenet system and that the copying involved no human intervention.<sup>204</sup> The court reasoned that some element of volition must exist for direct liability.<sup>205</sup> The *Netcom* court expressed concern that, carried to its natural extreme, plaintiff's theory would result in unreasonable liability, implicating every

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194. *Id.* at 1368. Netcom also argued, alternatively, it had a fair use privilege. *Id.* at 1378.

195. *Netcom*, 907 F. Supp. at 1369 n.12. The court disagreed with the analogy, noting that Internet access providers are not natural monopolies that are bound to carry all traffic without any control over who or what was on its system. *Id.*

196. *Id.* at 1366-67.

197. *Id.* at 1368.

198. *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518 (9th Cir. 1993) (holding repair person made copy of system software in computer's random access memory when he booted up computer).

199. *Netcom*, 907 F. Supp. at 1372-73.

200. *Id.* at 1368.

201. *MAI*, 991 F.2d at 518.

202. *Id.* at 518.

203. *Netcom*, 907 F. Supp. at 1368.

204. *Id.* at 1368-70.

205. *Id.*

single Usenet server in the worldwide link.<sup>206</sup> Accordingly, the court concluded that Netcom was not directly liable for the incidental copying of the subscriber's infringing materials in its computer storage system and retransmission to other host computers.<sup>207</sup>

*b. Contributory infringement*

The Church asserted that Netcom had knowledge of the infringing postings, at least after plaintiffs notified them by letter.<sup>208</sup> Despite such knowledge, Netcom failed to remove the infringing materials or bar the bulletin board subscriber from further access to the Scientology newsgroup.<sup>209</sup> Netcom made several arguments in its defense.<sup>210</sup> First, Netcom argued that it did not know of the subscriber's intention to infringe when it contracted with the bulletin board operator to provide access to the Internet.<sup>211</sup> The access provider cited cases holding that a landlord is not contributorily liable for infringing activities of its tenants on its premises unless the landlord had knowledge of the intended infringing use at the time the lease was signed.<sup>212</sup> In addition, Netcom argued that it did not know that the subscriber would infringe prior to the postings.<sup>213</sup> Next, Netcom contended that it did not have the

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206. *Id.*

207. *Id.* at 1372-73. In its analysis, the court also distinguished *Playboy v. Frena*. *Id.* at 1370. In *Playboy*, the court held the bulletin board operator directly liable for infringing the rights to publicly distribute and display works. *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1559 (M.D. Fla. 1993). Since the Church did not allege infringement of the right to display, the *Netcom* court concluded the *Playboy* decision had no bearing on the issue of direct liability for unauthorized reproduction, thus finding the case inapplicable. *Netcom*, 907 F. Supp. at 1370. The *Netcom* court also distinguished *Sega v. MAPHIA*, noting the court mixed elements of contributory infringement in its discussion of direct infringement. *Id.* at 1371. Notwithstanding the *Sega* court's holding of direct liability, the *Netcom* court disagreed, based on its opinion that the theory of holding the Internet system liable is unworkable because it is practically impossible to screen out infringing from noninfringing content. *Id.* at 1372-73.

208. *Netcom*, 907 F. Supp. at 1373.

209. *Id.*

210. *Id.*

211. *Id.*

212. *Id.*

213. *Netcom*, 907 F. Supp. at 1373.

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ability to screen out infringing messages before they were posted.<sup>214</sup> Further, Netcom argued that its knowledge was too equivocal in light of the difficulty of assessing valid copyright registration and any fair use defense.<sup>215</sup>

To establish liability as a contributory infringer, plaintiff must prove the defendant had knowledge of the infringement and participated by "inducing, causing or materially contributing to the infringing conduct of another."<sup>216</sup> In its analysis of the knowledge component of the test, the *Netcom* court rejected Netcom's argument that proof of valid copyright was too difficult to verify, given that the works contained copyright notices.<sup>217</sup> However, the court was persuaded that Netcom might be able to show that its lack of knowledge was reasonable.<sup>218</sup> The court reasoned that an access provider might not be able to quickly determine if a work infringes when a colorable defense of fair use exists.<sup>219</sup> Thus, a genuine issue of fact relating to the theory of contributory infringement precluded the court from granting Netcom's motion for summary judgment.<sup>220</sup>

In its analysis of the participation component of the test, the *Netcom* court concluded that Netcom's failure to cancel the subscriber's message constituted substantial participation.<sup>221</sup> To illustrate, the court compared the access provider to radio stations that were found liable for rebroadcasting infringing broadcasts rather than to a swap meet operator who rents space to an infringer and is not liable.<sup>222</sup> The court reasoned

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214. *Id.*

215. *Id.*

216. *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

217. *Netcom*, 907 F. Supp. at 1374.

218. *Id.* at 1374.

219. *Id.* at 1374-75. In analyzing the fair use defense, the court stressed that the proper focus was whether Netcom's actions qualified as fair use, not whether the subscriber engaged in fair use. *Id.* at 1378. The court did not find that Netcom's use was fair, noting a genuine issue of fact existed as to whether the postings could harm the market for the religious works. *Id.* at 1380-81.

220. *Id.* at 1374-75.

221. *Id.*

222. *Netcom*, 907 F. Supp. at 1375. The *Netcom* court cited *Select Theatres Corp. v. Ronzoni Macaroni Corp.*, 59 U.S.P.Q. 288, 291 (S.D.N.Y. 1943) (holding radio station liable for infringing rebroadcasts) and *Fonovisa, Inc. v. Cherry Auction*,

that providing a service for automatic distribution of Usenet postings, infringing and noninfringing, went well beyond simply renting space to an infringer.<sup>223</sup> Further, the court reasoned, Netcom's failure to remove the message substantially aided in the accomplishment of the infringement.<sup>224</sup> Thus, the court concluded that if plaintiffs proved knowledge, the access provider may be contributorily liable.<sup>225</sup>

### c. *Vicarious infringement*

The Church alleged that Netcom had the right and ability to control the use of its system, pointing to contract terms with Netcom subscribers that reserved the right to take remedial action, prohibited copyright infringement, and indemnified it for any damage to third parties.<sup>226</sup> Further, the Church alleged that Netcom had policed the conduct of users in the past, pointing to evidence of suspensions of Netcom subscribers for commercial advertising, off-topic postings, and posting obscene materials.<sup>227</sup> The Church also asserted that Netcom somehow derived a financial benefit from its failure to enforce violations of copyright law.<sup>228</sup> Netcom contended it was unable to screen messages before they were posted given the speed and volume of the data that goes through its system.<sup>229</sup>

To prove vicarious liability, a plaintiff must show that the defendant has the right and ability to control the infringer's acts and receives a direct financial benefit from the infringement.<sup>230</sup> In its analysis of the right and ability to control, the court found plaintiffs raised a genuine issue of fact as to

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Inc., 847 F. Supp. 1492, 1496 (E.D. Cal. 1994) (holding swap meet operator not liable for infringing sales of bootleg records by vendors). *Id.* The *Netcom* court did not have the benefit of the Ninth Circuit's decision in *Fonovisa* reversing the lower court. *See infra* notes 240-83.

223. *Netcom*, 907 F. Supp. at 1375.

224. *Id.*

225. *Id.* at 1374.

226. *Id.* at 1375-76.

227. *Id.* at 1376.

228. *Netcom*, 907 F. Supp. at 1376.

229. *Id.*

230. *Id.*; *see* *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 306 (2d Cir. 1963) (articulating vicarious liability test of control and financial interest).

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Netcom's right and ability to exercise control over its subscribers.<sup>231</sup> In its analysis of direct financial benefit, the *Netcom* court concluded plaintiffs failed to provide any evidence to support its assertions.<sup>232</sup> The court reasoned that unlike the percentage of gross sales in *Shapiro*, Netcom received a fixed fee.<sup>233</sup> For these reasons, the court held Netcom not vicariously liable.<sup>234</sup>

### III. DISCUSSION

Although the environment of a swap meet is a strange context for a legal discussion concerning leading edge technology, the recent decision in *Fonovisa v. Cherry Auction*<sup>235</sup> may have a significant impact on liability issues for the digital environment of Internet access providers.<sup>236</sup> The case is significant because the copyright infringement dispute discussed in the case concerns contributory and vicarious liability, the case is recent,<sup>237</sup> it is an appellate level decision in the Ninth Circuit, and it reversed a lower court dismissal that was cited prominently in the *Netcom* case.<sup>238</sup> By applying the legal principles in *Fonovisa* to the facts in *Netcom*, this Comment theorizes that future courts may hold an online access provider both contributorily liable and vicariously liable for the infringing conduct of subscribers.<sup>239</sup>

#### A. A SWAP MEET OPERATOR'S THIRD PARTY LIABILITY IN *FONOVISA V. CHERRY AUCTION*

In holding that the plaintiff established a claim against the swap meet operator for vicarious and contributory infringement for the sale of bootleg records by vendors, the Ninth Circuit court identified circumstances to impose third party

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231. *Netcom*, 907 F. Supp. at 1376.

232. *Id.* at 1377.

233. *Id.*

234. *Id.*

235. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

236. Goldberg, *supra* note 31, at 3.

237. *Fonovisa* was decided January 25, 1996. *Fonovisa*, 76 F.3d at 259.

238. *Religious Technology Ctr. v. Netcom On-line Communication Servs., Inc.*, 907 F. Supp. 1361, 1375-77 (N.D. Cal. 1995).

239. See *infra* notes 287-353 and accompanying text.

liability that may subject an online access provider to more rigorous scrutiny.<sup>240</sup> The *Fonovisa* court expanded the ways to show direct financial benefit and characterized the provision of a site and support services as materially contributing to infringing activities of another.<sup>241</sup>

# 1. Facts and procedural history

Cherry Auction operated a swap meet in Fresno, California, similar to hundreds of other "flea markets" across the country where customers come to buy various merchandise from individual vendors.<sup>242</sup> Cherry Auction collected a daily rental fee from independent vendors in exchange for booth space, as well as entrance fees from each customer who attended the swap meet.<sup>243</sup> Cherry Auction also supplied parking, promoted the meet in advertisements, and retained the right to exclude any vendor for any reason at any time.<sup>244</sup>

At its swap meet in Fresno, independent vendors repeatedly sold counterfeit recordings in violation of copyright and trademark rules.<sup>245</sup> The Cherry Auction operators were undisputedly aware of these sales.<sup>246</sup> In prior years, the Sheriff's Department had raided the swap meet and seized more than 38,000 counterfeit recordings.<sup>247</sup> When sales of counterfeit recordings did not abate, the Sheriff's Department sent a warning letter to Cherry Auction to stop the infringing activities.<sup>248</sup>

In February, 1993, Fonovisa, Inc. (hereinafter "Fonovisa"), a California corporation that owned copyrights and trademarks to Latin and Hispanic music recordings, brought an action against Cherry Auction for direct, contributory and vicarious

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240. *Fonovisa*, 76 F.3d at 262-64.

241. *Id.*

242. *Id.* at 261.

243. *Id.*

244. *Id.*

245. *Fonovisa*, 76 F.3d at 260-61.

246. *Id.*

247. *Id.*

248. *Id.*

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copyright infringement.<sup>249</sup> The district court granted defendant's motion to dismiss for failure to state a claim pursuant to Federal Rule of Civil Procedure 12(b)(6).<sup>250</sup> The district court held that Fonovisa did not meet either the control or the financial benefit prong of the vicarious liability test.<sup>251</sup> The court reasoned that the collection of a flat fee for booth rentals did not constitute a direct financial interest.<sup>252</sup> In its view, Cherry Auction was in the same position as an absentee landlord who has surrendered its right of occupancy to its tenants.<sup>253</sup> The district court concluded that Cherry Auction neither supervised nor profited from vendors' sales.<sup>254</sup> In dismissing the claim of contributory infringement, the district court concluded that merely renting booth space to vendors did not constitute substantial participation.<sup>255</sup>

The Ninth Circuit strongly disagreed.<sup>256</sup> On appeal, the circuit court reversed the district court's dismissal, remanding the case to the trial court.<sup>257</sup> The appellate court held that the complaint stated a cause of action for both contributory and vicarious copyright infringement.<sup>258</sup>

## 2. Court's analysis

On appeal, Fonovisa did not challenge the district court's dismissal of its claim for direct infringement, but did appeal the dismissal of its claims for contributory and vicarious infringement.<sup>259</sup> The court analyzed *Fonovisa* under each of the two theories of liability.<sup>260</sup>

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249. *Id.*

250. *Fonovisa*, 76 F.3d at 261.

251. *Id.* at 262.

252. *Id.*

253. *Id.*

254. *Id.*

255. *Fonovisa*, 76 F.3d at 264.

256. *Id.* at 262-64.

257. *Id.* at 265.

258. *Id.* at 264. The Ninth Circuit also held that the complaint stated a cause of action for contributory trademark infringement. *Id.* at 265. However, trademark issues are beyond the focus of this Comment.

259. *Id.* at 261.

260. *Fonovisa*, 76 F.3d at 261-64.

*a. Contributory infringement*

Liability for contributory infringement requires knowledge and participation in the infringing conduct of another.<sup>261</sup> In its analysis, the Ninth Circuit court stated that Cherry Auction knew that vendors repeatedly sold counterfeit records at its swap meet, based on evidence of a raid by the Sheriff's Department and a warning letter sent by the Sheriff.<sup>262</sup> The dispute focused on whether Cherry Auction participated in the infringing acts.<sup>263</sup> Cherry Auction contended it was a passive participant, providing only rental space.<sup>264</sup> Contrary to Cherry Auction's characterization and the district court's view that participation means expressly promoting or encouraging the sale of counterfeit products,<sup>265</sup> the *Fonovisa* court embraced the Third Circuit's view that simply providing the site and facilities for infringing activities was sufficient to establish contributory liability.<sup>266</sup> The *Fonovisa* court reasoned that in providing a site, plumbing, utilities, parking, advertising, and customers for the illicit sales, Cherry Auction materially contributed to the infringing activities.<sup>267</sup> Indeed, the court stated, it would be difficult for the infringing activity to take place in the massive quantities alleged without such support services from the swap meet.<sup>268</sup> Thus, the court held that Fonovisa established a claim against Cherry Auction for contributory infringement.<sup>269</sup>

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261. *Id.* at 264.

262. *Id.* at 261.

263. *Id.* at 264.

264. *Id.*

265. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 847 F. Supp. 1492, 1496 (E.D. Cal. 1994) (hereinafter "*Fonovisa I*")

266. *Fonovisa*, 76 F.3d at 264 (citing *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59 (3d Cir. 1986)).

267. *Id.*

268. *Id.*

269. *Id.*

*b. Vicarious infringement*

Vicarious liability requires the right and ability to control the infringer and also a direct financial interest in the infringement.<sup>270</sup> Regarding the element of control, Fonovisa alleged that Cherry Auction had the contractual right to terminate vendors for any reason, arguing that through that right it had the ability to control and police the activities of vendors on the premises.<sup>271</sup> In addition, Fonovisa alleged that Cherry Auction promoted the swap meet and controlled access to the swap meet area.<sup>272</sup> Cherry Auction contended that it neither supervised nor profited from vendor sales.<sup>273</sup>

In its analysis, the Ninth Circuit found that Cherry Auction wielded broad control over the direct infringers under its contract rights to police the vendors.<sup>274</sup> The court reasoned that the ability to police, whether exerted or not, is sufficient control to satisfy the control element of vicarious liability.<sup>275</sup> In reaching its determination, the court found that Cherry Auction's participation as a promoter and organizer enabled it to wield control over the infringing vendors.<sup>276</sup>

As to the financial benefit analysis, the Ninth Circuit concluded that Cherry Auction derived a financial benefit from the illegal vendor sales.<sup>277</sup> Cherry Auction contended that it received merely a fixed rental fee rather than a commission on

270. *Id.* at 262.

271. *Fonovisa*, 76 F.3d at 262.

272. *Id.*

273. *Id.*

274. *Id.* at 262-63. The court noted striking fact similarities with *Shapiro v. Green* in which a contract with the concessionaire vested broad control in the store owner over employee conduct and activities on the premises, sufficient to establish vicarious liability. *Fonovisa*, 76 F.3d at 263.

275. *Id.* The Ninth Circuit appeared to embrace the reasoning of the court in *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1163 (2d Cir. 1971) (holding concert promoter vicariously liable for infringing activities of concert artists) by reference. *Fonovisa*, 76 F.3d at 263; see also *Polygram Intern. Pub., Inc. v. Nevada/TIG, Inc.*, 855 F. Supp. 1314, 1328-29 (D. Mass. 1984) (finding computer trade show organizer wielded control over exhibitors through contract rules).

276. *Fonovisa*, 76 F.3d at 263. In its analysis, the court compared Cherry Auction to the concert promoter in *Gershwin*. *Fonovisa*, 76 F.3d at 262-63.

277. *Id.* at 263.

vendors' gross receipts as in the *Shapiro*<sup>278</sup> fact setting.<sup>279</sup> Nonetheless, the *Fonovisa* court saw similarities to the dance hall cases in which the dance hall operators benefited by the number of patrons drawn to performances of infringing music.<sup>280</sup> The court reasoned that the sale of pirated recordings at the swap meet acted as a draw for customers.<sup>281</sup> Besides the flat fee Cherry Auction collected for booth rental, the court found that the swap meet operator collected admission fees, parking fees and concession sales, flowing directly from customers who came to buy the counterfeit recordings at bargain basement prices.<sup>282</sup> Thus, the Ninth Circuit also found that *Fonovisa* stated a claim for vicarious copyright infringement.<sup>283</sup>

#### B. APPLYING PRINCIPLES OF COPYRIGHT INFRINGEMENT LIABILITY IN *FONOVISA* TO *NETCOM*

Whether the *Netcom* court would have analyzed the liability of the access provider differently if it had the benefit of the Ninth Circuit's *Fonovisa* opinion is an open question.<sup>284</sup> The *Netcom* decision fell in time between the district court's opinion in *Fonovisa* and the Ninth Circuit's reversal of that opinion.<sup>285</sup> Nevertheless, a post-settlement review of *Netcom* that extrapolates the *Fonovisa* court's analytic approach may reveal the circumstances in which future courts may hold an online

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278. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 306 (2d Cir. 1963).

279. *Fonovisa*, 76 F.3d at 263.

280. *Id.* at 263-64.

281. *Id.*

282. *Id.*

283. *Id.* at 264.

284. Goldberg, *supra* note 31, at 33.

285. *Id.* *Netcom* was decided November 21, 1995. *Religious Technology Ctr. v. Netcom On-line Communication Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995). *Fonovisa* was decided January 25, 1996. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996). On February 16, 1996, copyright holders in *Netcom* filed a motion to reconsider based on the theory of a change in controlling law on vicarious liability as a result of the appellate court's decision in *Fonovisa*. Plaintiff's Motion to Reconsider at 1:20-25, *Religious Technology Ctr. v. Netcom*, 907 F. Supp. 1361 (N.D. Cal. 1995) (No. 95-20091). On March 4, 1996, the court denied the motion to reconsider, finding no inconsistency between the district court's holding and the appellate court decision in *Fonovisa*. Order Den. Leave to File Mot. for Recons. at 1-2, *Netcom* (No. 95-20091).

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access provider liable for the infringing activities of subscribers. This Comment applies the legal principles of vicarious and contributory copyright infringement liability in *Fonovisa* to the factual setting in *Netcom*.<sup>286</sup>

# 1. Vicarious copyright infringement of an online access provider

To prove vicarious liability, a plaintiff must show that an access provider 1) has the right and ability to control the direct infringer's acts and 2) receives a direct financial benefit from the infringement.<sup>287</sup> In *Fonovisa*, the Ninth Circuit held that the plaintiff stated a claim for vicarious liability because the swap meet operator not only controlled the activities of vendors, but also profited from the sales of counterfeit records by attracting more bargain hunters, thus resulting in more collateral fees to the swap meet operator.<sup>288</sup> The *Fonovisa* court's holding raises the possibility that an access provider may be vicariously liable for the infringing activities of its subscribers.<sup>289</sup>

## a. Right and ability to control the direct infringer's conduct

The *Fonovisa* court concluded that the swap meet operator had the right and ability to control the direct infringers.<sup>290</sup> Based on explicit contract rights to terminate vendors for any reason, the court found that the swap meet operator was in a position to police the vendors and their activities.<sup>291</sup> In addition, the court found that the swap meet operator wielded control over vendors and customers by virtue of its role in promoting and organizing the swap meet, irrespective of contractual control.<sup>292</sup>

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286. See *infra* notes 287-354 and accompanying text.

287. *Netcom*, 907 F. Supp. at 1375.

288. *Fonovisa*, 76 F.3d at 263-64.

289. Goldberg, *supra* note 31, at 33.

290. *Fonovisa*, 76 F.3d at 262-63.

291. *Id.*

292. *Id.*

In applying the control prong of the *Fonovisa* court's analysis of vicarious liability to *Netcom*, a court would find that the access provider had the right to supervise and control the conduct of its subscribers because of its contractual rights.<sup>293</sup> Similar to contract terms between the swap meet operator and vendors, the court would point to terms in *Netcom*'s contract reserving the right to suspend a subscriber's account.<sup>294</sup> As evidence that *Netcom* exercised its control over user's activities, the court would also point to evidence in the record citing over one thousand instances of suspensions of subscribers' accounts.<sup>295</sup> In addition, a court would point to other contract terms prohibiting copyright infringement and requiring indemnification as further evidence of *Netcom*'s right to control subscriber conduct.<sup>296</sup> Based on such rights, the court would conclude that the access provider was in a position to police subscribers and their posting activities on the Internet.

Although the *Fonovisa* court described an alternative method of wielding control by promoting and organizing the entertainment venue, the court would not find that *Netcom* resembled the swap meet operator in that respect.<sup>297</sup> No evidence indicated that the access provider exercised control of subscribers by promoting or organizing the Scientology newsgroup or any other use of its system.<sup>298</sup> Thus, the court would rely on contract rights to support its conclusion that the access provider in *Netcom* had the right and ability to control the conduct of its subscribers.<sup>299</sup>

The *Fonovisa* analysis, however, is inapplicable to *Netcom*

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293. See *supra* notes 270-76 and accompanying text for discussion of the control element of vicarious liability by the *Fonovisa* court.

294. *Netcom*, 907 F. Supp. at 1375. The court noted that even though *Netcom* had no contractual relationship with the direct infringer, it had the right and ability to control the use of its system through its contractual relationship with the bulletin board operator. *Id.* at 1376 n.22.

295. *Id.* at 1376. These suspensions were for reasons other than copyright infringement, such as posting off-topic messages, commercial advertising, and posting obscene materials. *Id.*

296. *Id.*

297. See *Gershwin*, 443 F.2d at 1163 (finding concert promoter in position to control direct infringer).

298. *Netcom*, 907 F. Supp. at 1375-76.

299. See *supra* notes 274-76 and accompanying text for *Fonovisa* court's discussion of Cherry Auction's control through contractual rights.

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because of the special context of its digital environment.<sup>300</sup> In the framework of a swap meet, the *Fonovisa* court focused strictly on the aspect of the “right” to control the direct infringer’s conduct, and collapsed that concept into the “ability” aspect of the control test.<sup>301</sup> The setting in *Fonovisa*, however, is distinguishable from the digital environment in *Netcom*.<sup>302</sup> Unlike the contained geographical space of a swap meet, the electronic space of the Internet has no physical boundaries.<sup>303</sup>

Moreover, an access provider’s technical capability to patrol the Internet is a contentious issue.<sup>304</sup> The volume of messages and speed of transmission pose formidable technical challenges to an access provider to screen messages before its host computer transmits bulletin board messages via the Internet.<sup>305</sup> Netcom stated it did not have software capability to screen messages before they travel the Internet nor the ability to determine whether a message is an infringing one.<sup>306</sup> Since the *Fonovisa* court did not address the aspect of “ability” specifically, it is uncertain whether an access provider has the “right and ability to control” subscriber’s conduct.

*b. Direct financial benefit*

In considering the second element of direct financial benefit, the *Fonovisa* court looked beyond the fixed rental fee the swap meet operator received from vendors and concluded that the operator derived substantial financial benefits from the

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300. See *infra* notes 301-07 and accompanying text.

301. *Fonovisa*, 76 F.3d at 262-63.

302. See *supra* notes 242-48 and accompanying text for factual setting in *Fonovisa*.

303. *American Civil Liberties Union v. Reno*, 929 F. Supp. 824, 830 (E.D. Pa. 1996).

304. See *supra* notes 208-09, 214, 221-29 and accompanying text.

305. *Netcom*, 907 F. Supp. at 1376. Netcom estimated that 150 million key strokes of information passed over its transmission lines per day. Netcom’s Mem. of P. & A. in Supp. of Mot. to Dismiss, n. 16, *Religious Technology Ctr. v. Netcom*, 907 F. Supp. 1361 (N.D. Cal. 1995) (No. 95-20091).

306. *Netcom*, 907 F. Supp. at 1376. The court noted the lack of evidence to indicate that Netcom or anyone could design software that could determine whether a posting is infringing. *Id.* at 1376 n.23.

infringing sales.<sup>307</sup> In reaching its determination, the court reflected that the swap meet operator's revenues increased in direct proportion to the number of customers attracted by the sale of counterfeit records at bargain basement prices.<sup>308</sup> The court pointed out that in addition to a fixed daily rental fee from vendors for booth space, the operator collected admission fees, parking fees, and food concession sales from customers.<sup>309</sup>

In applying the *Fonovisa* court's analysis, the court would find that Netcom derived a direct financial benefit because of incremental increases in the number of subscribers drawn to its service to exploit the presence of copyrighted materials.<sup>310</sup> The court would point out that although Netcom only collected a flat rate irrespective of usage by subscribers, the access provider collected "extra" fees from more subscribers attracted to the Internet.<sup>311</sup> Thus, in expanding the ways to show financial benefit, the court would find that Netcom derived direct financial benefit from more subscribers because of the infringing activities.<sup>312</sup>

Here too, the *Fonovisa* court's analysis is incomplete because of the complexity of the role of an Internet access provider.<sup>313</sup> Unlike the additional sources of revenue flowing directly from customers attracted to the swap meet, the access provider does not reap any extra fees from subscribers who might download infringing material.<sup>314</sup> Netcom's service has no counterpart to parking fees or profits from concession sales.<sup>315</sup> An access provider, dissimilar from a content provider, has no proprietary interest in the information available on its system.<sup>316</sup>

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307. *Fonovisa*, 76 F.3d at 263.

308. *Id.*

309. *Id.*

310. *See Fonovisa*, 76 F.3d at 263 (discussing element of financial benefit under theory of vicarious liability).

311. *Id.*

312. *Id.*

313. *See supra* note 26 and accompanying text.

314. *Netcom*, 907 F. Supp. at 1376-77.

315. *Fonovisa*, 76 F.3d at 263.

316. *See supra* note 26 and accompanying text on distinction between access provider and content provider.

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Even if the presence of infringing works made the Internet more attractive, an increase in subscribers to the Internet would not necessarily benefit Netcom.<sup>317</sup> Postings of the Church's religious works were equally accessible from any of the tens of thousands of Usenet sites that hosted the Scientology newsgroup.<sup>318</sup> Thus, a new subscriber could sign up with any access provider, not necessarily Netcom, to access the religious works.<sup>319</sup> The copyright holders in *Netcom* introduced no evidence to show that the infringing postings attracted new subscribers or otherwise contributed directly to the access provider's financial success.<sup>320</sup>

In applying the *Fonovisa* court's vicarious copyright infringement analysis to *Netcom*, however, the court would likely find that plaintiffs proved both the elements of control and financial benefit.<sup>321</sup> Thus, the court would hold Netcom vicariously liable.<sup>322</sup>

## 2. Contributory copyright infringement of an online access provider

The different contexts of a swap meet and the digitized environment of the Internet complicate the analysis of the theory of contributory copyright infringement as well.<sup>323</sup> To establish liability as a contributory infringer, the plaintiff must prove that the defendant 1) knew or should have known of the infringing activity and 2) participated by inducing, causing or materially contributing to the infringing conduct of another.<sup>324</sup> In *Fonovisa*, the court held the swap meet operator liable as a contributory infringer because the swap meet operator was both aware of the sales of bootleg records by vendors, and

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317. See *supra* note 26 and accompanying text.

318. *ACLU*, 929 F. Supp. at 834.

319. *Id.*

320. *Netcom*, 907 F. Supp. at 1377.

321. See *supra* notes 270-83 and accompanying text for *Fonovisa* court's analysis of vicarious liability.

322. See *supra* notes 270-83 and accompanying text.

323. See *supra* notes 113-49 and accompanying text for discussion of contributory liability.

324. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 437-38 n.18 (1984).

materially contributed to the illicit sales by providing the venue and advertising support to attract customers.<sup>325</sup>

*a. Knowledge*

The *Fonovisa* court concluded that, based on the pleadings, the swap meet operator had unequivocal knowledge of the infringing sales.<sup>326</sup> Based on a raid by the Sheriff's Department, confiscation of thousands of counterfeit tape recordings at the swap meet, and written notification by the Sheriff of continuing counterfeit sales by vendors, the court held that the swap meet operators were clearly on notice of the infringing activities.<sup>327</sup> A court applying the *Fonovisa* analysis would likely find that the access provider in *Netcom* had knowledge of the subscriber's infringing posting because of the letter from the copyright holders.<sup>328</sup> Based on such notification, that court would conclude that the access provider knew of the infringing activities yet continued to provide the subscriber access to the Internet via the bulletin board.<sup>329</sup>

Because of factual differences in the cases, however, the *Fonovisa* analysis may not be dispositive. In *Fonovisa*, the swap meet operator received notification of the infringing sales from a law enforcement authority.<sup>330</sup> The raid and seizure of counterfeit records were conducted under court orders.<sup>331</sup> Moreover, the vendors did not raise a fair use defense.<sup>332</sup> Given those circumstances, the court regarded the element of knowledge adequately alleged.<sup>333</sup> In contrast, *Netcom*'s knowledge that the posted material infringed the Church's copyright was based solely on the plaintiff's letter to

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325. *Fonovisa*, 76 F.3d at 264.

326. *Id.* at 261.

327. *Id.*

328. *Netcom*, 907 F. Supp. at 1366.

329. See *supra* notes 113-38 and accompanying text for discussion of knowledgeelement of contributory infringement.

330. *Fonovisa*, 76 F.3d at 261.

331. *Id.*

332. *Id.*

333. *Id.* at 264.

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Netcom.<sup>334</sup> The plaintiff's request to remove the posting was not backed by a court order.<sup>335</sup> Although the religious materials displayed a copyright notice,<sup>336</sup> a determination that the former minister fairly used the materials to illustrate his criticism of the religion would excuse any infringing conduct.<sup>337</sup> Thus, without a judicial assessment of fair use, it is not clear that the access provider had adequate knowledge of the infringement.<sup>338</sup>

*b. Substantial participation*

Even with certain knowledge, a plaintiff must also show a third party's substantial participation in the infringing activity.<sup>339</sup> The *Fonovisa* court held that the swap meet operator materially contributed to the infringing conduct by providing the vendors space, utilities, parking, advertising, and customers.<sup>340</sup> Indeed, the court held that the sale of infringing recordings could not have taken place in such massive quantities without the venue and support services provided by the swap meet operator.<sup>341</sup>

Similarly, by applying the *Fonovisa* court's analysis to *Netcom*, a court would find that the access provider substantially contributed to the infringing conduct of the subscriber.<sup>342</sup> Under that analysis, merely providing the site and facilities for known infringing activity may establish contributory liability.<sup>343</sup> To buttress its view, a court would point out that posting and downloading the copyrighted works across the computer network system could not take place without access

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334. *Netcom*, 907 F. Supp. at 1374.

335. *Id.*

336. *Id.*

337. See *supra* notes 77-85 and accompanying text for discussion of fair use defense.

338. See *supra* notes 77-85 and accompanying text.

339. *Netcom*, 907 F. Supp. at 1375.

340. *Fonovisa*, 76 F.3d at 264.

341. *Id.*

342. See *supra* notes 115-49 and accompanying text for discussion of substantial participation in contributory infringement.

343. *Fonovisa*, 76 F.3d at 264.

to the Internet and its software support system.<sup>344</sup> Thus, a court applying such analysis would hold that infringement of the Church's copyrighted works could not have taken place by such a large number of subscribers without access to the digital environment of the Internet and computer support services provided by Netcom.

Yet, the context is distinguishable.<sup>345</sup> In comparable terms to the swap meet, the Internet network is the site where transactions take place, and the access to the Internet is the road or gateway to that site.<sup>346</sup> Therefore, Netcom did not provide the site for the infringing activity. Rather, Netcom provided one of the many access routes to the Internet.<sup>347</sup> Since the *Fonovisa* court did not contemplate the technology roles of players on the Internet, the potential liability of an online access provider regarding the element of substantial participation remains uncertain.<sup>348</sup>

c. *Substantial noninfringing use*

Even if an access provider were deemed to materially contribute to infringing activity of others, the doctrine of "substantial noninfringing uses" articulated by the Supreme Court in *Sony*, may exempt an access provider from contributory liability.<sup>349</sup> Applying this doctrine to an access provider, a court would not find liability if the access provider could show that its product was widely used for legitimate unobjectionable purposes.<sup>350</sup> Thus, assuming that an access provider could show such noninfringing use, the access provider would not be held liable.<sup>351</sup> Since the *Fonovisa* court did not explore this

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344. See *ACLU*, 929 F. Supp. at 831-32 (describing the nature of the Internet).

345. See *supra* notes 177-86, 242-48 and accompanying text for comparison of factual settings in *Netcom* and *Fonovisa*.

346. See *supra* note 5 and accompanying text for description of the Internet.

347. See *supra* note 26 and accompanying text for description of the role of an access provider.

348. Elkin-Koren, *supra* note 16, at 372-73.

349. Taitz, *supra* note 46, at 136; see *supra* notes 113-49 and accompanying text on contributory infringement liability.

350. *Sony*, 464 U.S. at 442.

351. *Id.*

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issue, and no other court has applied the doctrine to an online service provider, the contributory liability of an access provider remains unclear.<sup>352</sup>

In applying the *Fonovisa* court's analysis of contributory copyright infringement to *Netcom*, a court would likely find that plaintiffs proved both the elements of knowledge and substantial participation.<sup>353</sup> Under such an analysis, the access provider would be contributorily liable for the infringing conduct of a subscriber.

## IV. CONCLUSION

Copyright owners and Internet access providers view the problem of copyright infringement liability from diametric positions.<sup>354</sup> Copyright owners urge greater liability through the traditional copyright principles of contributory and vicarious infringement.<sup>355</sup> Online access providers urge that liability should attach only when or if the access provider has actual knowledge of the infringement, and has the capability of removing the infringement, but fails to do so within a reasonable amount of time.<sup>356</sup> Thus, the proposal combines the knowledge standard of contributory liability and the control aspect of vicarious liability.<sup>357</sup>

Legislation has not addressed the issue of a standard for access provider liability.<sup>358</sup> The final report of the Clinton Administration's Working Group on Intellectual Property Rights, known as the White Paper, simply concluded that because the access providers are in a better position to police infringing users than the copyright owners, the best policy would be to hold the access provider liable.<sup>359</sup> The White Paper states that the threat of liability will motivate the access

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352. *Id.*

353. See *supra* notes 261-69 and accompanying text for *Fonovisa* court's analysis of contributory infringement.

354. Goldberg, *supra* note 31, at 3.

355. *Id.*

356. NII White Paper, *supra* note 1, at 74.

357. *Id.*

358. Raysman & Brown, *supra* note 62, at 3.

359. NII White Paper, *supra* note 1, at 76.

provider to seek indemnification and licensing agreements, and spread the risk of liability through increased prices and insurance.<sup>360</sup> Perhaps so.<sup>361</sup>

Spreading the costs of copyright infringement, however, does not replace the need for unambiguous liability standards governing intellectual property rights on the Internet.<sup>362</sup> Legal standards of liability for copyright infringement lag behind advances in digital technology and growth of the Internet.<sup>363</sup> It is time once more for Congress to respond to technology changes.<sup>364</sup>

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360. *Id.*

361. Taitz, *supra* note 46, at 160-61.

362. Segal, *supra* note 2, at 138.

363. Tickle, *supra* note 16, at 392 n.5. For example, strict liability under the Copyright Act for copying messages to transmit them to other host computers is not a workable theory. See *Netcom*, 907 F. Supp. at 1372-73 (finding strict liability unreasonable for automatic copying of messages by access provider's computers).

364. NII White Paper, *supra* note 1, at 10. Thomas Jefferson stated: "I am not an advocate for frequent changes in laws and constitutions. But laws and institutions must go hand and hand with the progress of the human mind. As that becomes more developed, more enlightened, as new discoveries are made, new truths discovered and manners and opinions change, with the change of circumstances, institutions must advance also to keep pace with the times. We might as well require a man to wear still the coat which fitted him when a boy . . . ." *Id.* at 7-8 (quoting inscription at the Jefferson Memorial, Washington, D.C.).

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