

ONE STEP FORWARD, TWO STEPS BACK: AN HISTORICAL ANALYSIS OF COPYRIGHT LIABILITY*

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I think that, to a very considerable extent, the entire discussion as to whether the innocent infringer is innocent and so forth is not the main point. The main point is that we are living in a pluralistic society in which we do not want self-appointed censors.¹

INTRODUCTION

On July 16, 2001, an encryption expert attending a conference in Las Vegas was arrested and charged with publishing software that breaks the anti-circumvention software protecting e-books.² In April 2001, a group of scientists withdrew a paper that detailed how to defeat a copy-protection system from an academic conference after being threatened with litigation by the Recording Industry Association of America ("RIAA").³ The RIAA also has filed lawsuits against Napster, Scour, and Aimster — three companies that offer peer-to-peer file sharing software.⁴ These are just a few examples of a not so subtle shift that is underway in the realm of intellectual property. Anglo-American copyright, which for the past three hundred years has been grounded in *public* policy for the purpose of restricting monopoly and increasing the public good, is being

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¹ HOUSE COMM. ON THE JUDICIARY, 88TH CONG., COPYRIGHT LAW REVISION, PT. 4: FURTHER DISCUSSION AND COMMENTS ON PRELIMINARY DRAFT FOR REVISED U.S. COPYRIGHT LAW 168 (Comm. Print 1964) (statement of Harriet Pilpel) [hereinafter COPYRIGHT LAW REVISION, PT. 4].

² See Jennifer Lee, *U.S. Arrests Russian Cryptographer as Copyright Violator*, N.Y. TIMES, July 18, 2001, at C8.

³ See John Markoff, *Scientists Drop Plan To Present Music-Copying Study That Record Industry Opposed*, N.Y. TIMES, Apr. 27, 2001, at C5. The RIAA disputes that it ever threatened to sue the scientists. See Dick Kelsey, *RIAA Seeks Dismissal of SDMI Suit*, WASH. POST, July 16, 2001, available at LEXIS, News Group File.

⁴ See John Borland, *RIAA Sues Aimster Over File Swapping*, CNET News, at <http://news.cnet.com/news/0-1005-200-6033575.html> (May 25, 2001).

privatized.⁵ The “copyright industries” are using a variety of means to expand their control over content, and avoid the legal limits on their behavior. Copyright holders are privatizing copyright through the use of contracts, technology, and increased liability. The consequences of this privatization are twofold. First, privatization allows copyright holders to evade the statutory and constitutional limitations that are designed to safeguard free speech and promote the public interest. Second, the long-term effect of this privatization may be to turn the Internet from a two-way medium for communication into a one-way medium for commerce.

This Article focuses on one aspect of this privatization trend — the expansion of copyright liability. Liability serves a crucial role in copyright, and more generally, in the development of First Amendment jurisprudence. Increased liability makes it easier to coerce intermediaries and alleged infringers to acquiesce to the demands of copyright owners without those owners having to prove infringement in court. In many different contexts, the Supreme Court has attempted to define the appropriate level of liability for various entities in the communication chain from speaker to audience. The Supreme Court has long acknowledged that the type of liability imposed has a direct impact on First Amendment goals of free speech. Typically, heightened liability for the speaker forces the speaker to be more cautious, leading to increased self-censorship. In many instances the Court has *limited* liability in order to avoid a “chilling effect” on speech. While courts have limited strict liability in the context of defamation and obscenity (two categories of harmful speech), courts have established broad concepts of third-party liability for copyright infringement (a category of beneficial speech). In fact, liability for copyright infringement has expanded dramatically since the first federal copyright statute was passed in 1790. This study explores the evolution of U.S. copyright liability standards, and discusses the implications of these changes for free speech, the future development of the Internet, and other new communication networks.⁶

Over the past two hundred years since the first federal copyright law was enacted, many new industries have developed to distribute copyrighted content. Each successive industry sought to take advantage of new distribution technologies, creating a new set

⁵ In a separate article, the author has argued that this actually is a process of *reprivatization*. The stationer’s copyright that preceded the Statute of Anne was essentially a form of private law. See Matt Jackson, *From Private To Public: Reexamining the Technological Basis for Copyright*, 52 J. OF COMM. (forthcoming 2002).

⁶ This Article focuses solely on *civil* liability for copyright infringement.

of intermediaries to distribute the copyright owner's work to the public. As copyright owners and distributors compromised on liability standards, each new medium became more entrenched as a link in the one-way flow of copyrighted works, reducing the potential for two-way dialogue over the same medium. While the original copyright statutes required knowledge before imposing liability on certain intermediaries, the 1909 Copyright Act imposed strict liability on all infringers. This, coupled with the development of vicarious and contributory infringement doctrines, has increased the potential liability of intermediaries in the communication chain.

Liability is a crucial area of copyright law because the incentives provided by copyright are only meaningful if the author's rights can be enforced through the imposition of liability. The copyright statute provides for actual or statutory damages, attorney's fees, impoundment or destruction of the infringing articles, and preliminary, temporary, or permanent injunctions.⁷ Anyone who commits or authorizes copyright infringement may be subject to one or more of these remedies. In addition, third parties can be held liable under theories of vicarious liability and contributory infringement. This Article focuses on how copyright liability has been applied to intermediaries in the communication chain between the content creator and the audience, and how the standard of liability has changed over time. The behavior of intermediaries changes depending on the liability standard imposed upon them.

The recent passage of the Digital Millennium Copyright Act ("DMCA") and No Electronic Theft Act are the latest examples of this trend toward expanded liability for copyright infringement. Many commentators argue that the expanded legal protections granted by the DMCA are giving copyright owners power that goes beyond the purpose of the copyright statute.⁸ The DMCA created a special limitation on liability for online service providers ("OSPs"), while at the same time expanded liability for the trafficking in technology that may aid in infringement.⁹ One year earlier, the No Electronic Theft Act ("NET") expanded criminal liability

⁷ See Copyright Act of 1976, 17 U.S.C. §§ 502-510 (1994).

⁸ See Yochai Benkler, *Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain*, 74 N.Y.U. L. REV. 354 (1999); Bruce Haring, *Protected or Locked Out? Foes of Copyright Act Say It Hampers Net's Growth*, USA TODAY, Feb. 29, 2000, at 3D; Matt Jackson, *The Digital Millennium Copyright Act of 1998: A Proposed Amendment To Accommodate Free Speech*, 5 COMM. L. & POL'Y 61, 84-87 (2000); David Nimmer, *A Riff on Fair Use in the Digital Millennium Copyright Act*, 148 U. PA. L. REV. 673 (2000); Pamela Samuelson, *Intellectual Property and the Digital Economy: Why the Anti-Circumvention Regulations Need to Be Revised*, 14 BERKELEY TECH. L.J. 519, 521 (1999).

⁹ See Pub. L. No. 105-304, 112 Stat. 2860 (1998).

for copyright infringement on the Internet.¹⁰

Expanded liability is of particular concern for the Internet, which has created vast opportunities for communication and dialogue. Copyright liability standards have been imposed with a conceptualization of copyrighted material as merely another commodity in the stream of commerce, rather than a unique product inseparable from free speech. This view of intellectual property encourages a one-way flow from the author to the public rather than a two-way dialogue among citizens.

This Article begins by briefly discussing liability for defamation and obscenity, two categories of speech that are considered “harmful.” This provides a useful counterpoint when analyzing copyright liability. The difference between liability for defamation and copyright infringement is even more surprising when one realizes that from a public policy perspective we assume that copyrighted speech is beneficial rather than harmful to society. The second section details changes in U.S. copyright liability standards by examining the legislative histories of the 1909 and 1976 copyright acts. Understanding how and why Congress chose to increase copyright liability offers important insights into why courts tend to dismiss most First Amendment claims in copyright cases. The third section explores the development of case law for the three most common forms of copyright liability. The Article then discusses how the OSP liability standards evolved, culminating in passage of the DMCA in 1998. The final section discusses the possible implications for the Internet of the new liability standards and technological restrictions created by the DMCA.

I. LIABILITY FOR HARMFUL SPEECH

Copyright infringement is not the only action through which intermediaries can be held liable for content provided by third parties. Obscenity and defamation are two other areas of law where a third party may be found liable for the information created by another. In both of these areas of law, the Supreme Court has held that the First Amendment places limits on the imposition of liability. As a result, in these areas, the law facilitates the essential role of intermediaries—such as publishers, distributors, book-sellers and libraries—in disseminating expression.

¹⁰ See 17 U.S.C. § 506(a)(2) (1994), amended by Pub. L. No. 105-147, 111 Stat. 2678 (1997).

A. *Obscenity Law*

Most discussions of obscenity focus on the Supreme Court's attempts to define obscenity in a way that protects First Amendment interests.¹¹ The Court's famous three-part test in *Miller v. California*¹² attempts to define obscenity in such a fashion that protected, non-obscene speech will not be chilled. Yet even when a statute defines obscenity in a constitutionally permissible way, the enforcement of that statute can raise First Amendment concerns. Such was the case in *Smith v. California*,¹³ which involved the criminal prosecution of a bookstore owner for selling obscene books. In *Smith*, the Supreme Court held that imposing strict criminal liability on the owner of a bookstore because some of the books were obscene was unconstitutional:

There is no specific constitutional inhibition against making the distributors of good the strictest censors of their merchandise, but the constitutional guarantees of the freedom of speech and of the press stand in the way of imposing a similar requirement on the bookseller. By dispensing with any requirement of knowledge of the contents of the book on the part of the seller, the ordinance tends to impose a severe limitation on the public's access to constitutionally protected matter If the contents of bookshops and periodical stands were restricted to material of which their proprietors had made an inspection, they might be depleted indeed.¹⁴

The *Smith* Court made a point of distinguishing between content distributors and distributors of other types of goods. Content intermediaries gain extra protection under the First Amendment because of their position within the communication chain.

The Court also addressed the vagueness of the statute in question, noting that "stricter standards of permissible statutory vagueness may be applied to a statute having a potentially inhibiting effect on speech; a man may the less be required to act at his peril here, because the free dissemination of ideas may be the loser."¹⁵ Thus, an otherwise permissible statute may be unconstitutional when the uncertainty of its rule has a chilling effect on speech.

¹¹ See GERALD GUNTHER, CONSTITUTIONAL LAW ch. 11, § 2C (12th ed. 1991).

¹² 413 U.S. 15 (1973).

¹³ 361 U.S. 147 (1959).

¹⁴ *Id.* at 152-53 (footnotes omitted).

¹⁵ *Id.* at 151.

B. *Defamation Law*

Smith stands for the proposition that a criminal liability rule that has a chilling effect on protected speech may be unconstitutional under the First Amendment. In 1964, the Supreme Court extended this reasoning to civil actions for defamation. *Smith* dealt with a criminal obscenity statute as applied to a content distributor. Defamation, on the other hand, is a tort and typically gives rise to civil liability. Prior to 1964, publishers were often strictly liable for defamatory statements. However, in *New York Times v. Sullivan*,¹⁶ the Supreme Court extended the *Smith* reasoning to a civil action for libel involving a newspaper. In its landmark decision, the Court held that strict liability for defamation of a public official is unconstitutional, even when the law allows truth as a defense:

The state rule of law is not saved by its allowance of the defense of truth. A defense for erroneous statements honestly made is no less essential here than was the requirement of proof of guilty knowledge which, in *Smith v. California*, we held indispensable to a valid conviction of a bookseller for possessing obscene writings for sale.¹⁷

The Court recognized that the First Amendment requires that publishers be allowed some margin of error with regard to defamation to avoid a chilling effect on speech regarding matters of public concern. Indeed, *Sullivan* requires that the public plaintiff prove the defendant either knew the defamatory statement was false, or acted in reckless disregard for the truth or falsity of the statement. What is more, the plaintiff must prove the foregoing with "convincing clarity."¹⁸

In *Gertz v. Robert Welch, Inc.*,¹⁹ the Supreme Court held that states may not impose liability without fault for defamatory statements even when the statement concerns a private individual. The Court wanted to "shield the press and broadcast media from the rigors of strict liability."²⁰ In dicta, the Court suggested the lower standard of liability should apply only when the danger to reputation is "apparent" to a "reasonably prudent editor or broadcaster."²¹ *Gertz* also placed new restrictions on the award of damages, requiring a showing of "New York Times actual malice"

¹⁶ 376 U.S. 254 (1964).

¹⁷ *Id.* at 278.

¹⁸ For an extended discussion of the *Sullivan* actual malice standard, see MARC A. FRANKLIN & DAVID A. ANDERSON, *MASS MEDIA LAW* ch. 4(3)(b) (5th ed. 1995).

¹⁹ 418 U.S. 323 (1974).

²⁰ *Id.* at 348.

²¹ *Id.*

before awarding presumed or punitive damages.²² Note that courts have applied these restrictions on liability to the *direct speaker*, the person who is creating the defamatory content. Intermediaries who are further removed from the harmful speech gain even more protection.

Intermediaries obtain the protection not only of the above rulings, but also of the constitutional requirement that they have knowledge of the harmful content. Unlike publishers, distributors such as newsstands, bookstores, and libraries have always been held liable only if they knew, or had reason to know, of the defamation.²³ For example, in *Dworkin v. Hustler Magazine*,²⁴ a convenience store was sued for selling an issue of *Hustler* magazine that contained allegedly defamatory statements. In that case, the court refused to impose strict liability on the convenience store: "The general rule for secondary publishers, as stated in § 581 of the Second Restatement of Torts, is that 'one who only delivers or transmits defamatory matter published by a third person is subject to liability if, but only if, he knows or has reason to know of its defamatory character.'"²⁵ In *Auvil v. CBS*,²⁶ the court held that local affiliates broadcasting a network television program are mere conduits, and therefore fall under the same rule for secondary publishers.

In applying defamation liability to OSPs, courts originally focused heavily on the specific facts of each case to determine whether to treat the OSP as a publisher or as a distributor. In *Cubby, Inc. v. CompuServe, Inc.*,²⁷ an Internet service provider was found not to be liable for defamatory statements made by a third party and published through an independent contractor who administered a discussion group on the CompuServe network. CompuServe was held to be a distributor as opposed to a publisher, and was thus entitled to a more stringent test of liability. The court reasoned that CompuServe was "twice removed" from the individual who sent the defamatory statement. CompuServe had contracted with an independent contractor to manage the forum. As the court noted, a publisher who reprints a defamatory statement "is subject to liability as if he had originally published it . . . [but] vendors and distributors of defamatory publications are not liable

²² *Id.* at 349.

²³ See FRANKLIN & ANDERSON, *supra* note 18, at 214.

²⁴ 611 F. Supp. 781 (D. Wyo. 1985), *aff'd*, 867 F.2d 1188 (9th Cir. 1989), *cert. denied*, 493 U.S. 812 (1989).

²⁵ *Id.* at 785.

²⁶ 800 F. Supp. 928 (E.D. Wash. 1992), *aff'd*, 67 F.3d 816 (9th Cir. 1995), *cert. denied*, 517 U.S. 1167 (1996).

²⁷ 776 F. Supp. 135 (S.D.N.Y. 1991).

if they neither know nor have reason to know of the defamation."²⁸ The court reasoned that "the inconsistent application of a lower standard of liability to an electronic news distributor such as CompuServe than that which is applied to a public library, book store, or newsstand would impose an undue burden on the free flow of information."²⁹

In *Stratton Oakmont, Inc. v. Prodigy Services*,³⁰ an OSP was held liable for defamatory statements that appeared on its system. However, the *Stratton Oakmont* court agreed with the outcome of *Cubby*, noting that "[a] distributor, or deliverer of defamatory material is considered a passive conduit and will not be found liable in the absence of fault."³¹ The court took pains to support the *Cubby* court's reasoning: "Let it be clear that this Court is in full agreement with *Cubby* and *Auvil*. Computer bulletin boards should generally be regarded in the same context as bookstores, libraries, and network affiliates."³²

The court held that unlike CompuServe, Prodigy was a publisher rather than a distributor because Prodigy "held itself out to the public and its members as controlling the content of its computer bulletin boards."³³ In addition, Prodigy created screening software and instructed its staff to edit inappropriate content. Prodigy was held liable for the defamatory statements posted on one of its bulletin boards because a republisher is liable as if he were the original publisher. Thus, as with other intermediaries, whether an OSP is held to be a publisher or a distributor will determine its liability under the tort of defamation. Both *Cubby* and *Stratton Oakmont* stood for the proposition that in their role as distributors, OSPs cannot be held liable for defamatory statements made by third-parties without knowledge of the defamation.

In the Communications Decency Act ("CDA"),³⁴ Congress provided a special immunity from liability for Internet service providers. In *Zeran v. America Online, Inc.*,³⁵ the court held that this immunity protected OSPs from libel suits. In this case, the plaintiff notified AOL that defamatory statements were being published on one of AOL's bulletin boards by unknown persons. In a controversial decision, the court held that § 230 of the Communications De-

²⁸ *Id.* at 139 (citations and internal quotation marks omitted).

²⁹ *Id.* at 140.

³⁰ No. 31063/94, 1995 N.Y. Misc. LEXIS 229 (Sup. Ct. 1995).

³¹ *Id.* at *6-7.

³² *Id.* at *12.

³³ *Id.* at *10.

³⁴ Pub. L. No. 104-104, 110 Stat. 133 (1996).

³⁵ 129 F.3d 327 (4th Cir. 1997).

gency Act “creates a federal immunity to any cause of action that would make service providers liable for information originating with a third-party user of the service.”³⁶ Most commentators argue that § 230 was implemented only to shield from “publisher” status those OSPs that try to screen for indecent material. The law’s purpose was to overturn *Stratton Oakmont, Inc. v. Prodigy Services*,³⁷ in which an OSP was held to be a publisher and not a distributor, since it attempted to censor content. But the Fourth Circuit held that § 230 also immunizes OSPs as distributors, since distributors are just one species of publisher.³⁸ The Fourth Circuit’s ruling in *Zeran* was endorsed by the District Court for the District of Columbia in *Blumenthal v. Drudge*.³⁹ However, the *Zeran* ruling apparently would not apply in cases of copyright infringement since § 230 includes a limiting clause to preclude any effect on intellectual property laws.⁴⁰

Prior to *Zeran*, intermediaries were liable for obscene or defamatory material only if they knew, or should have known, about the harmful speech. With § 230 of the CDA, Congress immunized one specific group of intermediaries—OSP—from liability for defamatory or obscene content regardless of knowledge. In dicta, the *Zeran* court spoke at length of the threat which OSP liability poses for the Internet, and why Congress chose to create immunity under the CDA:

Congress recognized the threat that tort-based lawsuits pose to freedom of speech in the new and burgeoning Internet medium. The imposition of tort liability on service providers for the communications of others represented, for Congress, simply another form of intrusive government regulation of speech The specter of tort liability in an area of such prolific speech would have an obvious chilling effect. It would be impossible for service providers to screen each of their millions of postings for possible problems. Faced with potential liability for each message republished by their services, interactive computer service providers might choose to severely restrict the number and type of messages posted.⁴¹

Thus, even when the content is considered harmful and falls outside the constitutional protections of the First Amendment,

³⁶ *Id.* at 330.

³⁷ 1995 N.Y. Misc. LEXIS 229.

³⁸ See *Zeran*, 129 F.3d at 332.

³⁹ 992 F. Supp. 44 (D.D.C. 1998).

⁴⁰ “Nothing in this section shall be construed to limit or expand any law pertaining to intellectual property.” 47 U.S.C. § 230 (e)(2) (2000).

⁴¹ *Zeran*, 129 F.3d at 330-31 (footnotes omitted).

Congress has made a conscious choice to grant OSPs—as a unique class of intermediaries—immunity from liability.

Defamatory and obscene material are both considered harmful speech. Indeed obscenity has been held to be unworthy of constitutional protection. Yet the Supreme Court has held that imposing strict liability on intermediaries for the distribution of obscene or defamatory content is unconstitutional because a strict liability standard would chill speech that is protected by the First Amendment. Intermediaries are held liable only if they know, or should have known, about the harmful content because the courts have recognized the unique role of intermediaries in facilitating free speech. Copyrighted speech, on the other hand, is not considered harmful. Indeed, copyrighted content is assumed to be beneficial, and is protected only to encourage its dissemination. Yet copyright law continues to impose strict liability on distributors. Internet service providers are a recent exception to this rule.

II. STATUTORY COPYRIGHT LIABILITY STANDARDS

The nineteenth and twentieth centuries were marked by the development of numerous communication technologies: photography, telegraphy, telephony, player pianos, phonographs, radio, television, cable, satellites, and computers, as well as significant advances in the art of printing. Entrepreneurs and large corporations rushed to take advantage of each new medium, both as a means of communication and as a means of exploiting copyrighted works.

As Trotter Hardy notes, two fundamental questions surround each emerging communication technology: (1) should the output of the new technology be copyrightable, and (2) should the new technology's use of existing content be considered an infringement?⁴² For example, piano rolls “performed” copyrighted songs without infringing copyright, and quickly competed with the sale of sheet music as a means of bringing popular music into the home. The early film industry borrowed freely from books and plays under the assumption that the resulting motion picture did not constitute infringement. Copyright owners sought to impose liability on these distributors, both as a means of limiting the threat posed by them and as a means of developing new revenue

⁴² See generally I. Trotter Hardy, *Copyright Owners' Rights and Users' Privileges on the Internet: Computer RAM "Copies": A Hit or a Myth? Historical Perspectives on Caching as a Microcosm of Current Copyright Concerns*, 22 DAYTON L. REV. 423 (1997).

streams.⁴³ When the Supreme Court ruled that piano rolls did not infringe the copyright of the underlying musical composition,⁴⁴ the music publishing industry lobbied to ensure that the 1909 Copyright Act would overturn that decision. Similarly, theater interests won a significant victory when the Supreme Court ruled that motion pictures do indeed infringe the performance right of the underlying drama.⁴⁵ In this way each new medium was brought into the fold of the copyright industries, and was granted copyright protection for its output as well.

New media soon became integral components of the copyright industries. The music publishing industry relies heavily on the performance licensing fees paid by radio and television stations, and radio has long been integral to the promotion efforts of the recording industry. The screen rights to plays and books are a substantial source of income to the publishing industry. Today, radio, television, cable, and other electronic media are so well established as distributors of copyrighted works that it is difficult to visualize their potential as media that foster dialogue as well as distribution. These industries all rely on copyright and the imposition of liability to protect their economic interests in the one-way flow of commodities from the copyright owner to the public.

The purpose of liability is to encourage compliance with the law. Without liability, the Copyright Act is just words on paper. However, like the rights granted by the statute, greater levels of liability favor authors over users, and lead to one-way communication systems. The imposition of liability should further the goals of copyright, which are succinctly summarized in this oft-quoted Supreme Court passage:

Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an "author's" creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.⁴⁶

⁴³ For a thorough discussion of how entrenched special interests have controlled the copyright revision process, see Jessica Litman, *Copyright Legislation and Technological Change*, 68 OR. L. REV. 275 (1989).

⁴⁴ See *White-Smith Music Pub. Co. v. Apollo Co.*, 209 U.S. 1 (1908).

⁴⁵ See *Kalem Co. v. Harper Bros.*, 222 U.S. 55 (1911).

⁴⁶ *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (footnotes and citations omitted). Of course, copyright has encompassed many different goals throughout its short history. Most scholars recognize a fundamental distinction between the economic goals of Anglo-American copyright and the moral rights that form the foundation

Each intermediary in the book publishing, music, radio, television and film industries, is strictly liable for copyright infringement. All of these distribution systems deal almost exclusively with copyrighted material—perhaps partly because of copyright’s influence over their development. The telegraph and telephone networks, primarily concerned with point-to-point, two-way communication (conversation), are largely considered to be immune from copyright liability.⁴⁷ This immunity never posed a problem since these networks previously were ill-adapted to the distribution of copyrighted works. The postal service was the only network commonly used for both types of expression. Since the postal system was a government-operated common carrier that did not generate or select the content of the mail, liability was never an issue.

Copyright law has always struggled with the appropriate level of liability for these intermediaries in the publishing chain. Though copyright is now considered a strict-liability tort, that was not always the case. Before the first federal copyright statute (the Act of 1790), twelve of the thirteen colonies enacted their own copyright statutes. Four states did not distinguish between innocent and willful infringement. The other eight states maintained strict liability for printers and importers but made knowledge a requirement for the liability of publishers, vendors, and other distributors.⁴⁸

The federal Copyright Act of 1790 provided:

That if any other person or persons . . . shall print, reprint, publish, or import, or cause to be printed, reprinted, published, or imported from any foreign Kingdom or State, any copy or copies of such map, chart, book or books without the consent of the author or proprietor thereof, first had and obtained in writing . . . or *knowing* the same to be so printed, reprinted, or imported, shall publish, sell, or expose to sale or cause to be published, sold, or exposed to sale, any copy of such writing

for French copyright law. For a discussion of the “prehistory” of copyright before the Statute of Anne, see Jackson, *supra* note 5.

⁴⁷ A search through Lexis-Nexis and Westlaw turned up no cases where a LEC or IXC was sued for third-party infringement. In addition, carriers are granted an exemption from copyright liability as passive carriers making a secondary transmission. However, this exemption only covers the performance and display rights. See 17 U.S.C. §111(a)(3) (1994). As a general matter, common carriers are not considered liable for most forms of third-party content.

⁴⁸ See ALAN LATMAN & WILLIAM S. TAGER, STUDY NO. 25: LIABILITY OF INNOCENT INFRINGERS OF COPYRIGHTS 140 (1958), *reprinted in* SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS, SENATE COMM. ON THE JUDICIARY, 86TH CONG., COPYRIGHT LAW REVISION: STUDIES 22-25, at 135 (Comm. Print 1960) [hereinafter LATMAN & TAGER].

aforesaid, then such offender forfeit all and every copy . . . and pay the sum of fifty cents for every sheet⁴⁹

As Latman and Tager note, publishers were both strictly liable under the first clause (like printers and importers), and protected from strict liability under the second clause (like vendors). Later revisions to the law eliminated references to publishing in the second clause. This distinguished printers, importers, and publishers, who were strictly liable, from vendors, who were not liable unless they had knowledge of the infringement.⁵⁰

Before enactment of the 1909 Act, distributors (unlike printers or publishers) were immune from liability unless they had knowledge of the infringing material. This special exception for intermediaries in the communication chain was eliminated in the 1909 Act. Examining the legislative histories of both the 1909 Act and the 1976 Act is crucial to understanding how strict liability came to be imposed on intermediaries.

A. *Legislative History of the 1909 Act*

In 1905, the Librarian of Congress called the first of a series of conferences to discuss revisions to the existing copyright law. During this initial conference, one commentator recalled the story of a photographer who deliberately concealed the copyright notice on his photographs, and then would sue newspapers that published one of his photographs, essentially earning his living from out-of-court settlements.⁵¹ Charles Scribner of the American Publishing Copyright League and Periodicals Publishers' Association of America added:

[T]he degree of negligence should count very much in determining the penalty. Publishers of periodicals have great difficulty in this respect, because in the advertisements which come to us from all parts of the country various advertisers send us a page and in it there is a reproduction of some photograph. Well it is almost impossible to be sure that no copyright is infringed, and yet if we print the page with that photograph we are just as liable, because we are the ones to be held, and yet we did not originate the advertisement, did not make it up—we

⁴⁹ Act of May 31, 1790, ch. 15, 1 Stat. 124, *reprinted in* LATMAN & TAGER, *supra* note 48, at 141 (emphasis added).

⁵⁰ *See id.*

⁵¹ *See* LIBR. OF CONGRESS, STENOGRAPHIC REP. OF THE PROCEEDINGS OF THE FIRST SESS. OF THE CONF. ON COPYRIGHT 72 (1905), *reprinted in* 1 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, PT. C (E. Fulton Brylawski & Abe Goldman, eds., 1976) [hereinafter 1909 LEGISLATIVE HISTORY, PT. C].

simply print it. So I think the degree of negligence should count for a great deal.⁵²

Later during the conference, the discussion turned to the requirement of a conspicuous notice of copyright, with one participant noting that, “[t]he newspaper people . . . have found very frequently that because of the fact that copyright notices were more or less concealed on the face of the photograph so that it was not easily discernible, we have had to pay heavy sums for violating a copyright unwittingly.”⁵³ Another commentator noted that in England, where notice was not a requirement, the plaintiff had to prove that the defendant knew the photograph was copyrighted.⁵⁴ So in this first discussion of copyright revision, some commentators did call for a standard of negligence or intent before penalties could be enforced for copyright infringement.

The first draft of the copyright bill was presented on October 23, 1905, almost five months after the initial conference. This memorandum bill did not include a section on penalties, but instead merely reprinted the existing statutes—which provided immunity for those who unknowingly sold or exposed for sale infringing works.⁵⁵ The Librarian’s Second Conference was held a week later.⁵⁶ During one exchange between Robert Johnson of the American (Authors’) Copyright League and Herbert Putnam, the Librarian of Congress, Johnson stated:

I hope in the new draft [of the bill] there will be, as far as possible, a careful discrimination between malicious infringement and innocent infringement. Those who innocently infringe a copyright are exposed to enormous penalties under the present draft. These penalties ought not to be imposed for innocent infringement.⁵⁷

Putnam replied, “It is but appropriate that in connection with any penalties or fines that are to be imposed for infringement of copyright . . . there shall be some provision which conditions the amount of liability upon the degree of culpability.”⁵⁸

The second draft of the copyright bill was printed on March 2,

⁵² *Id.*

⁵³ *Id.* at 117.

⁵⁴ *See id.*

⁵⁵ *See* LIBR. OF CONGRESS, STENOGRAPHIC REP. OF THE PROCEEDINGS OF THE SECOND SESS. OF THE CONF. ON COPYRIGHT XLVIII-XLIX (1905), reprinted in 2 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, PT. D (E. Fulton Brylawski & Abe Goldman, eds., 1976) [hereinafter 1909 LEGISLATIVE HISTORY, PT. D].

⁵⁶ *See id.*

⁵⁷ *Id.* at 258.

⁵⁸ *Id.*

1906. This was the first bill to include proposed language with regard to the penalties section of the statute. Section 84 of the bill retained the knowledge requirement for suits against vendors, and added willfulness as a requirement for *any* infringement.⁵⁹ During discussion of the revised draft, J.J. Sullivan, Chairman of the International Typographical Union's copyright committee, asked that the word "knowingly" be expunged from § 18, which created liability for those who sell any article that bears a false notice of copyright.⁶⁰ He gave no explanation for why vendors should face strict liability in such circumstances.

The conference voted to make it a misdemeanor to infringe willfully. This was a punishment that had previously been reserved only for infringing dramatic performances. The rationale for criminal liability in cases of infringing performances was based on the fact that the acting troupes that committed copyright infringement were "nomadic" in nature and had few fixed assets that could be seized.⁶¹ After voting to expand criminal liability to all cases of willful infringement, the conference next considered whether civil liability was still necessary. The participants noted that criminal penalties did not necessarily replace damages incurred by the plaintiff, so the conference participants believed that the law should retain civil penalties. The primary concern of these copyright owners was compensation for losses due to infringement, regardless of the defendant's intentions. George Haven Putnam argued that requiring the plaintiff to prove intent created an undesirable and, at times, insurmountable barrier to recovery of damages.⁶² The conference participants ultimately voted to provide for damages, regardless of the defendant's intent.⁶³

On May 31, 1906, the first copyright revision bills⁶⁴ were introduced in the Congress and referred to Senate and House Patents committees, which met jointly to discuss the bills. The proposed bills, which were identical, included the recommendations made by the third conference earlier that spring. Section 23 provided "[t]hat if any person shall infringe the copyright in any work protected . . . such person shall be liable. . . ."⁶⁵ Thus, innocent in-

⁵⁹ See LIBR. OF CONGRESS, STENOGRAPHIC REP. OF THE PROCEEDINGS OF THE THIRD SESS. OF THE CONF. ON COPYRIGHT lxii-lxiii (1906), reprinted in 3 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, PT. E (E. Fulton Brylawski & Abe Goldman, eds., 1976) [hereinafter 1909 LEGISLATIVE HISTORY, PT. E].

⁶⁰ See *id.* at 23.

⁶¹ See *id.* at 220-21.

⁶² See *id.* at 237.

⁶³ See *id.* at 238.

⁶⁴ See S. 6330, 59th Cong. (1906); H.R. 19853, 59th Cong. (1906).

⁶⁵ S. 6330, 59th Cong. § 23.

fringers were made liable in all instances. Section 25 made it a misdemeanor to willfully commit an infringement.⁶⁶ During the second set of public hearings before the Patents committees in December 1906, one witness testified:

There is no printer in the United States whom I cannot get in trouble—serious trouble—so serious that it might put him out of business. I take to him a set of plates about which he knows nothing as to the existence of a copyright on them. He prints them for me. He can not know anything about it. He can not read everything that goes into his place; it is utterly impossible . . . and he may get a judgment of such magnitude as to absolutely wipe him out of business. I think that is unjust. That portion of the law should be changed so as to read that if he wittingly, or after notice, prints a book on which there is an existing copyright he should be liable, but not before that.⁶⁷

On January 29, 1907, H.R. 25133 and S. 8190 were introduced into Congress.⁶⁸ These bills retained the same language as the initial copyright bills, and did not reflect the concerns of those commentators who were opposed to strict liability for innocent infringement. As with the earlier versions of the bills, the committee reports did not note the increased liability for vendors.⁶⁹

More bills were introduced in 1907, but no changes in liability were proposed. On March 31, 1908, one commentator wrote to Senator Reed Smoot, Chairman of the Committee on Patents, requesting certain changes in the proposed law, including the following amendment: "No sale or transfer of or contract concerning a copyrighted work shall be deemed an infringement of copyright unless the person or persons making such sale, transfer, or contract had notice that the subject-matter thereof was unlawfully published, reproduced, or imported."⁷⁰ However, on March 4, 1909,

⁶⁶ See *id.* § 25.

⁶⁷ *Hearings on S. 6330 and H.R. 19853 Before the Comm. on Patents*, 59th Cong. 49 (1906) (testimony of George Olgive, publisher), reprinted in 4 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, PT. J (E. Fulton Brylawski & Abe Goldman, eds., 1976) [hereinafter 1909 LEGISLATIVE HISTORY, PT. J].

⁶⁸ See 1 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, PT. A, p. xx (E. Fulton Brylawski & Abe Goldman, eds., 1976).

⁶⁹ See H.R. REP. NO. 7083 and S. REP. NO. 6187, 59th Cong. (1907), reprinted in 6 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, PTS. N-R (E. Fulton Brylawski & Abe Goldman, eds., 1976).

⁷⁰ *Hearings Before the Comm. on Patents of the Senate and the House of Representatives on Pending Bills to Amend and Consolidate the Acts Respecting Copyright*, 60th Cong. 431 (1908) (letter of Edmond E. Wise, publisher), reprinted in 5 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, PT. K (E. Fulton Brylawski & Abe Goldman, eds., 1976) [hereinafter 1909 LEGISLATIVE HISTORY, PT. K].

the Copyright Act was signed into law without any reduced liability for distributors.

Interestingly, amendments to the Act in 1912 and 1952 limited the damages that could be recovered in the event of innocent infringement by motion pictures and broadcasting, respectively. The rationale behind limiting damages in the case of motion pictures was the frequency of exhibition. If a motion picture innocently infringed someone's copyright, the damages would mount rapidly due to the large number of performances. The report accompanying the bill which granted limited liability to motion picture distributors stated:

It is believed that the new limitations will remove from the makers of motion-picture films a hazard that imperils them daily with possible bankruptcy, against which they cannot by the exercise of reasonable diligence protect themselves, and that it will work no hardship or injustice to any copyright proprietor. Motion-picture films are sent out to many exhibitors and released to use by them all simultaneously. They may be exhibited several times each day by each exhibitor. In case of an inadvertent infringement, the amount of the arbitrary recovery may amount to an almost unlimited sum of money in a few days and before the infringement can be learned by the makers of the films.⁷¹

This is one example of congressional awareness of the potential threat posed by strict liability to a communication medium. The film industry won this limitation on liability only through its assurance that it would follow "best practices" and actively seek to avoid infringement.⁷²

In summary, the revision process leading up to the 1909 Act was noteworthy for the heavy participation by the copyright industries. In their concern to stiffen and expand the penalties for copyright infringement, the participants gave little credence to concerns that innocent intermediaries would be affected by the new penalties. The film and television industries were two important exceptions to this rule. The following section reveals a similar pattern during the revision process leading up to the 1976 Act.

B. *Legislative History of the 1976 Act*

With an eye toward a comprehensive revision of the copyright law, Congress authorized the copyright office to prepare a series of

⁷¹ H.R. REP. NO. 756, 62d Cong. 3-4 (1912).

⁷² See Townsend *Copyright Amendment: Complete File of Arguments on H.R. 15,623 and H.R. 20,596 Before the House Comm. on Patents*, 62d Cong. (1912).

studies regarding copyright beginning in 1955. In 1976, after twenty-one years of study and debate, Congress passed the Copyright Act of 1976, a complete overhaul of the 1909 statute and its subsequent revisions.⁷³ Though significant changes have been made since that time, the 1976 Act remains the foundation of current U.S. copyright law. As with the 1909 Act, the issue of liability was a prominent concern.

In 1961, the Register of Copyrights issued a report with recommendations for the general revision of the copyright statute.⁷⁴ The report discussed the opposing viewpoints regarding a mandatory minimum fine for innocent infringement:

The representatives of various groups of copyright owners—authors, book and music publishers, motion picture producers, etc.—have stressed the vital importance to the copyright owner of a mandatory minimum. They argue that a minimum amount is essential to assure the recovery of enough to warrant the expense of detecting infringements, to compensate the owner for his loss, and to deter infringement. On behalf of certain users of copyright materials—broadcasters, periodical publishers, motion picture exhibitors, etc.—it has been argued that the minimum of \$250 can bear too heavily on innocent infringers. In a few cases where the defendant infringed unwittingly, the courts have expressed regret at being compelled to award the statutory minimum.⁷⁵

The report then recommended that the law be changed to give the courts discretion in imposing a fine:

The basic principle that an innocent infringer is liable, except where he has been misled through some act or omission of the copyright owner, is firmly established in the copyright law. As between an innocent copyright owner and an innocent infringer, it has generally been agreed that the loss caused by the infringement should be borne by the latter. The question is not whether innocent infringers should be liable; it is whether they should be subject to some minimum amount of damages and, if so, what the minimum should be. The only purpose of awarding damages for an innocent infringement is to compensate the copyright owner. The other purpose of statutory damages—to deter infringement—is not present as to infringements committed innocently [W]e would provide that where an in-

⁷³ See Copyright Act of 1976, 17 U.S.C. §§ 101-803 (1994).

⁷⁴ See HOUSE COMM. ON THE JUDICIARY, 87TH CONG., REP. OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW (Comm. Print 1961) [hereinafter 1961 REPORT].

⁷⁵ *Id.* at 103.

fringer established his innocence, the statutory minimum is not mandatory but the court, in its discretion, may award statutory damages in any amount it deems just.⁷⁶

In congressional testimony given in 1962 concerning the Register's report, Douglas Anello of the National Association of Broadcasters (NAB) argued that a minimum fine should only be allowed if willfulness was proved (rather than having the minimum waived if innocence was proved): "I say this because it is impossible for the broadcaster to protect himself unless he subscribes to not only the three major licensing societies, but to every Tom, Dick, and Harry who might come along and suggest that he has a repertoire of music which conceivably might be played over the broadcaster's facility."⁷⁷

Motion picture distributors were opposed to eliminating the minimum fine. A rampant problem in the film industry was the unauthorized performance of movies. Theaters would sometimes include extra show times without splitting the proceeds with the distributor. "We believe that this minimum statutory damage provision in its present form acts as a substantial and necessary encouragement to the exercise of caution in dealing with copyrighted properties, and it should not be weakened."⁷⁸

The preliminary draft of the bill issued by the Registrar gave the courts discretion in awarding statutory damages where innocence was proved.⁷⁹ The debate over the proposed language regarding innocent infringement was similar to that found in the prior testimony: "I think it is very unfair to the copyright owner to provide that, if the infringer were unaware that he was stealing property, he should be able to inflict damage."⁸⁰

For the first time during the debate on damages, the discussion turned to the effect of the statute on the general public. Until then, the debate had focused on the positions of the various industries involved in the creation and distribution of content, with no

⁷⁶ *Id.* at 104.

⁷⁷ HOUSE COMM. ON THE JUDICIARY, 88TH CONG., COPYRIGHT LAW REVISION, PT. 2: DISCUSSION AND COMMENTS ON REP. OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 173 (Comm. Print 1963) [hereinafter COPYRIGHT LAW REVISION, PT. 2].

⁷⁸ *Id.* at 177 (statement of Edward Sargoy, representing motion-picture producers and distributors).

⁷⁹ See HOUSE COMM. ON THE JUDICIARY, 88TH CONG., COPYRIGHT LAW REVISION, PT. 3: PRELIMINARY DRAFT FOR REVISED U.S. COPYRIGHT LAW AND DISCUSSION AND COMMENTS ON THE DRAFT § 38(a)(3), at 29 (Comm. Print 1964) [hereinafter COPYRIGHT LAW REVISION, PT. 3].

⁸⁰ COPYRIGHT LAW REVISION, PT. 4, *supra* note 1, at 149 (statement of Stanley Rothenberg).

stated recognition of the larger purposes or impact of the law for society. In a speech worthy of *Mr. Smith Goes to Washington*, one witness argued:

[I]n this society we have, in addition to copyright owners and copyright infringers, something called the general public, and that the general public is presumably protected by something called the first amendment. Now we are not dealing here with stolen goods in the usual sense of the word. We are dealing with a very precious commodity which is accorded a very special place in our entire constitutional and statutory system. [The Supreme Court decision in *Smith v. California* protects the interests of the public in the free flow of information.] I think the same rule must apply to copyright infringement, and my guess is that it probably would constitutionally be held to apply to copyright infringement. I think the suggestion that there be no defense for an innocent infringer is inconsistent with a stream of law which is even more important than our copyright law There may be a difference between an independent bookstore, for example, and a record distributor who would have every reason to know that the records he was selling were pirated However, rather than give up what seems to me a paramount societal interest—namely, the free flow of information to the public in first amendment terms—I think we should turn our energies to trying to define the exception more narrowly to exclude those apparently innocent infringers who are not innocent.⁸¹

Proponents of maintaining minimum statutory damages argued that the requirement that all copyrighted works bear a copyright notice, coupled with a waiver of penalties for innocent infringers who were misled by the accidental lack of notice, would suffice to protect innocent infringers. Herman Finklestein of ASCAP supported this position: "It would seem to me that if registration means anything at all, it ought to put the world on notice that this is a copyrighted work. And if somebody is playing music publicly, he ought to have an obligation, it seems to me, either to ascertain that he has the right or to be sure that he is playing public domain music."⁸² This viewpoint overlooks the impact on defendants who unknowingly contribute to an infringement where the direct infringer has removed the copyright notice.

Similarly, the representative of SESAC, another performing rights organization, only considered the direct infringer and not those who merely contributed to the infringement: "I have never

⁸¹ *Id.* at 149-50 (statement of Harriet Pilpel).

⁸² *Id.* at 154 (statement of Herman Finkelstein, ASCAP).

once met the so-called 'innocent infringer' who, when the matter was called to his attention, did not sign an appropriate license on the usual trade terms. The truly innocent infringer . . . will negotiate."⁸³

A few participants at this hearing tried to point out that the opponents of the innocent infringer provision were skewing the debate by providing examples where the infringer was not innocent. Proponents of the liability waiver for innocent infringers used the more relevant example of a bookseller who innocently sells a book that infringes on the plaintiff's copyright:

It seems to me that, in attacking [the innocent infringer provision], you've got to tell us why that bookseller—who really had no way in this world of determining that he was selling an infringing work—should be compelled to pay between \$250 and \$10,000 to the copyright proprietor In the case . . . of the bookseller who is truly a man who "was not aware" and who "had no reasonable grounds for believing . . .," you are not encouraging any lack of care [by allowing the court to waive the statutory damages].⁸⁴

Another proponent of the innocent infringer provision argued that strict liability would be overly harsh: "Absolute liability is a factor in our law; but a copyrighted work is not a dangerous chattel, it's not an explosive, it's not a wild animal. The printer, the bookseller, and other people who are truly innocent, and who can prove themselves innocent . . . are entitled in terms of fairness and justice to the public interest of not being held liable for statutory damages."⁸⁵ Those in favor of a mandatory fine argued that liability was required to force caution and compliance: "In short, the weightiness of the statutory damage provision is what causes the music user to discipline himself by obtaining the required prior authorization."⁸⁶

The first copyright revision bills were introduced into the House and Senate of the eighty-eighth Congress in July 1964. These first "real" bills eliminated any reference to innocent infringement, instead requiring a mandatory minimum statutory fine of \$250 (raised from the \$100 minimum in the 1909 statute).⁸⁷

⁸³ *Id.* at 156 (statement of John Koshel, Jr., SESAC).

⁸⁴ *Id.* at 161 (statement of Harry Olsson, ABC).

⁸⁵ *Id.* at 163-64 (statement of Elliot Levitas).

⁸⁶ *Hearings on S. 597 Before the Subcomm. on Patents, Trademarks, and Copyrights of the S. Comm. on the Judiciary, pt. 2*, 90th Cong. 369 (1967) (statement of Albert Ciancimino, SESAC). [hereinafter *Hearings on S. 597*]

⁸⁷ *See* S. 3008, 88th Cong. § 38 (1964); H.R. 11947, 88th Cong. § 38 (1964); H.R. 12354, 88th Cong. § 38 (1964) (all identical bills).

Bills introduced in the eighty-ninth Congress reinstated the innocent infringer provision, and provided for a minimum statutory fine of \$100 in the case of innocent infringement.⁸⁸ The report accompanying the bill noted: “[I]n order for the copyright law to operate as an effective deterrent against numerous small, erosive violations of a copyright owner’s rights, a minimum award of statutory damages should be available in all cases where infringement has occurred.”⁸⁹

Beginning in 1965, the Senate and House hearings began to focus on specific exceptions or limitations on damages for special interest groups. In committee, the revision bill was amended to provide a waiver of the statutory fine for classroom teachers who believe their copying is protected by fair use.⁹⁰ This waiver was eventually expanded to cover librarians, archivists, and educational television broadcasters.⁹¹ The earlier debates over the liability of the various copyright industries, and the effect of that liability on the public, were no longer discussed by the House and Senate committees that were revising the copyright law.⁹² In 1976, the Copyright Act was signed into law.

Like the 1909 Act, the 1976 Act relied upon formal notice requirements to secure copyright.⁹³ Thus, all users of a copyrighted work would be aware of its copyrighted status. Willfully removing or altering the notice was a misdemeanor. The 1976 Act included a clause that protected innocent infringers who are misled by a lack of notice.⁹⁴ The rationale behind this clause was stated in the accompanying report: “The general postulates underlying the provision are that a person acting in good faith and with no reason to think otherwise should ordinarily be able to assume the work is in

⁸⁸ See H.R. 4347, 89th Cong. § 504(c)(2) (1964); S. 1006, 89th Cong. § 504(c)(2) (1964).

⁸⁹ HOUSE COMM. ON THE JUDICIARY, 89TH CONG., COPYRIGHT LAW REVISION, PT. 6: SUPPLEMENTARY REP. OF THE REGISTER OF COPYRIGHTS ON THE GEN. REVISION OF THE U.S. COPYRIGHT LAW: 1965 REVISION BILL 137 (Comm. Print 1965) [hereinafter COPYRIGHT LAW REVISION, PT. 6].

⁹⁰ See H.R. 4347, 89th Cong. § 504(c)(2) (1966) (as reported by the Comm. on the Judiciary, Oct. 22, 1966).

⁹¹ See *Hearings on S. 597, Pt. 1*, *supra* note 86, at 146 (statement of Harold Wigren, Ad Hoc Comm. of Educational Institutions and Organizations on Copyright Law Revision).

⁹² The fact that throughout the discussion on liability little thought was given to the general public is disconcerting but not surprising. As Litman notes, the history of the revision process is marked by a similar lack of discussion surrounding the public interest. See Litman, *supra* note 43.

⁹³ See 17 U.S.C. § 401 (1994), amended by Pub. L. No. 100-568, 102 Stat. 2853, 2857 (1988). The notice requirement was made voluntary to comply with adherence to the Berne Convention.

⁹⁴ See *id.* § 405(b). The clause was changed to apply only to works published before Mar. 1, 1989, the date the new notice requirement took effect.

the public domain if there is no notice . . . and that, if he relies on this assumption, he should be shielded from unreasonable liability.”⁹⁵

Yet, innocent infringers are still held strictly liable under the 1976 Act. Section 504 (c) (2) states this explicitly:

In a case where the infringer . . . was not aware and had no reason to believe that his acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than \$100. In a case where an instructor, librarian, or archivist . . . had reasonable grounds for believing that the reproduction was a fair use under section 107, the court in its discretion may remit statutory damages in whole or in part.⁹⁶

The Senate report discussed this outcome at length:

The “innocent infringer” provision of section 504 (c) (2) has been the subject of extensive discussion. The exception, which would allow reduction of minimum statutory damages to \$100 where the infringer “was not aware and had no reason to believe that his acts constituted an infringement of copyright,” is sufficient to protect against unwarranted liability in cases of *occasional or isolated innocent infringement*, and it offers adequate insulation to users, such as broadcasters and newspaper publishers, who are particularly vulnerable to this type of infringement suit. On the other hand, by establishing a realistic floor for liability, the provision preserves its intended deterrent effect; and it would not allow a defendant to escape simply because the plaintiff failed to disprove his claim of innocence.⁹⁷

The report goes on to explain why teachers, libraries, and archivists earn a special exemption if they believed they were engaging in a fair use of copyrighted material: “[The exception] reflects the special problems of educational and scholarly uses of copyrighted material in connection with [§ 107].”⁹⁸ Thus we see Congress felt that, in certain circumstances, the need to protect fair use was more important than the need to protect copyright owners. A primary attribute of each exception is that the defendant does not profit from the use, and thus has no incentive to risk liability.

The statutory history demonstrates that strict liability has been the standard for copyright infringement, even while other areas of

⁹⁵ S. REP. NO. 94-473, at 131 (1975).

⁹⁶ 17 U.S.C. § 504(c)(2).

⁹⁷ S. REP. NO. 94-473, at 145.

⁹⁸ *Id.*

the law have favored a negligence standard. The original exception for vendors was removed without discussion during the 1909 revision process. The hearings surrounding copyright reform were characterized by special interest participation, and almost no discussion of the general public whom copyright law is supposed to benefit. Congress rejected claims that content should be treated differently than other products because of the special value placed on free speech in our society.

III. JUDICIAL COPYRIGHT LIABILITY

The legislative history, of course, is just one side of the coin. Courts must interpret the statute, and in doing so, they have carved out two tests for third-party liability in addition to imposing strict liability on those who commit direct infringement. If an individual or entity benefits from infringing activity and has the right and ability to control the direct infringer, that individual may be strictly liable under the theory of vicarious liability. If an individual or entity knowingly induces or contributes to an act of infringement, that individual may be liable under the theory of contributory infringement. This paper is concerned with the degree to which intermediaries are exposed to liability. The following sections will briefly examine the case law surrounding each theory of liability in turn.

A. *Strict Liability*

Strict liability for copyright infringement by distributors is well established in the case law. One of the most famous decisions where strict liability was imposed was *De Acosta v. Brown*.⁹⁹ In that case, *Cosmopolitan* magazine published excerpts from a forthcoming book in its book review section. The excerpts included a passage that had been plagiarized from a copyrighted work. The court acknowledged that the magazine publisher was unaware of the infringement, but held strict liability was the rule of law: "In *American Press Ass'n v. Daily Story Pub. Co.*, the court stated that it is not material that the infringer in publishing the copyrighted story was not aware that the story was so protected, for 'it published at its peril, and ignorance will not avail. . . .'"¹⁰⁰

De Acosta also gave rise to a famous dissent by Judge Learned Hand, who argued that imposing strict liability on distributors would unnecessarily restrict freedom of speech: "[W]e are, in my

⁹⁹ 146 F.2d 408 (2d Cir. 1944).

¹⁰⁰ *Id.* at 411 (citations omitted).

opinion, committing ourselves to a doctrine . . . which imposes a risk upon publishers that is likely to prove an appreciable and very undesirable burden upon the freedom of the press.”¹⁰¹ Judge Hand distinguished between one who knowingly copies another’s work, and one who assumes he is copying the original. An author who borrows from a work knows that she is borrowing, and thereby accepts the risk that she is committing infringement. But the person who then helps that author distribute her work has no way of knowing that copying has taken place, and so cannot know the risk involved. Judge Hand compared it to someone who knowingly takes a watch in his suitcase thinking it is his (for which he is liable), as opposed to someone who does not realize that there is a watch in his suitcase:

This distinction which I seek to make is certainly not formal, or legalistic; it entails momentous results; for, unless some such limitation is imposed, an indefinite regress of liability emerges When one considers that for infringement it is not necessary to reproduce the work in ipsissimis verbis [sic]; but that it is enough to take the substance of its “expression,” . . . the resulting liability becomes unique in severity, and one, against which no degree of care will forfend [sic] If my brothers are right, a publisher must be prepared to respond in damages to any author who can prove that the publisher has incorporated, however innocently . . . any part of the author’s work. If that possibility is to hover over all publications, it would, I believe, be a not negligible depressant upon the dissemination of knowledge.¹⁰²

Though Judge Hand provided an eloquent defense for innocent infringement, courts continued to impose strict liability. In 1952, the Supreme Court upheld this rule of law when it held a retail store strictly liable for selling copyrighted statuettes: “Unbeknown to Woolworth, these dogs had been copied from respondent’s and by marketing them it became an infringer.”¹⁰³ The Court upheld maximum statutory damages of \$5000 instead of the actual profits, which were less than \$1000. Most recently in *Respect, Inc. v. Fremgen*,¹⁰⁴ a printer was found strictly liable when a non-profit organization placed a printing order for a booklet it thought that it was authorized to print. However, the court ruled that the

¹⁰¹ *Id.* at 412 (Hand, J., dissenting).

¹⁰² *Id.* at 413.

¹⁰³ *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 334 US 228, 229 (1952).

¹⁰⁴ 897 F. Supp. 361 (N.D. Ill. 1995).

printer was not liable for the later actions of the organization that ordered the material printed.

To this point, the discussion has focused on the direct infringement of the copyright owner's rights. These court cases make clear that for all forms of intermediaries, if the defendant is found to have directly infringed the plaintiff's copyright, strict liability will be imposed. Courts have also had numerous occasions to rule on the liability of third parties for copyright infringement.

B. *Third-party Liability*

The rationale behind third-party liability was stated in 1984 by the Supreme Court in *Sony Corp. of America v. Universal City Studios*:

The Copyright Act does not expressly render anyone liable for infringement committed by another . . . [but] the absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activities. For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.¹⁰⁵

1. Vicarious Liability

Vicarious liability developed out of the doctrine of *respondeat superior*, which states that employers can be held strictly liable for torts committed by their employees in the course of their employment. One rationale for vicarious liability (and deep pockets in general) is that a judgment-proof defendant does not feel the incentive created by the imposition of liability, whereas the employer can induce the employee to be careful.¹⁰⁶ Furthermore, the employer is in a position to supervise and control the actions of the employee. It is seen as the employer's responsibility to make sure that the employee acts properly in pursuing the company's interests.¹⁰⁷

The famous "dance-hall" cases expanded this liability to cover situations where the employee was an "independent contractor." Traditionally, *respondeat superior* does not apply to independent contractors. However, in certain cases, vicarious liability may be

¹⁰⁵ 464 U.S. 417, 434-35 (1984) (footnote omitted).

¹⁰⁶ See RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* 171 (3d ed. 1986).

¹⁰⁷ See *id.*

appropriate. Landes and Posner cite the example of a general contractor who is liable for the acts of the various subcontractors. The general contractor should be liable because: (1) the general contractor is in a better position to supervise the subcontractor than the building owner; and (2) the general contractor is more likely to know the identity of the subcontractor who caused the harm.¹⁰⁸

In *Shapiro, Bernstein & Co. v. H.L. Green Co.*,¹⁰⁹ the court reasoned:

When the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials—even in the absence of actual knowledge that the copyright monopoly is being impaired—the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of that exploitation.¹¹⁰

The *H.L. Green* court traced the history of vicarious liability under the copyright statute, noting that two lines of cases had developed—the “dancehall” cases and the “landlord” cases. In the dancehall cases, venues hired bands as independent contractors that performed copyrighted songs without obtaining permission from the copyright owner. Numerous courts held that the venues were liable for the copyright infringement since they profited from the performance.¹¹¹ These cases were differentiated from the “landlord-tenant” fact-patterns where the relationship between the vicarious and direct infringer was more tenuous.¹¹² Here the *H.L. Green* court noted: “If the landlord lets his premises without knowledge of the impending infringement by his tenant, exercises no supervision over him, charges a fixed rental and receives no other benefit from the infringement, and contributes in no way to it, it has been held that the landlord is not liable for his tenant’s wrongdoing.”¹¹³

The landlord-tenant exception to vicarious liability was eroded

¹⁰⁸ See WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF TORT LAW* 206 (1987).

¹⁰⁹ 316 F.2d 204 (2d Cir. 1963).

¹¹⁰ *Id.* at 307 (citations omitted).

¹¹¹ See *DreamLand Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929); *Harms v. Cohen*, 279 F. 276 (E.D. Pa. 1922); *Famous Music Corp. v. Bay State Harness Horse Racing and Breeding Ass’n, Inc.*, 554 F.2d 1213 (1st Cir. 1977).

¹¹² See, e.g., *Deutsch v. Arnold*, 98 F.2d 686 (2d Cir. 1938) (holding that a landlord is not liable for infringement by a tenant when the landlord merely leases space to the tenant and has no knowledge of the infringing activity). “Something more than the mere relation of landlord and tenant must exist to give rise to a cause of action by plaintiffs against these defendants for infringement of their copyright on the demised premises.” *Id.* at 688.

¹¹³ *H.L. Green Co.*, 316 F.2d at 307. *But see* *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

in *Fonovisa, Inc. v. Cherry Auction, Inc.*¹¹⁴ In *Fonovisa*, the Ninth Circuit held the operator of a flea market vicariously liable for direct infringement committed by a tenant who sold bootleg records at the flea market. The court pointed out that the landlord (Cherry Auction) reserved the right to exclude vendors, charged an admission fee, and promoted the flea market: "Our conclusion is fortified by the continuing line of cases, starting with the dancehall cases, imposing vicarious liability on the operator of a business where infringing performances enhance the attractiveness of the venue to potential customers."¹¹⁵ Charles Wright notes that there appears to be a split among the courts in defining the control prong of the test. The Ninth Circuit's articulation in *Fonovisa* is based on the premise of *legal control* over the direct infringer, while other courts have held that the defendant must be shown to wield *actual control* over the infringer before imposing liability. According to Wright:

Actual control requires more than the potential right to cease all activities undifferentiated from the infringement, the right to terminate other activities, or the effective ability to terminate only after infringement is evident Thus, an actual-control standard does not extend liability to a defendant who could not take meaningful steps to prevent infringement.¹¹⁶

2. Contributory Infringement

While vicarious liability is fairly straightforward in its intent (if not its application), contributory infringement has a much more muddled history. Courts have loosely referred to those who contributed to an infringement on many occasions, but the doctrine of contributory infringement has been developed in only a few cases. The *Sony* court stated, "[T]he contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible."¹¹⁷ The difficulty in determining when contributory infringement takes place was summed up by the Supreme Court in *Kalem Co. v. Harper Bros.*: "In some cases where an ordinary article of commerce is sold nice questions may arise as to the

¹¹⁴ 76 F.3d 259.

¹¹⁵ *Id.* at 263.

¹¹⁶ Charles S. Wright, *Actual Versus Legal Control: Reading Vicarious Liability for Copyright Infringement into the Digital Millennium Copyright Act of 1998*, 75 WASH. L. REV. 1005, 1013 (2000).

¹¹⁷ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

point at which the seller becomes an accomplice in a subsequent illegal use by the buyer."¹¹⁸

One of the earliest cases is *Harper v. Shoppell*.¹¹⁹ In that case, the defendant sold a printing plate, knowing that the purchaser would make copies of a picture on the plate. While the defendant knew that the purchaser was going to publish the picture, he did not know that such publication would result in an infringement. However, since the publisher was strictly liable, the defendant was strictly liable for authorizing the use. The court stated:

Under the circumstances the defendant is in no better position than he would be if he had himself printed and published the copyrighted matter . . . he is to be regarded as having sanctioned the appropriation of the plaintiff's copyrighted matter, and occupies the position of a party acting in concert with the purchaser who printed and published it, and is responsible with him as a joint tort-feasor.¹²⁰

Thus, in this early case of contributory infringement, the key question was whether the defendant knew that copying would take place, not whether he knew that the copying would be infringing.¹²¹ In other words, if the seller knows the buyer's intent, the seller is strictly liable for any resulting infringement.

The classic example of contributory infringement is when the defendant authorizes the infringing activity. For example, in *Kalem*, the owner of a motion picture sold copies to exhibitors and supplied advertising for the infringing exhibitions. The defendant was liable for authorizing the infringing activity (rather than being liable for engaging in the infringing activity himself).¹²² The Court compared the defendant to one who is liable for selling alcohol, knowing that it will be illegally resold — "the mere indifferent supposition or knowledge on the part of the seller that the buyer of spirituous liquor is contemplating such unlawful use is not enough to connect him with the possible unlawful consequences"¹²³ This analysis could be seen as either supporting or rejecting the analysis in *Harper*. In *Kalem*, the Court does not make clear

¹¹⁸ 222 U.S. 55, 62 (1911).

¹¹⁹ 28 F. 613 (S.D.N.Y. 1886).

¹²⁰ *Id.* at 615.

¹²¹ The case turned on whether the defendant knew the purchaser was going to use the plate to publish the picture in his newspaper. Had the defendant not known the use to which the plate was going to be put, he would not have been liable, since, under the law at that time, the plate had noninfringing uses and the making of the plate did not constitute infringement. *See id.* at 619.

¹²² *See Kalem Co.*, 222 U.S. at 63.

¹²³ *Id.* at 62 (citations omitted).

whether the defendant is strictly liable, or is liable only because he knew the use would constitute an infringement.

The modern two-prong test for contributory infringement was first articulated in *Gershwin Publishing Corp. v. Columbia Artists Management*.¹²⁴ In that case, Columbia Artists Management (“CAMI”) helped organize concerts where it knew copyrighted songs would be performed without authorization. The court developed a two-part test for contributory infringement: “[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer.”¹²⁵ Thus, the defendant must: (1) have knowledge of the infringement, and (2) induce or contribute to the infringing activity.

The first prong of the test is whether the defendant had “knowledge of the infringing activity.” Courts have held that actual knowledge is not required. For example, in *Screen Gems-Columbia Music v. Mark-Fi Records*,¹²⁶ a case cited by the *Gershwin* court in developing the two-part test, a record bootlegger enlisted an advertising agency to advertise its infringing records on local radio stations. The records were then shipped to customers by an independent shipping company. The court held that the advertising agency, radio stations, and shipping company were all potentially liable for contributory infringement for assisting in the infringement, if it could be demonstrated that they knew, or *should have known*, about the infringement. The *Screen-Gems* court noted:

Since infringement constitutes a tort, common law concepts of tort liability are relevant in fixing the scope of the statutory copyright remedy, and the basic common law doctrine that one who knowingly participates in or furthers a tortious act is jointly and severally liable with the prime tort-feasor is applicable in suits arising under the Copyright Act.¹²⁷

The standard of knowledge in *Screen-Gems* is one based on constructive knowledge rather than actual knowledge.¹²⁸

The second prong of the test is whether the defendant “induces, causes or materially contributes to the infringing conduct.” In *Gershwin*, CAMI contributed to the infringing activity by creating an audience, and by helping to promote the concert.¹²⁹ In *Screen*

¹²⁴ 443 F.2d 1159 (2d Cir. 1971).

¹²⁵ *Id.* at 1162.

¹²⁶ 256 F. Supp. 399 (S.D.N.Y. 1966).

¹²⁷ *Id.* at 403.

¹²⁸ *See id.*

¹²⁹ *See Gershwin Publ'g Corp.*, 443 F.2d at 1163.

Gems, radio stations were held to have met the standard of participation merely by airing advertisements that promoted the sale of the infringing records.¹³⁰ In that same case, the advertising agency which produced the commercials and the packaging company which mailed the infringing records were also held to have participated in the infringing activity.

In the recent *Fonovisa* case, the Ninth Circuit adopted the Third Circuit's test for participation in the infringing activity: "Moreover, we agree with the Third Circuit's analysis in *Columbia Pictures Industries v. Aveco, Inc.* . . . that providing the site and facilities for known infringing activity is sufficient to establish contributory liability."¹³¹ In *Fonovisa*, the defendant served as landlord and advertised the flea market to draw in customers.

Interestingly, in the *Aveco* case, which the *Fonovisa* court cites, the court did not discuss the two-prong test for contributory infringement. In that case the defendant rented rooms equipped with VCRs for the purpose of viewing videotapes. The court held that since the store was open to the public, viewing a copyrighted tape infringed the public performance right. *Aveco* authorized the performances "by enabling its customers to perform the video cassettes in the viewing rooms. . . ."¹³²

Both the *Aveco* and the *Fonovisa* courts seem to place greater weight on the knowledge prong of the contributory infringement test. Since each defendant knew that infringing activity was taking place, the threshold for participation appears to be lowered. The *Fonovisa* court noted that Cherry Auction contributed to the infringing activity through "the provision of space, utilities, parking, advertising, plumbing, and customers."¹³³ Under this standard, almost any landlord would meet the test for participation. Under *Fonovisa*, landlords can be held vicariously liable if they exercise control and benefit from the infringement, and they can be liable for contributory infringement if they should have known about the infringing activity.

The most famous case involving contributory infringement is *Sony Corp. of America v. Universal City Studios*.¹³⁴ In *Sony*, the issue was whether selling videocassette recorders (VCRs) equipped with television tuners constituted contributory infringement. Since the

¹³⁰ See *Screen Gems*, 256 F. Supp. at 405.

¹³¹ 76 F.3d 259, 264 (9th Cir. 1996). See *supra* notes 114-15 and accompanying text for discussion of vicarious liability in this case.

¹³² *Columbia Pictures Industries v. Aveco, Inc.*, 800 F.2d 59, 62 (3d Cir. 1986).

¹³³ 76 F.3d at 264.

¹³⁴ 464 U.S. 417 (1984).

issue involved a mechanical device, the Court did not use the two-part test developed in *Gershwin*. Instead, the Court looked toward the doctrine of contributory infringement under patent law: “[T]he sale of copying equipment, like the sale of other *articles of commerce*, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.”¹³⁵ Thus, when the issue is the sale of a device capable of copying (as opposed to the sale or distribution of the copyrighted work itself), there can be no finding of contributory infringement if the device is capable of substantial noninfringing uses.

The *Sony* Court rejected the argument that “supplying the ‘means’ to accomplish an infringing activity and encouraging that activity through advertisement are sufficient to establish liability for copyright infringement.”¹³⁶ The Court distinguished *Kalem* on the grounds that in the latter case the defendant supplied the infringing copies, whereas Sony only supplied the machine capable of making infringing copies.¹³⁷ Thus, while acknowledging the standard test for contributory infringement, the Court found it inapplicable when dealing with the sale of equipment capable of a wide range of uses.

IV. COPYRIGHT AND INTERNET SERVICE PROVIDERS

There is an extensive literature discussing the case law surrounding copyright liability for Internet service providers.¹³⁸ While this case law has been superseded by the online service provider (“OSP”) liability provisions of the DMCA, one case in particular is noteworthy for its extensive discussion of liability and its continuing influence in the courts. The case was decided in 1995 by Judge Ronald Whyte in *Religious Technology Center v. Netcom On-*

¹³⁵ *Id.* at 442 (emphasis added).

¹³⁶ *Id.* at 436.

¹³⁷ *See id.*

¹³⁸ *See, e.g.*, Timothy F. Bliss, *Recent Developments: Computer Bulletin Boards and the Green Paper*, 2 J. INTELL. PROP. L. 537 (1995); John Carmichael, *In Support of the White Paper: Why Online Service Providers Should Not Receive Immunity From Traditional Notions of Vicarious and Contributory Liability for Copyright Infringement*, 16 LOY. L.A. ENT. L.J. 759 (1996); Nina 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 (1995); Wendy Melone, *Contributory Liability for Access Providers: Solving the Conundrum Digitization Has Placed on Copyright Laws*, 49 FED. COMM. L.J. 491 (1997); Ashley Packard, *Infringement or Impingement: Carving out an Actual Knowledge Defense for Sysops Facing Strict Liability*, JOURNALISM AND MASS COMM. MONOGRAPHS, NO. 168 (1998); Scott Pomeroy, *Promoting the Progress of Science and the Useful Arts in the Digital Domain: Copyright, Computer Bulletin Boards, and Liability for Infringement By Others*, 45 EMORY L.J. 1035 (1996).

Line Communication Services.¹³⁹ In *Netcom*, Dennis Erlich, a former member of the Church of Scientology (“RTC”),¹⁴⁰ posted copyrighted RTC documents to the Usenet discussion group “alt.religion.scientology.” RTC sued Erlich, Klemesrud, who operated the bulletin board system (BBS), and Netcom, the OSP that provided the BBS with access to the Internet.

After Erlich ignored RTC’s requests that he stop posting copyrighted material, RTC asked Klemesrud and Netcom to block Erlich’s access to their systems. Klemesrud asked RTC to prove that it owned the copyrights in question, which RTC refused to do. Netcom told RTC that it could not block Erlich from using the Netcom system without blocking all of Klemesrud’s subscribers. RTC then sued Klemesrud and Netcom (in addition to Erlich) for copyright infringement.

Judge Whyte held that Netcom¹⁴¹ could not be found liable for direct infringement because:

Netcom did not take any affirmative action that directly resulted in copying plaintiffs’ works other than by installing and maintaining a system whereby software automatically forwards messages received The court believes that Netcom’s act of designing or implementing a system that automatically and uniformly creates temporary copies of all data sent through it is not unlike that of the owner of a copying machine who lets the public make copies with it. Although some of the people using the machine may directly infringe copyrights, courts analyze the machine owner’s liability under the rubric of contributory infringement, not direct infringement.¹⁴²

Judge Whyte noted that if Netcom were to be held liable for direct infringement, then every Internet server that transmits or stores the message also could be held liable. In dicta, Judge Whyte stated that “[a]lthough copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant’s system is merely used to create a copy by a

¹³⁹ 907 F. Supp. 1361 (N.D. Cal. 1995).

¹⁴⁰ All Church of Scientology copyrights are held by the Religious Technology Center (“RTC”), a holding company created by the Church of Scientology.

¹⁴¹ Judge Whyte examined Netcom’s and Klemesrud’s liability separately. Only Netcom’s liability will be discussed here since the court referred to its findings with regard to Netcom when it discussed Klemesrud’s liability. Judge Whyte dealt with Erlich’s liability in a separate order. *See* 923 F. Supp. 1231, 1265-66 (N.D. Cal. 1995) (granting in part and denying in part plaintiffs’ application for a preliminary injunction and defendant Erlich’s motion to dissolve the temporary restraining order). The court held that only some of the documents copied by Erlich were protected by copyright. Erlich was enjoined from publishing those documents in any manner except as allowed by fair use. *See id.*

¹⁴² *Netcom*, 907 F. Supp. at 1368-69 (footnote and citations omitted).

third party.”¹⁴³

Judge Whyte rejected RTC’s argument that Netcom violated RTC’s public distribution and display rights. He reasoned that “[w]here the BBS merely stores and passes along all messages sent by its subscribers and others, the BBS should not be seen as causing these works to be publicly distributed or displayed.”¹⁴⁴ To find Netcom liable for direct infringement of RTC’s distribution and display rights would raise the same problems as the reproduction rights—namely, every Internet server could then be held liable.

Judge Whyte then examined Netcom’s liability for contributory infringement. Judge Whyte said that if RTC could prove that Netcom knew of the infringing action, then “Netcom will be liable for contributory infringement since its failure to simply cancel Erlich’s infringing message and thereby stop an infringing copy from being distributed worldwide constitutes substantial participation in Erlich’s public distribution of the message.”¹⁴⁵ By operating the server that stored and distributed Erlich’s message, Netcom had met the participation prong of the test for contributory infringement. Did Netcom also have knowledge of the activity?

Netcom argued that it could not “know” of an infringement when it could not determine whether a subscriber is making fair use of copyrighted material. The court agreed, noting:

Where a BBS operator cannot reasonably verify a claim of infringement, either because of a possible fair use defense, the lack of copyright notices on the copies, or the copyright holder’s failure to provide the necessary documentation to show that there is a likely infringement, the operator’s lack of knowledge will be found reasonable and there will be no liability for contributory infringement for allowing the continued distribution of the works on its system.¹⁴⁶

Judge Whyte ruled that whether Netcom had knowledge of the infringement was a question of fact, and so refused to grant summary judgment in favor of Netcom.¹⁴⁷ Netcom settled with RTC before the case went to trial.¹⁴⁸ The issue at trial likely would have been

¹⁴³ *Id.* at 1370.

¹⁴⁴ *Id.* at 1372.

¹⁴⁵ *Id.* at 1374.

¹⁴⁶ *Id.*

¹⁴⁷ The court suggested that it would have granted Netcom’s motion for summary judgment but for the fact that Netcom admitted: (1) that it never looked at Erlich’s postings after being contacted by RTC, and (2) that had it looked at the postings, it would have investigated RTC’s complaint. *See id.* at 1374-75.

¹⁴⁸ *See* Mark Walsh, *Netcom Settlement Could Help Forge Internet IP Policy*, THE RECORDER, Aug. 6, 1996, at 1; Dan Goodin, *Scientology Case Helps Define On-line Liability*, THE RECORDER, Aug. 26, 1996, at 1.

whether Netcom reasonably could have assumed that Erlich's posting was protected by fair use.

The court next examined whether Netcom could be found liable for vicarious infringement. Judge Whyte found that Netcom's prior history of imposing sanctions on its subscribers and its ability to delete specific postings "raised a genuine issue of fact as to whether Netcom has the right and ability to exercise control over the activities of its subscribers" ¹⁴⁹ However, Judge Whyte ruled that Netcom received no direct financial benefit from Erlich's infringing actions since Netcom charged a flat rate that does not depend on the nature of the postings. Therefore, Netcom could not be found liable for vicarious infringement. Judge Whyte rejected RTC's argument that Netcom benefited from allowing infringing postings in that Netcom's refusal to take action against Erlich made Netcom a more attractive service to users who wished to commit copyright infringement.

In August 1996, RTC settled its lawsuits with both Netcom and Klemesrud.¹⁵⁰ Thus, the court was unable to rule on whether Netcom and Klemesrud were in fact liable for contributory infringement. Klemesrud paid \$50,000 to RTC, without admitting any liability or wrongdoing.¹⁵¹ Netcom, on the other hand, admitted liability and instituted a five-part policy for dealing with copyright disputes.¹⁵²

Netcom was the first copyright infringement case involving an OSP. One major weakness of the *Netcom* case was the sleight of hand required to reach what was seen as a just outcome. Judge Whyte stated that "[a]lthough copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party."¹⁵³ Judge Whyte was attempting to avoid imposing strict liability on Netcom for infringing RTC's reproduction rights. He compared Netcom to the owner of a copying machine where

¹⁴⁹ *Religious Tech. Ctr. v. Netcom On-line Comm. Serv.*, 907 F. Supp. 1361, 1376 (N.D. Cal. 1995). Some commentators suggest that in this portion of his decision, Judge Whyte misinterpreted the test for vicarious liability. They argue that "the right and ability to exercise control" can only be found in an employer-employee relationship (including relationships with independent contractors). Since OSPs do not employ their customers, they do not exercise control over them. See *NII Copyright Protection Act of 1995: Hearings on H.R. 2441 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary*, 104th Cong. 235 (1996) (statement of Stephen Heaton, General Counsel and Secretary of Compuserve, Inc.).

¹⁵⁰ See Walsh, *supra* note 148, at 1.

¹⁵¹ See Goodin, *supra* note 148, at 1.

¹⁵² See Walsh, *supra* note 148, at 1. No mention is made of any monetary settlement which may have accompanied the agreement.

¹⁵³ *Netcom*, 907 F. Supp. at 1370.

customers make their own copies. In such instances, the owner of the copy machine is not considered to be a direct infringer. One could argue that Netcom did not directly reproduce the material in question and so should not be strictly liable for violating the reproduction right. However, it is more difficult to dismiss the charge that Netcom directly infringed RTC's distribution right.

Judge Whyte reasoned that:

Only the subscriber should be liable for causing the distribution of plaintiffs' work, as the contributing actions of the BBS provider are automatic and indiscriminate Where the BBS merely stores and passes along all messages sent by its subscribers and others, the BBS should not be seen as causing these works to be publicly distributed or displayed.¹⁵⁴

This was a radical departure from established precedent. In prior cases where an intermediary "passes along all messages," the intermediary was liable for direct infringement.

For example, in *Buck v. Jewell-LaSalle Realty Co.*,¹⁵⁵ a hotel played radio broadcasts for its guests. The hotel was held liable for the infringing performances. The ruling in that case was later limited by *Fortnightly Corp. v. United Artists Television*.¹⁵⁶ *Fortnightly* limited *Jewell-LaSalle* to its own facts, where the original radio broadcast was itself infringing. This seems directly on point with regard to *Netcom*. Netcom passed along infringing messages, just as the hotel did in *Jewell-LaSalle*. In both cases, the defendant was indiscriminately passing along all works with no way to determine which works were infringing. Thus, it would not be surprising if a different court held an OSP liable for direct infringement of the distribution right, similar to *Frena*.

Netcom's holding with regard to vicarious liability is also open to question. In ruling that Netcom did not meet the financial benefit prong of the test for vicarious liability, Judge Whyte specifically relied on the district court holding in *Fonovisa, Inc. v. Cherry Auction, Inc.*¹⁵⁷ In that case the district court held that Cherry Auction, like other landlords that receive a fixed fee for space, do not benefit directly from the infringing activity of tenants. However, after Judge Whyte ruled in *Netcom*, the Ninth Circuit Court of Appeals overturned the district court in *Fonovisa*, holding that Cherry Auction did meet the financial benefit prong of the test for vicarious

¹⁵⁴ *Id.* at 1372.

¹⁵⁵ 283 U.S. 191 (1931).

¹⁵⁶ 392 U.S. 390, 397 n.18 (1968).

¹⁵⁷ "Unlike Shapiro, Bernstein, and like Fonovisa, Netcom receives a fixed fee." *Netcom*, 907 F. Supp. at 1377 .

liability.¹⁵⁸ Thus, while *Netcom* has been hailed by many observers as a case where justice was done, it is unclear whether Judge Whyte applied the law correctly.¹⁵⁹

V. DIGITAL MILLENNIUM COPYRIGHT ACT OF 1998

The controversy surrounding *Netcom* and other cases where OSPs were sued for copyright infringement led to passage of the Online Copyright Infringement Liability Limitation Act, as a part of the DMCA, in October 1998.¹⁶⁰ This new law immunizes OSPs from liability for third-party infringement based on a set of specific requirements.¹⁶¹ The Act defines four types of OSP involvement with infringing material. In all four instances, the OSP is not liable for monetary damages as long as the OSP is not the source of the infringing material, and does not alter the content.¹⁶² In addition, there are specific requirements for each type of OSP involvement:

- 1) transitory communications, where the OSP acts as a “mere conduit” and only transmits the material—An OSP is not liable for transmitting or routing infringing material as long as the service provider does not initiate the transmission or select the recipients of the transmission;
- 2) system caching, where the OSP temporarily stores material to provide easy access without having to repeatedly contact the original source—An OSP is not liable for caching as long as the service provider fulfills any reasonable requirements that the content provider imposes on caching (such as how often the cached page must be refreshed, restrictions on access, and collection of data regarding visitors to the cached page);
- 3) information storage, where the OSP provides storage space for its users—An OSP is not liable as long as the OSP (a) does not have constructive knowledge that the material is infringing (actual knowledge of infringement or being aware of circumstances by which the infringing activity is apparent) (b) does not receive a direct financial benefit from the infringing activity and (c) follows the notice and take down procedures described below;

¹⁵⁸ See *supra* notes 114-116 and accompanying text.

¹⁵⁹ One commentator has argued that future courts would hold *Netcom* liable for vicarious and contributory infringement based on the appeals court ruling in *Fonovisa*. See Mary Ann Shulman, *Internet Copyright Infringement Liability: Is An Online Access Provider More Like A Landlord Or A Dance Hall Operator*, 27 GOLDEN GATE U. L. REV. 555, 585 (1997).

¹⁶⁰ See Pub. L. No. 105-304, 112 Stat. 2860 (1998).

¹⁶¹ For a discussion of the history behind the OSP liability provisions of the DMCA and a fuller discussion of its ramifications, see Jackson, *supra* note 8.

¹⁶² Copyright owners would still be able to seek injunctive relief—a court order requiring the service provider to block access to the infringing material. However, no monetary damages could be imposed. See 17 U.S.C. § 512 (2000).

4) information location tools, where the OSP provides links or other references to material, following the same guidelines as for information storage.¹⁶³

While these provisions appear to give OSPs a large measure of immunity, the statute also contains “notice and take-down provisions.” In order to maintain immunity from liability, the OSP must expeditiously remove or block access to any content that a copyright owner alleges is infringing.¹⁶⁴ If the OSP fails to “take-down” the offending content after receiving proper notice, the OSP loses the immunity provided by the statute. The conference report accompanying the DMCA makes clear that if a service provider does not remove the material expeditiously, that provider faces full liability under the law.¹⁶⁵

While the DMCA states that refusal to block access cannot be held against the service provider, the service provider has no incentive to refuse to act. If the service provider refuses to block access and then loses in court, it risks monetary damages in addition to a court injunction. The DMCA effectively overrules Judge Whyte’s careful reasoning in *Netcom* by stating that once a copyright owner has provided notice, the OSP has knowledge of the infringing activity for the purpose of contributory infringement. Where Judge Whyte argued that there may be circumstances where notice should *not* be construed as knowledge (for example, if there is a legitimate claim of fair use), the DMCA provides for no such circumstances. As we shall see, the Ninth Circuit followed Congress’ lead in deciding the controversial Napster case.

A. *Napster*

The *Napster* court case has garnered widespread publicity over the last two years. Napster distributes file-sharing software that allows individual computer users to copy MP3 files from each other’s computer. Under the software’s original configuration, each time a user logged on to Napster, the software would upload the names of all the MP3 files contained in that user’s Napster folder to a

¹⁶³ *Id.* § 512(a)-(d). The subsection numbers in this Article do not correspond to the subsection numbers in the bill. The law also includes a broader limitation on liability for nonprofit educational institutions that essentially protects the institution from liability when a professor or graduate student commits online copyright infringement in certain situations. Note that the professor or graduate student is still potentially liable as the source of the infringing activity. *See id.* at § 202(e).

¹⁶⁴ The copyright owner and the OSP must follow certain formal procedures. For example, the copyright owner must attest that it holds a valid copyright on the content that is allegedly being infringed.

¹⁶⁵ *See* H.R. REP. NO. 105-551 pt. 2, at 52-53 (1998).

central server operated by Napster. Other users could then search the server's database to find files for downloading. Upon selecting a file, the actual copying of the MP3 file would occur directly between the two users' computers, without passing through Napster's server. In other words, the centralized server only maintained a list of file names and would provide the IP address of the computer containing the desired file. The major record companies sued Napster for contributory infringement, arguing that the company was knowingly facilitating copyright infringement among its users. The district court issued a preliminary injunction in July 2000.¹⁶⁶ Two days later, the Ninth Circuit stayed the preliminary injunction, finally ordering the injunction modified in February 2001.¹⁶⁷ The preliminary injunction has been modified repeatedly since the appellate ruling, but the case has not yet gone to trial.

1. Contributory Infringement

Judge Marilyn Patel of the district court held that Napster would likely be found liable under theories of contributory infringement and vicarious infringement. As noted previously, contributory infringement requires a determination that the defendant had knowledge of the infringing activity, and contributed to or facilitated the infringement. Judge Patel ruled that there was evidence that Napster had both actual and constructive knowledge of infringing activity. Napster had actual knowledge because Napster co-founder Shawn Parker had made reference to the use of the service to exchange pirated music, and because the RIAA had notified Napster of more than 12,000 infringing files being traded on the system.¹⁶⁸ Judge Patel held that Napster had constructive knowledge of infringement because the Napster executives had recording industry experience, downloaded infringing files themselves, enforced their own copyrights in other instances, and used screen shots of infringing files in preparing promotional materials for the service.¹⁶⁹ When Napster tried to claim immunity under the § 512 provisions of the DMCA, the court rejected that argument on the ground that Napster's actual knowledge of infringing activity barred it from claiming protection under § 512.¹⁷⁰ The district court also ruled that Napster contributed to the in-

¹⁶⁶ See *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000) [hereinafter *Napster I*].

¹⁶⁷ See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) [hereinafter *Napster II*].

¹⁶⁸ See *Napster I*, 114 F. Supp. 2d at 918.

¹⁶⁹ See *id.* at 919.

¹⁷⁰ See *id.*

fringing activity just as the swap meet contributed to infringement in *Fonovisa*:

The swap meet provided support services like parking, booth space, advertising, and clientele. Here, Napster, Inc. supplies the proprietary software, search engine, servers, and means of establishing a connection between users' computers. Without the support services defendant provides, Napster users could not find and download the music they want with the ease of which defendant boasts.¹⁷¹

The Ninth Circuit Court of Appeals agreed with Judge Patel's basic reasoning with some important exceptions. Where the district court ruled that *Sony* did not apply because Napster had no current substantial noninfringing uses, the court of appeals stated that Judge Patel should have also considered future noninfringing uses.¹⁷² In an important holding, the Ninth Circuit stated that actual knowledge rather than constructive knowledge is required before imposing contributory liability in an online context:

We are bound to follow *Sony*, and will not impute the requisite level of knowledge to Napster merely because peer-to-peer file sharing technology may be used to infringe plaintiffs' copyrights This analysis is similar to that of *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, which suggests that in an online context, evidence of actual knowledge of specific acts of infringement is required to hold a computer system operator liable for contributory copyright infringement The court determined that for the operator to have sufficient knowledge, the copyright holder must "provide the necessary documentation to show there is likely infringement." We agree that if a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement The record supports the district court's finding that Napster has actual knowledge that specific infringing material is available using its system, that it could block access to the system by suppliers of the infringing material, and that it failed to remove the material.¹⁷³

On its face, the rejection of constructive knowledge as a test for online contributory infringement appears to be a major victory for advocates of limited liability. The Ninth Circuit is construing *Sony* narrowly to require actual knowledge rather than the lesser stan-

¹⁷¹ *Id.* at 920 (citations omitted).

¹⁷² See *Napster II*, 239 F.3d at 1020-21.

¹⁷³ *Id.*

dard of constructive knowledge. This appears to follow Judge Whyte's reasoning in *Netcom*. However, in an important departure from the *Netcom* district court ruling, the Ninth Circuit held that notification of alleged infringement is all that is needed to establish actual knowledge. This standard rejects the *Netcom* consideration of reasonable fair use as a bar to actual knowledge, and instead adopts the same stance as the notice and take-down provisions of the DMCA. Copyright owners merely need establish that they hold the copyright in question in order to establish actual knowledge, and force OSPs to block access to allegedly infringing material.

2. Vicarious Infringement

As noted earlier, vicarious liability is premised on: (1) the right and ability to supervise the infringing activity; and (2) has a direct financial interest in the infringing activity. The district court held that Napster would likely meet both prongs of this test. Napster admitted that it can block users who commit infringement and that it benefited from a large user base drawn to the service for infringing activity, even if Napster does not charge its users or make a profit at the present time. Napster was caught in a "Catch-22" situation in that Napster claimed it would be put out of business if the injunction were granted. Judge Patel reasoned that this was evidence that Napster had no other significant uses:

If many of defendant's commercially significant uses were non-infringing, an injunction limited to unlawful activity would not have such a dire impact. Defendant's representations about the primacy of its legitimate uses thus appear disingenuous. The ability to download myriad popular music files without payment seems to constitute the glittering object that attracts Napster's financially-valuable user base.¹⁷⁴

The appellate court agreed with Judge Patel's basic ruling that Napster had met the test for vicarious infringement noting that, "Financial benefit exists where the availability of infringing material 'acts as a draw' for customers."¹⁷⁵ The Ninth Circuit agreed, in part, with Judge Patel's analysis of the control prong:

The ability to block infringers' access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise To escape imposition of vicarious liability,

¹⁷⁴ *Napster I*, 114 F. Supp. 2d at 922.

¹⁷⁵ *Napster II*, 239 F.3d at 1023 (internal citation omitted).

the reserved right to police must be exercised to its fullest extent. Turning a blind eye to detectable acts of infringement for the sake of profit gives rise to liability The district court, however, failed to recognize that the boundaries of the premises that Napster “controls and patrols” are limited Put differently, Napster’s reserved “right and ability” to police is cabined by the system’s current architecture.¹⁷⁶

The appellate court modified the preliminary injunction to limit Napster’s responsibility to police its system based on its access to file names of infringing song titles. The court also required the plaintiffs to notify Napster of infringing files. In an amazingly ambiguous summation, the appellate court was quite vague: “[W]e place the burden on plaintiffs to provide notice to Napster of copyrighted works and files containing such works available on the Napster system before Napster has the duty to disable access to the offending content. Napster, however, also bears the burden of policing the system within the limits of the system.”¹⁷⁷

In an important departure from the district court, the Ninth Circuit rejected Judge Patel’s analysis of Napster under § 512 of the DMCA. Where Judge Patel ruled that the OSP liability provisions did not apply to Napster, the appellate court stated the issue needed to be resolved at trial.¹⁷⁸ Therefore, there is still no court decision establishing what types of OSPs qualify for immunity under the DMCA.

VI. CREATING NEW CAUSES OF LIABILITY

A different section of the DMCA with implications for copyright liability has also made the news in the past year. The DMCA added a new Chapter Twelve to the Copyright Act that focuses on protecting anti-circumvention technology rather than adjusting the bundle of rights granted to a copyright holder.¹⁷⁹ This section extended legal protection to the technological measures that copyright owners use to safeguard their monopoly privilege. Many legal scholars have argued that these new provisions are unconstitutional, and grant too much power to copyright owners.¹⁸⁰

The new Chapter Twelve contains three major provisions de-

¹⁷⁶ *Id.* at 1023-24.

¹⁷⁷ *Id.* at 1027.

¹⁷⁸ See *id.* at 1025.

¹⁷⁹ See Pub. L. No. 105-304, 112 Stat. 2860 (1998).

¹⁸⁰ See Nimmer, *supra* note 8; Samuelson, *supra* note 8; Matt Jackson, *Using Technology to Circumvent the Law: The DMCA’s Push to Privatize Copyright*, 24 HASTINGS COMM. & ENT L.J. (forthcoming 2002).

signed to protect the technology that copyright owners use to restrict the use of their content: (1) a provision that prohibits the circumvention of controls that prevent unauthorized access to a work; (2) a provision that prohibits the distribution of technology that circumvents controls that prevent unauthorized access to a work; and (3) a provision that prohibits the distribution of technology that circumvents controls that protect the rights granted to the copyright owner.

Section 1201(a)(1) states, "No person shall circumvent a technological measure that effectively controls access to a work protected under [the Copyright Act]."¹⁸¹ This subsection took effect in November 2000, after a rulemaking by the Librarian of Congress determined whether any users of any specific "class of works" would be adversely affected in their ability to make noninfringing uses of that particular class of works.¹⁸² The law requires the Librarian of Congress to repeat this rulemaking process every three years. On October 27, 2000, the Librarian of Congress determined that the only two classes of works that would be exempt from § 1201(a)(1) would be: (1) compilations consisting of lists of websites blocked by filtering software applications and (2) literary works, including computer programs and databases, protected by access control mechanisms that fail to permit access because of malfunction, damage or obsolescence.¹⁸³

The other two provisions of Chapter Twelve took effect when the law was enacted on October 28, 1998. Section 1201(a)(2) prevents manufacturing, importing, or otherwise trafficking in "any technology, product, service, device, component, or part thereof" that (A) is primarily designed to circumvent a technological protection measure that effectively controls access to a work, (B) "has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work," or (C) is marketed with knowledge that it will be used to circumvent a technological measure that effectively controls access to a work.¹⁸⁴ This section prohibits *trafficking* in circumvention technology that effectively controls access to a work whereas Section (a)(1) prohibits the *use* of circumvention technology.

Section 1201 (b)(1) is almost identical to § 1201(a)(2). This

¹⁸¹ 17 U.S.C. § 1201(a)(1) (2000).

¹⁸² *See id.*

¹⁸³ *See Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies*, 65 Fed. Reg. 64,555-74 (Oct. 27, 2000) (to be codified at 37 C.F.R. pt. 201).

¹⁸⁴ 17 U.S.C. § 1201(a)(2). The law contains specific exemptions too detailed to discuss here. For an analysis of all the anti-circumvention provisions, see Samuelson, *supra* note 8.

section prohibits trafficking in any device that circumvents a protection measure that protects *a right of the copyright owner*. So while § 1201(a)(2) prohibits trafficking in devices that provide unauthorized access to a copyrighted work (even if no copyright infringement takes place), Section 1201(b)(1) prohibits trafficking in devices that circumvent a protection measure, and thereby facilitate copyright infringement (regardless of whether access to the work is authorized).

The impact of these new anticircumvention provisions is to create an entirely new cause of action separate from copyright liability, and therefore, not subject to the *Sony* doctrine or other restrictions on liability. This can be seen clearly in both *Universal City Studios v. Reimerdes*, the major case that has been decided since the provisions were enacted, and other recent cases that have emerged in the last few months.

B. *Reimerdes*

In *Universal City Studios, Inc. v. Reimerdes (Corley)*,¹⁸⁵ the defendants operated web sites that distributed DeCSS, a software utility that circumvents Content Scramble System ("CSS"). CSS is an encryption program that controls access to digital versatile disks ("DVDs"). CSS allows the playback, but not the copying, of DVDs on authorized playback machines such as DVD players and DVD hard drives used with certain computer operating systems. The motion picture industry also uses CSS to control which regions of the world will have access to a particular DVD at a particular time in order to engage in sequential release of the film.¹⁸⁶ DeCSS soon began appearing on numerous web sites in the United States and abroad.¹⁸⁷

The district court enjoined Corley from distributing the DeCSS software on his website or from linking to other websites for the purpose of distributing the software. The case is currently on appeal to the Second Circuit. The defendants pointed out that

¹⁸⁵ 111 F. Supp. 2d 294 (S.D.N.Y. 2000). The case is currently on appeal before the Second Circuit. Initial appellate briefs were filed in January and February 2001. The case is officially known as *Universal City Studios, Inc. v. Reimerdes*. Reimerdes settled with the plaintiffs after the preliminary injunction was issued. Eric Corley, who publishes *2600: The Hacker Quarterly* and maintains the 2600.com web site, was the primary defendant when the decision was handed down in August and is the principal defendant on appeal.

¹⁸⁶ See Mike Godwin, *Digital Millennium Copyright Act Spurs Controversy*, E-COMMERCE LAW WEEKLY, at www.law.com (May 1, 2000). The practice of using separate release "windows" for different media and different geographic locations allows the distributor to extract the maximum revenues from each user population. See BRUCE M. OWEN & STEVEN S. WILDMAN, VIDEO ECONOMICS 26-52 (1992).

¹⁸⁷ See *Reimerdes*, 111 F. Supp. 2d at 311.

many individuals might use their software for legitimate, noninfringing uses, and that under *Sony*, this fact would preclude restricting the sale or distribution of the DeCSS technology. The district court dismissed this argument, noting that Congress had specifically and purposefully written the law in such a way so that the *Sony* case would not apply to violations of § 1201.¹⁸⁸ Indeed, Congress intentionally placed §§ 1201 and 1202 outside of the parameters of copyright. The Committee dismissed the fears of copyright scholars that these new provisions would grant copyright owners greatly enhanced powers.¹⁸⁹ The district court acknowledged that the DMCA as applied will have the practical effect of severely limiting fair use, and potentially giving copyright owners control over works that are in the public domain. Therefore, the law clearly extends control beyond that authorized under the Copyright Act and the Copyright Clause.¹⁹⁰

CONCLUSION: COPYRIGHT LIABILITY, THE INTERNET, AND THE
ONE-WAY CHAIN OF COMMERCE

Copyright liability continues to expand. Congress and the courts seem caught in a cycle of “one step forward, two steps back.” When the first Copyright Act was passed in 1790, extra consideration was given to intermediaries in the communication chain to shield them from the chilling effects of liability. During the nineteenth and twentieth centuries, those intermediaries were brought more tightly under the reign of the content industries through the imposition of strict liability. Forced to consider the economic consequences of their speech activities, these intermediaries evolved into full-scale, one-way distribution media for the content industries. At the same time, the growing economic importance of intellectual property to the economy led courts to develop third-party copyright liability in the form of contributory and vicarious infringement.

This development of direct and third-party liability in statutory and case law is based on the assumption that the intermediaries involved in the distribution of copyrighted works are part of a one-way communication chain from the author to the public. Congress and the courts believe the primary purpose of these intermediaries is the commercial distribution of a commodity. For example, in

¹⁸⁸ H.R. REP. NO. 105-551, pt. 2, at 25 (1998).

¹⁸⁹ *See id.*

¹⁹⁰ For a more complete discussion of how the anti-circumvention provisions may be unconstitutional and threaten free speech, see Samuelson, *supra* note 8; Jackson, *supra* note 8.

justifying the imposition of strict liability on distributors, one witness involved in the 1976 revision process argued:

If [an innocent bookseller] bought that [infringing] book from a responsible wholesaler he can, in turn, turn to the wholesaler and collect from him the statutory damages. *This carrying back of liability through the chain of commerce protects him against these unnatural situations, which rarely arise, where he may be held responsible.* It's only in those instances where he really turns outside the channels of commerce but where you can't prove his lack of innocence that he would have to bear the burden himself.¹⁹¹

Another witness at that hearing argued that the bookseller's profit motive would prevent liability from having a chilling effect on speech: "I don't think that the public would be deprived of reading matter because of the hesitation of booksellers to market works. Certainly a retail bookseller is not going to carry fewer works because he thinks that there might be a copyright claim asserted against any of them."¹⁹²

Both of these examples rely on businesses marketing works rather than citizens engaging in discussion. Courts have held a similar view. In *Shapiro, Bernstein & Co. v. Goody*,¹⁹³ the retailer was liable for selling infringing records even though there was no way to tell the records were infringing. The court reasoned:

[T]he appellees urge that in their case it would be unjust to burden them with the impractical responsibility of ascertaining at their peril whether records they sell have been authorized But this burden, we think, is not unduly onerous; most reputable manufacturers can easily demonstrate to their customers that their records are authorized. When dealing with unknown manufacturers the burden on a purchaser for resale to exercise caution is no greater than that required of the buyer of any merchandise which might infringe.¹⁹⁴

Here again we find the assumption of businesses involved in the distribution of goods rather than individuals engaged in free speech.

The DMCA is a departure from previous liability standards in that it sets out to protect the intermediary through special provisions that grant some immunity from liability. Yet the cost of this

¹⁹¹ COPYRIGHT LAW REVISION, PT. 4, *supra* note 1, at 166 (statement of Irwin Karp, Authors League of America) (emphasis added).

¹⁹² *Id.* at 168 (statement of Horace Manges, Joint Copyright Committee of American Book Publishers Institute).

¹⁹³ 248 F.2d 260 (2d Cir. 1957), *cert. denied*, 355 U.S. 952 (1958).

¹⁹⁴ *Id.* at 264.

protection is high indeed. The individual user is sacrificed for the good of the intermediary. What is more, by reducing judicial oversight, the new standards actually expand liability and increase the privatization of copyright.

While this Article has focused on civil liability, it is worth reminding the reader that criminal liability has also been expanding. As noted at the beginning of this Article, the FBI has already arrested one person for criminal violation of the anti-circumvention provisions.¹⁹⁵ The NET Act of 1997 also expands criminal liability by allowing for the criminal prosecution of anyone who, within a 180-day period, willfully distributes copyrighted works having a total retail value of more than \$1000, online.¹⁹⁶ In May 2001, the government obtained its first conviction under the NET Act, and Attorney General John Ashcroft told Congress that increased Internet copyright enforcement would be a priority for the Department of Justice.¹⁹⁷

Copyright owners are using expanded copyright liability to increase their control over content. Rather than focusing solely on users who commit copyright infringement, copyright owners have been targeting the individuals and corporations that provide the technology that facilitates infringement. In the past, these defendants could be found liable only through the theory of contributory infringement articulated in *Sony*. On the one hand, the DMCA and the Ninth Circuit's decision in *Napster* appear to strengthen *Sony* by requiring actual rather than constructive knowledge, and limiting the liability of OSPs. However, this distinction means little if an allegation of infringement is all that is required to establish actual knowledge. The current liability standards encourage copyright owners to deal with the intermediary, bypassing the courts and the direct infringer. This is extremely troubling because only the courts are in a position to impose constitutional and statutory restrictions on the control of content. The intermediary such as an OSP has far less incentive than the direct infringer to challenge the copyright owner's authority in court. In addition, the intermediary does not know all of the circumstances regarding the use of the copyrighted content and so cannot adequately judge the reasonableness of the copyright owner's claim.

The DMCA's anti-circumvention provisions also bypass *Sony* by

¹⁹⁵ See *supra* note 2 and accompanying text.

¹⁹⁶ See 17 U.S.C. § 506(a)(2) (1994), amended by Pub. L. No. 105-147, 111 Stat. 2678 (1997).

¹⁹⁷ See Declan McCullagh, *Ashcroft's Hard Line On Hardcore*, WIRED.COM, at <http://www.wired.com/news/politics/0,1283,44398,00.html> (Jun. 9, 2001).

creating a new cause of action separate from copyright infringement. Under *Sony*, the purveyor of the technology need only demonstrate that there are substantial noninfringing uses for the technology. Under the anti-circumvention provisions, it is irrelevant whether the end-user is committing copyright infringement. Instead the question becomes whether the circumvention technology has substantial uses other than to defeat the copyright owner's anti-circumvention technology. This effectively expands liability and allows the copyright industries to rely more heavily on extralegal technological controls that do not recognize the important limits to copyright.

Both the legislature and the courts tend to view copyright as functioning in the realm of commodities. Within this worldview, the Internet becomes an electronic shopping mall where commerce is valued over free speech. Indeed, the stated purpose of recent amendments to the copyright statute (the NET Act and the DMCA) is to make the Internet "safe for commerce."¹⁹⁸ However, these changes in liability are reducing the Internet's potential as a two-way medium where dialogue, including the fair use of copyrighted works, is possible. Free speech becomes the price we pay to protect commerce. Courts have dismissed most First Amendment concerns related to copyright, holding that the statutory limitations (including limited copyright duration, the merger doctrine, fair use, and the first sale doctrine) are adequate to preserve First Amendment rights. Yet the expansion of copyright liability, coupled with increased reliance on contract law and technology, is allowing copyright owners to effectively privatize enforcement of the law and avoid the statutory limits that preserve constitutional rights.¹⁹⁹

Copyright owners already are beginning to pressure OSPs to cut off subscribers who are accused of committing infringement.²⁰⁰ This is far more serious than simply blocking access to allegedly

¹⁹⁸ H.R. REP. NO. 105-551, pt. 2, at 21-23 (1998).

¹⁹⁹ For a fuller discussion of this point, see Benkler, *supra* note 8; Jackson, *supra* note 8; Jackson, *supra* note 180; Julie E. Cohen, *Copyright and the Jurisprudence of Self-Help*, 13 BERKELEY TECH. L.J. 1089 (1998); Jessica Litman, *The Herbert Tenzer Memorial Conference: Copyright in the Twenty-First Century: The Exclusive Right to Read*, 13 CARDOZO ARTS & ENT. L.J. 29 (1994); Mark Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147 (1998). See generally Lawrence Lessig, *Cyberspace Prosecutor*, THE STANDARD, at <http://www.thestandard.com/article/display/1,1151,10885,00.html> (Feb. 21, 2000); Rosemary Coombe, *Objects of Property and Subjects of Politics: Intellectual Property Laws and Democratic Dialogue*, 69 TEX. L. REV. 1853, 1855 (1991); RONALD V. BETTIG, *COPYRIGHTING CULTURE* (1996); JAMES BOYLE, *SHAMANS, SOFTWARE, AND SPLEENS* (1996).

²⁰⁰ See John Borland, *ISPs Wary of Role in Anti-Piracy Actions*, CNET News, at <http://news.cnet.com/news/0-1005-200-6221068.html> (June 8, 2001).

infringing content (which is disturbing enough). These users are being cut off from one of the world's most important communication networks. This is one means by which the copyright industries are "privatizing" copyright, developing their own control and enforcement measures that bypass established free speech safeguards. This trend should be troubling to all those who value free speech and the right of each individual to participate in the creation of a shared culture.

Ultimately, the type of copyright liability imposed has a direct impact on the structure and evolution of new media. Copyright's current liability standards discourage two-way communication on the Internet. Policymakers and scholars continue to debate specific measures that enhance the position of copyright owners or the myriad intermediaries that distribute content to the public. A more fundamental question remains unanswered: whether we can develop a legal structure that promotes content distribution and unfettered dialogue and cultural participation over the same communication network.

