COPYRIGHT LAW AND THE INTERNET: THE NEW GENERATION OF LEGAL BATTLES IN THE COURTS

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I. INTRODUCTION

The Internet has brought a unique challenge to the courts in applying existing copyright law, and to the legislature which has been forced to create new law in response to these challenges. As a result of the creation of the Internet, new laws must be enacted in order to keep up with the ever-changing world of copyright law as new developments in technology occur. This article discusses existing copyright law and the challenges that the legislature and courts have faced in applying such law to issues involving the Internet. Further, this article discusses the different types of copyright infringement and the problems that have arisen in applying these causes of action to cases involving the Internet. *A & M Records, Inc. v. Napster*[2] and its progeny, which present some of the most difficult issues to come to the court since the development of the Internet, are central to this discussion. This article also discusses why certain aspects of existing copyright law are contrary to the important public policy of promoting the development of technological advances. In conclusion, this article suggests an expansion of the current law regarding copyright.

II. THE INTERNET

"The Internet is not a physical or tangible entity, but rather a giant network which interconnects innumerable smaller

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[1] J.D. Touro College, Jacob D. Fuchsberg Law Center, 2002. This article won Second Prize in the 2002 Nathan Burkan Memorial Competition at Touro Law Center, a competition sponsored by ASCAP. The author wishes to thank Professor Rena Seplowitz for her guidance in writing this article. In addition, the author wishes to thank Dawn Kelly of the Touro Law Review for her editing assistance.

[2] 2000 WL 1009483 (N.D. Cal. 2000).

groups of linked computer networks."[3] The Internet was originally designed by the government as an alternative form of communication, sophisticated enough to continue operation during a variety of situations, including war.[4] The Internet was able to withstand such situations because it was "capable of rapidly transmitting communications without direct human involvement or control and with the automatic ability to re-route communications if one or more individual links were damaged or otherwise unavailable."[5]

Messages sent over the Internet are broken down into many parts called packets.[6] If one route to a particular destination is blocked or overloaded, a single packet may take a different route, ultimately reaching the same destination. At the destination, the packets are reassembled by the receiving computer to form the message.[7] This process takes place in a matter of seconds, making the Internet a "resilient nationwide and ultimately global communications medium."[8] In 1991, the government allowed the commercialization of the Internet.[9] This commercialization and international consumer use resulted in the Internet we know today.[10]

The Internet raises a variety of new legal issues for the courts to resolve. In addition, the Internet has created many new business opportunities. New varieties of businesses, such as online magazines, shopping and advertising are products of the Internet. Information is placed on the Internet by authors or third parties for others to freely view for a specific purpose. Today's technology creates problems because, in addition to viewing this information openly, people may also copy it "freely." Although Internet users may be able to use what they see on the Internet, their use of the material may be contrary to another's right or

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[3] ACLU v. Reno, 929 F. Supp. 824, 830 (E.D. Pa. 1996).
[4] *Id.* at 831.
[5] *Id.*
[6] *Id.*
[7] *Id.*
[8] *ACLU,* 929 F. Supp. at 831.
[9] JONATHAN EZOR, CLICKING THROUGH 8 (Bloomberg Press 2000).
[10] *Id.*

ownership interest. Specifically, this use may interfere with another party's copyright in the material. Whether the material is music, poetry or a picture, they were created by someone who may or may not be aware of their availability on the Internet. That creator has a copyright interest in his work and may exclude others from using that work.[11] Copyright law was enacted to stop unauthorized use and protect the rights of authors.[12]

III. COPYRIGHT LAW

The Copyright Act of 1976[13] protects all original works, both literary and artistic, published and unpublished, which are "fixed in a tangible medium of expression."[14] The Act lists specific categories of protected works, including literature, music, drama, motion pictures and architecture.[15] Specific exclusive rights to the work are given to the author.[16] These exclusive rights are subject to certain limitations[17] and last only for a specified period of time.[18] Federal law governs the majority

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[11] 17 U.S.C. § 106 (2000).

[12] *Id.* § 102.

[13] Pub. L. No. 94-553 (codified as amended at 17 U.S.C. § 101 *et. seq* (2000)).

[14] *Id.* §§ 102, 104.

[15] *Id.* § 102(a).

[16] *Id.* § 106.

[17] *See* 17 U.S.C. §§ 107-122. Statutory limitations on exclusive rights are listed in 17 U.S.C. § 107. These limitations are what the statute calls "Fair Use," meaning the listed uses do not violate the owner's copyright. Fair use includes scholarship, news reporting, and teaching. The statute also provides factors used to determine whether a specific use may be labeled by a court as fair use. Sections 108-122 discuss specific types of uses and the limitations on exclusive copyright ownership those uses address. *Id.* §§ 108-122.

[18] *See* 17 U.S.C. §§ 302-305. The length of copyright protection will depend on factors such as whether it was a joint work, whether the author is alive, whether the author is anonymous and whether it was a work for hire. *Id.*

of copyright law as the Copyright Act preempts the application of state law in many areas.[19]

Under the Copyright Act, the owner of a copyright has "the exclusive rights to do or to authorize..." (1) reproduction of the copyrighted work; (2) preparation of derivative work; (3) distribution of copies of the work; (4) display the work; (5) to display the copyrighted work publicly; and (6) to perform a copyrighted sound recording publicly by means of a digital audio transmission.[20] When a person performs any of these acts without the permission of the copyright holder, she is infringing upon the copyright holder's right and will be liable to the copyright holder. Copyright holders have many remedies available to them, including injunctions,[21] impounding and/or destruction of all infringing articles (such as copies made),[22] damages, profits or statutory damages,[23] as well as the possibility of full costs, which may include reasonable attorney's fees.[24] Criminal penalties are also available under section 506.[25]

There are different categories of copyright infringement. Direct copyright infringement occurs when a person, without the permission of the owner of a copyright, violates any of the six exclusive rights listed in the Copyright Act.[26] The plaintiff in a direct copyright infringement case must prove (1) a violation of any one of the exclusive rights of the copyright owner listed in section 106; and (2) ownership of the copyright.[27] Intent is not a requirement to find direct infringement.[28]

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[19] 17 U.S.C. § 301. State law may cover any aspect of copyright law that is not within the Act. For example, the Act does not cover "any work not fixed in any tangible means of expression." *Id.* § 301(b)(1).

[20] *Id.* § 106.

[21] *Id.* § 502(a).

[22] *Id.* § 503(a) and (b).

[23] 17 U.S.C. § 504(a)-(d).

[24] *Id.* § 505.

[25] *Id.* § 506.

[26] *Id.* § 106(1) - (6).

[27] *Id.* § 501(a) and (b).

[28] Religious Tech. v. Netcom Online Communication Servs., 907 F. Supp. 1361, 1367 (N.D. Cal. 1995).

Contributory copyright infringement and vicarious copyright infringement involve third party responsibility. Most case law in the area of copyright infringement, especially involving the Internet, involves contributory and vicarious infringement. Contributory copyright infringement takes place when a person, "with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another."[29] Vicarious copyright infringement takes place when a person "has the right and ability to control the infringer's acts and receives a direct financial benefit from the infringement."[30]

As the Internet became increasingly popular, the existing copyright protection provided by the law was not sufficiently extensive to cover the formerly unforeseen advances in technology. To rectify this problem, Congress amended the Copyright Act in many areas. One of these amendments resulted in the Digital Millennium Copyright Act (DMCA) of 1998.[31]

IV. THE DIGITAL MILLENNIUM COPYRIGHT ACT (DMCA)

The most basic Internet copyright infringement scenario involves an individual Internet user infringing copyrights by posting or downloading copyrighted material.[32] Rather than blaming the individual user for the infringement, the party usually blamed in this type of a case is the Internet Service Provider (ISP).[33] The reason for shifting the blame from the individual user, who was actually doing the infringing, to the ISP was that

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[29] Gershwin Publ'g Corp. v. Columbia Artists Mgmt., 443 F.2d 1159, 1162 (2d Cir. 1971).

[30] *Religious Tech.*, 907 F. Supp. at 1375.

[31] Digital Millenium Copyright A, Pub. L. No. 105-304 (codified as amended in scattered sections of Title 17 U.S.C. and adding § 1201 and § 1202).

[32] MARK A. LEMLEY et al., SOFTWARE AND INTERNET LAW 872 (Aspen 2000).

[33] *Id.*

the ISP was easier to locate and more likely to be able to pay a judgment.[34]

Congress passed the DMCA in 1998 to remedy blame shifting to ISPs by providing limited safe harbor provisions.[35] The safe harbor provisions provide protection for ISPs, which the Act refers to as Online Service Providers (OSPs), by giving them limited protection for what is posted on their systems.[36] The DMCA changed copyright law by (1) adding safe harbor provisions for Internet service providers;[37] (2) making it illegal to remove the copyright information contained in copyrighted works;[38] and (3) making it illegal to circumvent a copyright protection system put in place to prevent copying.[39]

The DMCA's safe harbor provisions[40] exempt service providers who meet the statutory criteria from liability for direct, vicarious, and contributory copyright infringement.[41] They protect service providers against having to pay monetary damages and limit injunctive relief.[42] To qualify for this safe harbor protection, an entity must be considered a service provider under the statute.

Once an entity is determined to be a service provider, there are additional conditions that must be satisfied.[43] To be eligible for the limitations on liability provided by the safe harbor provisions in this statute, the service provider must also show that it: "(A) has adopted and reasonably implemented, and informs subscribers . . . of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat

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[34] *Id.* at 872.
[35] *Id.* at 872, 888 (citing 17 U.S.C. § 512).
[36] *Id.*
[37] LEMLEY, *supra* note 32, at 891 (citing 17 U.S.C. §512).
[38] LEMLEY, *supra* note 32, at 891 (citing 17 U.S.C. §1202).
[39] LEMLEY, *supra* note 32, at 891 (citing 17 U.S.C. §1201).
[40] LEMLEY, *supra* note 32, at 891 (citing 17 U.S.C. §512 (b)).
[41] A & M Records, Inc. v. Napster, Inc., 2000 WL 573136, at *3 (2000) (citing 17 U.S.C. § 512(a)).
[42] *Id.*
[43] 17 U.S.C. § 512(i)(1).

infringers; and (B) accommodates and does not interfere with standard technical measures."[44] These requirements are in addition to the specific safe harbor provisions found in sections 512 (a), (b), (c) or (d).

An ISP may find safe harbor protection under section 512(a) safe harbor provision if the following five conditions, referring specifically to the "transmitting, routing, or providing connections" by the service provider, are met: [45]

1. [T]he transmission of the material was initiated by or at the direction of a person other than the service provider;
2. the transmission, routing, provision of connections, or storage is carried out through an automatic technical process without selection of the material by the service provider;
3. the service provider does not select the recipients of the material except as an automatic response to the request of another person;
4. no copy of the material made by the service provider in the course of such intermediate or transient storage is maintained on the system or network in a manner ordinarily accessible to anyone other than the anticipated recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to such anticipated recipients for a longer period than is reasonably necessary for the transmission, routing, or provision of connections; and
5. the material is transmitted through the system or network without modification of its content.[46]

An additional safe harbor for service providers is made available in section 512(d).[47] The conditions that a service

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[44] *Id.* § 512.
[45] *Napster,* 2000 WL 573136 at *3 (citing 17 U.S.C. § 512(a)).
[46] 17 U.S.C. § 512 (a).
[47] *Id.* § 512(d).

provider must meet for protection under section 512(d) are as follows:

- (1)(A) does not have actual knowledge that the material or activity is infringing;
- (B) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
- (C) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;
- (2) does not receive a financial benefit directly attributable to the right and ability to control such activity; and
- (3) upon notification of claimed infringement . . ., responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity . . . .[48]

Finally, section 512(n) was added to assist the courts in the application of the DMCA by stating:

> [s]ubsections (a), (b), (c), and (d) describe *separate and distinct functions* for purposes of applying this section. Whether a service provider qualifies for the limitation on liability in any one of those subsections shall be based solely on the criteria in that subsection, and shall not affect a determination of whether that service provider qualifies for the limitations on liability under any other such subsection.[49]

To clarify, the courts apply the safe harbor provisions separately, although they may overlap in some areas.[50] The elements of each must be satisfied entirely for protection under

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[48] *Id.* § 512(k)(1)(A).
[49] *Id.* § 512(n) (emphasis added).
[50] *Napster*, 2000 WL 573136, at *3.

the specific safe harbor.[51] The DMCA has played a significant role in Internet cases by providing some direction to the court for analyzing the technological intricacies of these cases.

V. COPYRIGHT AND THE INTERNET

Nearly everything posted on the Internet is the work of someone else, a creator, whether it is a symbol, essay, book, program, song or picture, unless it is in the public domain.[52] The average individual Internet user may not be aware of copyright laws, seeing the Internet as a free supermarket for ideas, information and other intangible desires. As the Internet evolved into what we know it as today, copyright law has expanded, as well as bent, twisted and turned, to protect all the things on the Internet that may appear "free" to the average Internet user. The courts and legislature faced and continue to face copyright challenges since commercialization of the Internet.[53]

A. Direct Copyright Infringement and the Internet

Direct copyright infringement is the most obvious violation of a copyright owner's rights. In *Playboy Enterprises v. Webbworld*,[54] the defendant, Webbworld, selected adult-oriented newsgroups and downloaded pictures from their site. In addition, they received "news feeds," which are files sent to defendant from the newsgroups, and downloaded them to Webbworld's computers.[55] The defendant used a software program to edit the

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[51] *Id.*

[52] Works in the public domain do not receive copyright protection under the copyright law. *See* Berne Convention Implementation Act of 1998, Pub. L. No. 100-568, sec. 12, 102 Stat. 2853, 2861 (codified at 17 U.S.C. 101 note (2000)). Also, facts are not copyrightable. *See* Harper & Row Publishers v. Nation Enters., 471 U.S. 539 (1985).

[53] EZOR, *supra* note 9 at 8. According to the author, the Internet became commercial in 1991. EZOR, *supra* note 9 at 8.

[54] 991 F. Supp. 543 (N.D. Tex. 1997).

[55] *Id.* at 549.

images and send them to its server computers.[56] Users who paid a monthly subscription fee to the defendant could then view or download the images.[57] Defendant obtained mass amounts of images every day, including many images for which Playboy held valid copyright registrations.[58] Some of the images sent by the defendant to its server computers were "virtually identical" to plaintiff's images and some, even after editing by the defendant, still contained plaintiff's title or emblem.[59]

The court analyzed defendant's actions and found that they violated three of the exclusive rights granted by the Copyright Act; reproduction, display and distribution.[60] First, the court found that the defendant had reproduced plaintiff's images by copying the images onto its server and downloading them from the newsgroups.[61] Second, the court found that despite the fact that the image was only in a digital form on defendant's servers, the defendant displayed plaintiff's copyrighted images by having them available to their users to view before downloading.[62] Third, the court found that the defendant had distributed plaintiff's images when users downloaded the images from the defendant's web servers.[63] Ultimately, the court held that defendant had directly infringed upon plaintiff's copyright registrations.[64]

This case is an example of blatant direct copyright infringement using the Internet. However, most cases are not so clear. Direct copyright infringement is rare because it is so obvious, as in the *Playboy* case where the photos were reproduced exactly on the defendants web site. The majority of

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[56] *Id.* at 550.
[57] *Id.*
[58] *Id.* at 551.
[59] *Playboy*, 991 F. Supp. at 551.
[60] *Id.* (citing 17 U.S.C. § 106). The exclusive rights include the right to reproduce the work, distribute copies of the work and display the work publicly. *Id.*
[61] *Id.*
[62] *Id.* at 551-52.
[63] *Id.* at 551.
[64] *Playboy*, 991 F. Supp. at 553.

the case law falls within the next category of cases, indirect copyright infringement, which is broken down into contributory and vicarious copyright infringement.

B. Indirect Copyright Infringement and the Internet

Proving cases or enforcing laws against direct copyright infringement is difficult when the Internet is at issue. This is true because the parties behind the Internet operation are most often not actually the infringers. The following cases demonstrate how frequently "innocent" parties in contributory and vicarious infringement cases are required to pay for the wrongs of others.

Religious Technology Center v. Netcom Online Communication Services[65] is an example of indirect copyright infringement. The District Court for the Northern District of California clearly set forth the law in this area in its decision on a motion for summary judgment. The defendant, Netcom, was the operator of a bulletin board service where subscribers to the service could post messages or files for others to download.[66] The messages were not monitored by defendant, but were stored briefly on the defendant's system. The messages were then copied to the other server computers.[67] The defendant listed terms and conditions which users were supposed to abide by, and which had previously been enforced by the defendant.[68] One of Netcom's subscribers posted an infringing message on the bulletin board.[69] The court found that while the infringing subscriber could be held directly liable for the act, defendant, as a mere Internet access provider, could not.[70]

The fact that a *prima facie* case for direct copyright infringement could not be made against Netcom does not mean that the defendant was clearly innocent under the law: as the

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[65] 907 F. Supp. at 1375.
[66] *Id.* at 1367.
[67] *Id.*
[68] *Id.* at 1368.
[69] *Id.* at 1366.
[70] *Religious Tech.*, 907 F. Supp. at 1372-73.

court stated, Netcom is not automatically innocent "just because it did not directly infringe plaintiffs' works; it may still be liable as a contributory infringer."[71] In *Religious Technology*, the court stated "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 circumstances in which it is just to hold one individual accountable for the actions of another."[72] The court here was able to justify assuming an arguably innocent party might be liable for another's infringing activities by analogizing to other areas of law where a cause of action of contributory infringement is permitted.[73] The court in *Religious Technology* found that by posting messages on its system to be downloaded by other users, the defendant allowed its subscribers to possibly infringe copyrights.[74] By posting these messages, defendant was in control of its system.[75] This issue of control is important because in order to succeed, the plaintiff must prove that the defendant had control of the system, and knowledge of the infringing activities of its users.[76] Consequently, on a motion for summary judgment, the court found that there were genuine issues of fact regarding the control and knowledge elements which should ultimately be determined by a jury.[77]

In *Gershwin Publishing Corp. v. Columbia Artists Management*,[78] the Second Circuit explained the origins and evolution of contributory and vicarious copyright law.[79] The

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[71] *Id.* at 1373.

[72] *Id.* (citing Sony Corp. v. Universal City Studios, 464 U.S. 417, 435 (1984)).

[73] *Id.*

[74] *Id.*

[75] *Religious Tech.*, 907 F. Supp. at 1375 (citing Shapiro, Bernstein & Co. v. H.L. Green Co., 316 F.2d 304, 306 (2d Cir. 1963)).

[76] *See Gershwin*, 443 F.2d at 1162 (defining a contributory infringer as one who acts "with *knowledge* of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.") (emphasis added).

[77] *Religious Tech.*, 907 F. Supp. at 1383.

[78] 443 F.2d 1159 (2d Cir. 1971).

[79] *Id.* at 1161-62.

defendant, Columbia Artists Management, was an organization that planned concerts, allegedly with the knowledge that the artists did not have licenses to perform the infringing acts.[80] Although defendant was not the direct copyright infringer, defendant was found to have had knowledge, was in a position to stop the infringement and received a financial benefit from the performances.[81] Satisfying all the elements, the defendant was found to be liable for vicarious and contributory copyright infringement.[82]

The *Gershwin* court pointed out that vicarious copyright infringement stems from vicarious liability in *respondeat superior*.[83] The court discussed the evolution of the interpretation of contributory copyright infringement law from an early decision by the Second Circuit in *Gross v. Van Dyk Gravure Co.*[84] In *Gross,* the Second Circuit held that "one may be liable for copyright infringement even though he has not himself performed the protected composition."[85] The *Gershwin* court held that "one 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."[86]

In *Sony Corp. v. Universal City Studios,*[87] the United States Supreme Court used patent law doctrines to eliminate some

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[80] *Id.* at 1163.

[81] *Id.*

[82] *Id.* at 1162.

[83] *Gershwin*, 443 F.2d at 1162.

[84] 230 F. 412 (2d Cir. 1916) (holding that all parties involved in infringement are liable regardless of amount of profits made from infringing activity).

[85] *Id.* at 414. Although the *Gross* court refers specifically to performing a composition, for the purposes of this paper the opinion must be read generally to mean the performing of any one of the exclusive rights of the copyright holder. *See* 17 U.S.C. § 106.

[86] *Gershwin*, 443 F.2d at 1162. The *Gershwin* case was decided in 1971, using the 1968 Supreme Court opinion in *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 396-97 (1968), to formulate its interpretation of contributory copyright infringement.

[87] 464 U.S. 417 (1984).

of the harshness of contributory infringement. Here, the Court found Sony not liable for contributory copyright infringement when Sony manufactured video tape recorders, which could and were being used to infringe copyrights of material through direct copying.[88] The *Sony* Court stated "if vicarious liability is to be imposed on petitioners in this case, it must rest on the fact that they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material."[89] The Court reasoned that video tape recorders have many non-infringing uses, therefore it found that Sony did not have the requisite constructive knowledge required for a party to be held vicariously liable.[90] The Court analogized the issue to patent law, applying a modified version of the "staple article of commerce" doctrine.[91] This doctrine looks at whether the product has "legitimate" or "commercially significant" non-infringing uses that may be said to outweigh the infringing uses.[92] Employing this doctrine, the Court held, "the 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."[93] Finally, relying on the argument that the video tape recorder's use is "non-commercial time-shifting in the home," the Court found that the video tape recorder is capable of substantial non-infringing uses and therefore Sony's sale of this item did not constitute contributory copyright infringement.[94]

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[88] *Id.* at 456.

[89] *Id.* at 439.

[90] *Id.* at 442.

[91] *Id.* The staple article of commerce doctrine stems from 35 U.S.C. § 271(c) which provides in relevant part: "Whoever sells a component of a patented machine, . . . knowing the same to be especially made or especially adapted for use in an infringement of such patent, *and not a staple article or commodity of commerce suitable for substantial noninfringing use*, shall be liable as a contributory infringer." *Id.* (emphasis added).

[92] *Sony*, 464 U.S. at 442.

[93] *Id.*

[94] *Id.* at 456.

In *Fonovisa, Inc. v. Cherry Auction, Inc.*[95], the Ninth Circuit applied contributory and vicarious copyright law in its strictest sense, again shifting the blame from the actual infringing party to a third party on the theory of control.[96] In *Fonovisa*, the operators of a flea market were held liable for contributory and vicarious copyright infringement because vendors at the flea market were selling infringing musical recordings.[97] The defendant operators received a daily rental fee from independent vendors to participate in the flea market.[98] According to the record, it was undisputed that the defendants were aware of the counterfeit recordings that were infringing upon the rights of plaintiff.[99] The court found that since the defendants retained the right to exclude a vendor for any reason, the defendants had the ability to exclude a vendor for infringement.[100] Therefore, the defendants were liable under a vicarious liability theory.

The *Fonovisa* court first analyzed the vicarious copyright infringement claim using a comparison to two types of cases, an approach used by the Second Circuit in *Shapiro, Bernstein & Co. v. H.L. Green Co.*[101] This approach involved comparing each case to one of two types of legal situations: a landlord-tenant situation or a dance hall situation in order to determine liability for vicarious copyright infringement.[102] The *Shapiro* court explained that in landlord-tenant cases, "a landlord . . . lacked knowledge of the infringing acts of its tenant and . . . exercised no control over the leased premises" and therefore was not liable for the activities of his tenant.[103] As to the "dance hall cases,"

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[95] 76 F.3d 259 (9th Cir. 1996).
[96] *Id.* at 264.
[97] *Id.* at 260-61.
[98] *Id.* at 261.
[99] *Id.*
[100] *Fonovisa,* 76 F.3d at 261.
[101] 316 F.2d 304 (2d Cir. 1963).
[102] *Fonovisa,* 76 F.3d at 264 (explaining dance hall cases as those which involve operator of dance hall or entertainment venue where the infringing performance is performed by the entertainers, yet the dance hall is held liable).
[103] *Id.*

the operator of such "could control the premises and . . . obtained a direct financial benefit from the audience."[104] The *Fonovisa* court found the facts of the case more similar to the "dance hall cases" because according to the complaint, the defendant exercised sufficient control as it had the right to exclude a vendor for any reason.[105] As to the financial benefit, the court found that the payment of the daily rental fees by the vendors, plus the direct benefits to the defendants from the customers, including, but not limited to sales, admission fees and food, were sufficient to allege direct financial benefit.[106] Therefore, the court held that the plaintiffs stated a valid claim for vicarious copyright infringement.[107]

The *Fonovisa* court then considered contributory copyright infringement and found that the plaintiffs sufficiently alleged that the defendant operators had knowledge of the infringing activity as well as material contribution to the infringing activities.[108] It was undisputed that the defendants were aware of the infringing materials sold.[109] However, the court had to make a determination as to the material contribution element.[110] In analyzing this factor, the court looked to the defendant operators' acts in providing the space, utilities, parking, etc., and in "striv[ing] to provide the environment and the market for counterfeit recording sales to thrive."[111] The court found these acts by the defendants were sufficient to satisfy the material contribution requirements for both vicarious and contributory copyright infringement.[112]

Contributory copyright infringement was applied broadly in order to hold those not directly responsible for the

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[104] *Id.* at 262-63 (citing *Shapiro, Bernstein & Co.*, 316 F.2d at 307).
[105] *Id.*
[106] *Id.* at 263.
[107] *Fonovisa,* 76 F.3d at 264.
[108] *Id.*
[109] *Id.* at 261.
[110] *Id.* at 264.
[111] *Id.*
[112] *Fonovisa,* 76 F.3d at 264.

infringement liable. Such was the case in *Fonovisa*.[113] Originally, the district court in *Fonovisa* found that the contribution to infringement requirement for contributory copyright infringement should be limited to situations when the defendant "expressly promoted or encouraged the sale of counterfeit products, or in some manner protected the identity of the infringers."[114] This original holding required more of an overt act for liability to attach. Later, the circuit court in *Fonovisa* relaxed the requirement of contribution, thus making it easier to satisfy such a requirement and holding more defendants liable in contributory copyright infringement.[115]

A consequence of third party liability is that it inhibits advancements in technology. The Supreme Court in *Sony* described intent and purpose of copyright law by quoting from the Copyright Act of 1909 Judiciary Committee of the House of Representatives which states:

> The enactment of copyright legislation by Congress under the terms of the Constitution is not based upon any natural right that the author has in his writings, . . . but upon the ground that the welfare of the public will be served and progress of science and useful arts will be promoted by securing to authors for limited periods the exclusive rights to their writings.[116]

The law of contributory and vicarious copyright infringement is against public policy because it hinders technology. In other words, third party liability punishes those who create the technological advances others may use for infringing purposes. Technological advances are important in a growing society and allowing the law to hinder progress affects important societal interests. The law of contributory copyright

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[113] *Id.*

[114] Fonovisa, Inc. v. Cherry Auction, Inc., 847 F. Supp. 1492, 1496 (E.D. Cal. 1994), *rev'd*, 76 F.3d 264 (9th Cir. 1996).

[115] *Fonovisa*, 76 F.3d at 264.

[116] *Sony*, 464 U.S. at 429 (citing H.R. Rep. No. 2222, 60th Cong., 2d Sess. 7 (1909)).

infringement should require more than mere knowledge, and the safe harbor provisions should be expanded to protect those entities making technological advances, without the intent to infringe on the rights of another.

VI. *A&M RECORDS V. NAPSTER*[117]

"The matter before the court concerns the boundary between sharing and theft, personal use and the unauthorized worldwide distribution of copyrighted music and sound recordings."[118]

The *Napster* case was one of the most important and interesting cases involving the Internet in the year 2000. Napster was one of the first websites of its kind, allowing Internet users to share music from computer to computer.[119] Napster's software is an example of a technological advancement that was virtually eliminated because of copyright law.

Shortly after its inception, Napster offended major recording artists, record labels and publishing companies, all of whom were losing money as a result of this convenient new way to acquire music.[120] There was national interest when several record companies brought suit in an attempt to put an end to Napster's activities.[121] The following is the sequence of events which took place in the courts deciding this difficult conflict between sharing and theft using this innovative new technology.

Napster was a California based company created by a college student who produced music-swapping software for personal use, also making it available, free of charge, for others to download off the Napster website.[122] The software allows users to share music files with other users who are logged onto

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[117] A & M Records v. Napster, Inc., 114 F. Supp. 2d 896 (N.D. Cal. 2000).

[118] *Id.* at 900. Chief District Judge Marilyn Hall Patel's opening line of the opinion. *Id.*

[119] *Napster,* 2000 WL 573136 at *1.

[120] *Napster,* 114 F. Supp. 2d at 901.

[121] *Id.*

[122] *Id.* 901-02.

Napster's system at the same time.[123] The software provided by Napster enables users to read a list of songs available for downloading by other users.[124] Users can also find the music they want by entering the name of the song or artist and the software will assist in finding it.[125] The user can then download the selected file by clicking a button, causing the Napster server to communicate with the computer storing the music and initiate the download.[126]

On December 6, 1999, the plaintiffs, a group consisting of A&M Records, along with seventeen other record labels, filed suit for contributory and vicarious federal copyright infringement and other state law claims.[127] Although the original complaint was against Napster and its CEO, Eileen Richardson,[128] the court eventually dismissed all claims against Richardson.[129]

Napster first moved for summary judgment on May 12, 2000, claiming protection under the safe harbor provision of the DMCA, at section 512(a).[130] Napster, as a service provider, would be able to claim protection only if the five statutory conditions were met.[131] As a threshold issue, Napster had to qualify as a "service provider" under the statute before it could claim the safe harbor protection.[132] The *Napster* court stated that the "plaintiffs appear to concede that Napster is a 'service provider' within the meaning of [the statute]," therefore Napster only needed to satisfy the remaining five conditions to qualify for protection under the safe harbor provision.[133]

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[123] *Napster*, 2000 WL 573136 at *1.
[124] *Id.*
[125] *Id.*
[126] *Id.*
[127] *Id.* This article will limit the discussion of the case to the federal copyright questions.
[128] *Napster*, 2000 WL 573136 at *1.
[129] *Id.*
[130] *Id.*; *see supra* discussion at Part IV: Digital Millenium Copyright Act.
[131] 17 U.S.C. § 512(a).
[132] *Napster*, 2000 WL 573136 at *3 (citing 17 U.S.C. § 512(a)).
[133] *Id.* at *3; *see supra* discussion at Part IV: Digital Millenium Copyright Act.

A. *DMCA Safe Harbor*

The court analyzed each of the five conditions in section 512(a)'s safe harbor provision to determine whether Napster qualified for protection.[134] Napster argued that it satisfied each of the conditions because its users initiated the transmission of MP3 files.[135] In addition, because Napster did not edit any input, select the users, make any copies of the material, or modify the material, the conditions were all satisfied.[136]

However, the plaintiffs argued that Napster's functions went beyond those listed in the statute.[137] They argued that these other functions must be analyzed separately under section 512(n).[138] The other functions that the plaintiffs referred to were Napster's providing a search engine, directory, index and links.[139] The plaintiffs argued "these functions are covered by the more stringent eligibility requirements of §512(d) rather than §512(a)."[140] Section 512(d), titled "Information Location Tools," provides protection for Internet service providers that use "information location tools, including a directory, index, reference, pointer, or hypertext link, if the provider [meets three additional conditions]."[141]

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[134] *Id.* at *4; *see supra* discussion at Part IV: Digital Millenium Copyright Act.

[135] MP3 files are audio recordings stored in a digital format, which can be copied onto a hard drive from an audio CD. *Napster,* 114 F. Supp. 2d at 901.

[136] *Napster,* 2000 WL 573136 at *4; *see supra* discussion at Part IV: Digital Millenium Copyright Act.

[137] *Id.*

[138] *Id.*

[139] *Id.*

[140] *Napster,* 2000 WL 573136 at *4. 17 U.S.C. § 512(a) is the safe harbor provision for Internet service providers with five conditions to be satisfied while section 512(d) is a safe harbor provision which contains five conditions that a service provider must satisfy if it supplies information location tools. The section 512(d) conditions are more stringent according to the plaintiffs. 17 U.S.C. § 512(a) and (d). *See supra* discussion at Part IV: Digital Millenium Copyright Act.

[141] 17 U.S.C. § 512(d); s*ee supra* discussion at Part IV: Digital Millenium Copyright Act.

In response to the first argument, the court held, "finding some aspects of the system outside the scope of subsection 512(a) would not preclude a ruling that other aspects do meet 512(a) criteria."[142] Therefore, the court held that these functions must also be analyzed under 512(d).[143] Since it was deciding a motion for summary judgment brought by Napster, the court did not need to rule on the applicability of section 512(d) since this was not part of Napster's original argument.[144] However, the court further commented, "the applicability of subsection 512(d) does not completely foreclose use of the 512(a) safe harbor as an affirmative defense."[145]

The plaintiffs further argued that Napster did not satisfy the fourth condition of the section 512(a) safe harbor provision because the MP3 files are stored on Napster's system for longer than the duration of the transmission.[146] The court looked at the plain language of the statute as well as the legislative history and determined that the transmission "goes from one part of the system to another . . . but not 'through' the system," therefore finding that Napster did not meet the requirements of the safe harbor provision.[147] Consequently, the court held that "§512(a) did not protect the transmission of MP3 files," and summary judgment for Napster must be denied.[148]

The court gave an additional reason for denying the defendant's motion for summary judgment in that there were genuine questions of fact regarding whether or not the defendant had fulfilled the additional safe harbor eligibility requirement found in section 512(i).[149] This section of the statute states that a service provider will be protected by the safe harbor provisions only if the provider "has adopted and reasonably

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[142] *Napster*, 2000 WL 573136 at *6.
[143] *Id.*
[144] *Id.*
[145] *Id.*
[146] *Id.*
[147] *Napster*, 2000 WL 573136 at *7-*8.
[148] *Id.*
[149] *Id.* at *9.

implemented . . . a policy"[150] providing for punishment in the form of termination of that user account when there is repeated infringement taking place.[151] The court found there were genuine issues of material fact as to whether Napster had implemented and enforced such a policy.[152] The court noted that Napster had a policy.[153] However, Napster created this policy after litigation began in order to comply with the statute.[154]

B. Fair Use Defense

On July 26, 2000, the plaintiffs moved for a preliminary injunction to prevent Napster from continuing its activities.[155] The court found that there was a strong likelihood of success for the plaintiffs, reasoning that direct infringement by Napster users would establish contributory and/or vicarious liability on Napster itself.[156] The court found that Napster users directly infringed by downloading copyrighted music.[157] Napster raised the affirmative defense of "fair use" in opposition of the injunction.[158] Fair use as a statutory defense has four factors which must be balanced by the court:[159]

(1) The purpose and character of the use including whether it is of a commercial nature;
(2) the nature of the copyrighted work;
(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
(4) the effect of the use upon the potential market for value of the copyrighted work.[160]

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[150] 17 U.S.C. § 512(i)(1).
[151] *Id.* § 512(i)(1)(A).
[152] *Napster*, 2000 WL 573136 at *10.
[153] *Napster*, 114 F. Supp. 2d at 918.
[154] *Napster*, 2000 WL 573136 at *4.
[155] A & M Records v. Napster, Inc., 2000 WL 1009483 (N.D. Cal 2000).
[156] *Id.* at *1.
[157] *Id.*
[158] *Id.* at *1.
[159] 17 U.S.C. § 107.
[160] *Id.*

The burden was on Napster to show that its activities constituted fair use.[161] Despite Napster's claim of fair use of sampling, space shifting and authorized distribution, the court found that Napster's non-infringing uses of the copyrighted materials were minimal.[162] The court implied the fair use argument that Napster used was a theory developed after litigation began rather than the reality.[163] Of those factors, those most disputed were "the nature of the copyrighted work" and "the amount and substantiality of the portion used in relation to the copyrighted work as a whole."[164] As to the second factor, the nature of the copyrighted work, the court explained that the works in question were musical compositions for which copyrights are normally obtained.[165] As to the third factor, the amount and substantiality of the portion used, the whole musical composition was downloaded.[166] In evaluating the fourth factor, harm to the market, the court found that the use of the Napster website harmed the market in two ways. First, Napster users were obtaining music for free when they would normally have had to pay for it. Second, Napster was hindering plaintiffs' ability to enter the market of digital music downloading.[167] Balancing these factors, the court found that Napster's use did not qualify as fair use.[168]

The court granted the preliminary injunction, enjoining Napster from "causing or assisting or enabling or facilitating or contributing to the copying, duplicating or otherwise other infringement upon all copyrighted . . . material in which plaintiffs hold a copyright or . . . rights."[169]

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[161] *Napster*, 2000 WL 1009483 at *2.
[162] *Id.*
[163] *Id.*
[164] *Id.*
[165] *Id.*
[166] *Napster*, 2000 WL 1009483 at *2.
[167] *Id.*
[168] *Id.*
[169] *Id.* at *8.

C. *Contributory and Vicarious Liability*

On August 10, 2000, the court heard a joint motion for a preliminary injunction brought by both the record companies and the music publishers to preclude Napster from "engaging in or assisting others in copying, downloading, uploading, transmitting, or distributing copyrighted music without the express permission of the rights owner."[170] Again the court rejected Napster's argument to expand the fair use doctrine to allow Napster users to download MP3 files.[171] Moreover, Napster argued that the infringement was by third party users and plaintiffs did not show probable success on the merits of the claims for contributory and vicarious infringement pending against Napster.[172] Napster claimed that the owners of the copyrighted music were not harmed by Napster's operation.[173] The court rejected Napster's arguments, and granted the plaintiff's motion for preliminary injunction.[174]

For the plaintiffs to succeed on the claims of contributory or vicarious copyright infringement they had to demonstrate that Napster facilitated direct copyright infringement by a third party.[175] The court found that the plaintiffs not only succeeded in demonstrating this, but additionally "established a prima facie case of direct copyright infringement" by Napster users.[176] In making this determination, the court found that eighty-seven percent of the music files downloaded or uploaded by Napster users were copyrighted and that more than seventy percent of the copyrights were owned or administered by the plaintiffs in the action.[177]

Once direct copyright infringement by Napster users was established, the plaintiffs had to establish their claims for

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[170] *Napster*, 114 F. Supp. 2d at 900.
[171] *Id.* at 900-01.
[172] *Id.* at 901.
[173] *Id.*
[174] *Id.*
[175] *Napster*, 114 F. Supp. 2d at 911.
[176] *Id.*
[177] *Id.*

contributory and vicarious copyright infringement.[178] The two requirements of contributory infringement, as set forth in *Gershwin*, are knowledge[179] and inducement, cause or material contribution to the conduct of another.[180]

The knowledge requirement in the definition refers to that which the defendant has reason to know of, and not actual knowledge of the action.[181] The court found that Napster had at least constructive knowledge of its users' infringement.[182] In other words, the court found that Napster had reason to know of the copyright infringement of its users.[183] As to the second element, the court found that Napster materially contributed to the copyright infringement of its users because without the services of Napster, users would not be able to locate and download the copyrighted music.[184] Therefore, the court found that there was a reasonable likelihood of success on the claim of contributory copyright infringement.[185]

The court then considered the likelihood of success of the claim for vicarious copyright infringement.[186] Vicarious copyright infringement requires the defendant to have "the right and ability to supervise the infringing activity and also ha[ve] a direct financial interest in such activities."[187] The court distinguished between these two elements of vicarious copyright infringement.[188] As to the first element, plaintiffs successfully showed that Napster can supervise the conduct of its users,

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[178] *Id.* at 918.
[179] *Id.* at 912.
[180] *Napster*, 114 F. Supp. 2d at 919.
[181] *Id.* at 918 (citing Cable/Home Communication Corp. v. Networks Prods., 902 F.2d 829, 846 (11th Cir. 1990); Sega Enter. v. Maphia, 948 F. Supp. 923, 933 (N.D. Cal. 1996)).
[182] *Napster*, 114 F. Supp. 2d. at 920.
[183] *Id.*
[184] *Id.*
[185] *Id.*
[186] *Id.*
[187] *Napster*, 114 F. Supp. 2d at 920 (citing *Fonovisa*, 76 F.3d at 262).
[188] *Id.*

although such supervision is difficult.[189] Regarding the second element, the plaintiffs argued that financial interest does not require actual revenue generated from the activity.[190] They relied on prior cases that interpreted 'financial interest' as being mere economic incentive in the infringing activities.[191] The court recognized that Napster did not earn revenue in its operations while also recognizing that Napster expected to eventually earn revenue by offering more music and increasing its user base.[192] With both elements satisfied, the court found that there was a reasonable likelihood of success on the claim of vicarious copyright infringement.[193]

The preliminary injunction issued by the court did not shut down Napster's website.[194] It did, however, leave Napster with a heavy burden.[195] The court ordered Napster to develop the means to ensure that any copyrighted music owned by the plaintiffs was not copied by Napster users.[196] In order to achieve that, Napster was ordered to work directly with the plaintiffs in identifying which works were owned by the plaintiffs.[197]

Napster appealed the injunction on February 12, 2001.[198] The court of appeals affirmed in part and reversed in part.[199] Although the court of appeals agreed with issuing a preliminary injunction, it held that the injunction was too broad and needed to be modified.[200] The court found that contributory liability may be imposed if Napster "(1) receives reasonable knowledge of

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[189] *Id.* at 920-21.

[190] *Id.* at 921.

[191] *Napster*, 114 F. Supp. 2d at 921 (citing Major Bob Music v. Stubbs, 851 F. Supp. 475 (S.D. Ga. 1994); Walden Music v. C.H.W., Inc., 1996 WL 254654, at *5 (D. Kan. 1996); Broadcast Music v. Hobi, Inc., 1993 WL 404152, at *3 (M.D. La. 1993)).

[192] *Id.*

[193] *Id.*

[194] *Id.* at 927.

[195] *Id.*

[196] *Napster*, 114 F. Supp. 2d at 927.

[197] *Id.*

[198] A & M Records v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001).

[199] *Id.* at 1029.

[200] *Id.* at 1027.

specific infringing files with copyrighted musical compositions and sound recordings; (2) knows or should know that such files are available on the Napster system; and (3) fails to act to prevent viral distribution of the works."[201]

Employing the *Sony* Court's reasoning, the circuit court refused to impute the knowledge to Napster simply because Napster created the system which facilitated infringement.[202] Rather, the court pointedly distinguished between Napster's system and Napster's conduct.[203] The court held that to rest its decision of contributory liability on the existence of knowledge just from allowing the infringing use to take place would violate the holding of *Sony*.[204] However, the court of appeals agreed with the lower court's assessment that Napster had actual knowledge of the direct infringement of its users and still failed to remove the offensive material. Therefore, the court of appeals held that Napster was nevertheless liable.[205]

The court of appeals determined that the injunction was too broad because it required Napster alone to ensure that its system was not used to copy, download, upload, transmit, or distribute any of plaintiffs' music.[206] This court held that plaintiffs be required to provide notice to Napster of the copyrighted works on its system before Napster should have to act to prevent access to such works.[207] The injunction also stated that Napster would have to monitor its system to stop copyright infringement from occurring.[208] The court of appeals recognized that enforcing this part of the injunction would be extremely difficult, since monitoring a system such as Napster, where the copyrighted material may be renamed by the Napster user, may

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[201] *Id.*
[202] *Id.* at 1020-21 (citing *Sony*, 464 U.S. at 436).
[203] *Napster*, 239 F.3d at 1020.
[204] *Id.* at 1021.
[205] *Id.* at 1020.
[206] *Id.* at 1027.
[207] *Id.*
[208] *Napster*, 114 F. Supp. 2d at 927.

be complicated.[209] The court of appeals also advised the district court on remand to issue the injunction with the Napster system in mind, specifically because the system "does not currently appear to allow Napster access to users' MP3 files."[210]

D. The Final Result

The *Napster* case was remanded and the district court issued its opinion on March 5, 2001, amending the injunction in accordance with the decision of the court of appeals.[211] Finally, on September 24, 2001, Napster settled with the music publishers for $26 million for past copyright infringement plus $10 million as an advance for future licensing royalties.[212] The remaining plaintiffs will probably also settle with Napster in the near future as the judge issued a stern warning that no additional papers be filed against this defendant.[213]

It is noteworthy that both the music producers (the copyright holders) as well as Napster appealed the modified preliminary injunction.[214] The plaintiffs argued that although the district court was carefully monitoring Napster's compliance with the modified preliminary injunction, the court determined that Napster failed to become compliant under the terms of the injunction.[215] The plaintiffs argued that Napster was obligated to block all files containing any protected works not just those works that the plaintiffs alerted Napster to.[216]

Napster cross appealed arguing that any requirement that they police their system was both vague and failed to conform to

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[209] *Napster*, 239 F.3d at 1027.

[210] *Id.* at 1028.

[211] A & M Records v. Napster, Inc., 2001 WL 227083 (N.D. Cal. 2001). The same opinion was issued with regards to the actions by Metallica and Jerry Leiber. *See* Metallica v. Napster, Inc., 2001 WL 777005 (N.D. Cal. 2001); Leiber v. Napster, Inc., 2001 WL 789461 (N.D. Cal. 2001).

[212] *Napster Reaches Settlement With Music Publishers*, 3-1 ANDREWS E-BUS. L. BULL., Nov. 2001, at 4.

[213] Joel Mowbray, *Napster No More*, NAT'L L. J., Oct. 1, 2001, at A19.

[214] A & M Records v. Napster, Inc., 284 F.3d 1091, 1096 (9th Cir. 2002).

[215] *Id.* at 1095-96.

[216] *Id.* at 1096.

the fair notice required of Federal Rule of Civil Procedure 65(d).[217] The court rejected this argument stating that the standard to set aside injunctions under Rule 65 requires an injunction to be so vague that it has no reasonable specific meaning.[218] In addition, the court held that Napster had a duty to police its system to prevent any further vicarious copyright infringement.[219]

The court's decision in this case effectively affirmed the district court's preliminary injunction and moreover affirmed the shut down order entered by the district court.[220] In essence this decision was fatal to Napster as the court placed the responsibility of locating the offending material on the defendant.

The final *Napster* decision, modifying the preliminary injunction, is an example of why third party liability must be limited by requiring more than mere knowledge that someone else is infringing on a copyright or that the possibility exists that others may have the ability to control the infringing action of another. The overwhelming task of preventing third party infringing may inhibit numerous technological advances such as the Napster system. This is contrary to a public policy that otherwise seeks to encourage technological advancement. In order to avoid this inhibition of technology, third party liability should require some overt act such as promotion of the

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[217] FED. R. CIV. PROC. 65(d) provides for the form and scope of an injunction or restraining order.

> Every order granting an injunction and every restraining order shall set forth the reasons for its issuance; shall be specific in terms; shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained; and is binding only upon the parties to the action, their officers, agents, servants, employees, and attorneys, and upon those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise.

Id.

[218] *Napster*, 284 F.3d at 1097.

[219] *Id.*

[220] *Id.* at 1099.

infringement or encouragement of the infringement before liability attaches. The court of appeals decision modifying the preliminary injunction is an example of the judiciary moving in the direction of limiting third party liability. If systems such as Napster were to actively implement a policy against infringement and actively monitor to the best of its ability using current technology a system to avoid infringement, the courts may hold for defendants in future cases.

VII. THE DMCA AFTER NAPSTER

The Fourth Circuit decided the case of *ALS Scan v. RemarQ Communities, Inc.*[221] on February 6, 2001. *ALS Scan* involves another interpretation of the DMCA.[222] Plaintiff, ALS Scan, creates and markets adult photographs that are displayed on the Internet to its paying subscribers and sold on videotapes and CD ROMs.[223] Defendant, RemarQ, is an Internet service provider that offers over 30,000 newsgroups on different topics.[224] Users are able to post articles that remain on the newsgroup for eight to ten days.[225] The defendant has the ability to monitor these newsgroups, although it does not do so.[226] Two of the newsgroups contained hundreds of plaintiff's copyrighted images and were even named after ALS Scan.[227] Plaintiff sent a letter to RemarQ notifying it of the infringement and demanding that RemarQ cease the infringing activity.[228] The defendant refused to comply, stating that it would only eliminate those items identified by the plaintiff as infringing.[229] DMCA claims were brought before the United States District Court for the District of

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[221] 239 F.3d 619 (4th Cir. 2001).
[222] *Id.*
[223] *Id.* at 620.
[224] *Id.*
[225] *Id.*
[226] *ALS Scan*, 239 F.3d at 620.
[227] *Id.*
[228] *Id.*
[229] *Id.* at 621.

Maryland.[230] The district court granted summary judgment in favor of RemarQ finding that ALS Scan failed to meet the notice requirement of section 512(c) of the DMCA.[231] ALS Scan appealed the district court's decision.[232]

ALS Scan argued that it complied with the notification requirement of the Act and therefore RemarQ could not claim protection under the safe harbor provision.[233] Knowledge on the part of the infringing party is a requirement for liability under the DMCA.[234] To meet this requirement, the copyright holder must provide proper notice to the service provider of the infringing acts.[235] RemarQ argued that because ALS Scan did not identify the infringing works, RemarQ did not have notice "as a matter of law."[236] RemarQ further claimed that since it did not have actual knowledge, it was protected by the safe harbor provision.[237] The court analyzed RemarQ's conduct under the applicable safe harbor provision entitled "Information residing on systems or networks at direction of users."[238] The safe harbor provides protection to service providers:

> For infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider - (A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;

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[230] *Id.* at 622.

[231] *ALS Scan,* 239 F.3d at 624.

[232] *Id.* There was a discussion by the Fourth Circuit on whether the district court granted summary judgment or a motion to dismiss but the discussion was found irrelevant. However, the Fourth Circuit refers to the district court's decision, using both summary judgment and motion to dismiss throughout the opinion. *Id.*

[233] *Id.* at 622 (citing 17 U.S.C. § 512(c)(3)(A)).

[234] 17 U.S.C. § 512(c)(3)(A).

[235] *Id.* § 512(c)(3)(A)-(B).

[236] *ALS Scan*, 239 F.3d at 622.

[237] *Id.*

[238] *Id.* at 623 (citing 17 U.S.C. § 512(c)).

> (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or *(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;* [239]

In order to evaluate the removal of the material upon notice the court had to determine whether ALS Scan had complied with the notice requirement found in §512(c)(3)(A).[240] This section of the statute contains six requirements for notification of which the district court found that ALS Scan had complied with all but two of them.[241] RemarQ claimed that ALS did not give a representative list of the infringing pictures and it did not identify the pictures with sufficient detail so that RemarQ could locate them.[242]

The court looked to the legislative history of the enactment of the DMCA finding that the act "requires that a copyright owner put the service provider on notice in a detailed manner but allows notice by means that comport with the prescribed format only 'substantially,' rather than perfectly."[243] The court further cited to the DMCA at section 512(c)(3)(A)(ii) saying that the list only has to be "representative" and section 512(c)(3)(A)(iii), the owner only has to give information "reasonably sufficient" to help locate the infringing material.[244] The court reasoned that this type of language relaxed the standard of notification when referring to works of this type and therefore

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[239] 17 U.S.C. § 512(c) (emphasis added).

[240] *Id.*

[241] *Id.* Section 512(c)(3)(A) lists the following six requirements for proper notice: (1) signature of owner; (2) identification of work claimed to have been infringed; (3) information sufficient for service provider to locate material being infringed; (4) contact information for the complaining party; (5) statement of good faith belief of the infringement by the complaining party; and (6) statement that the information in the notice is accurate under penalty of perjury. *Id.*

[242] *ALS Scan*, 239 F.3d at 624.

[243] *Id.* at 625.

[244] *Id.*

the letter in this case was sufficient notification.[245] The grant of summary judgment in favor of RemarQ was reversed.[246]

One of the more recent cases involving the DMCA, *CoStar Group v. Loopnet, Inc.*,[247] was decided on September 28, 2001. The plaintiff, CoStar is a national commercial real estate information provider that has copyrighted its database of commercial real estate, including pictures of the real estate.[248] It subsequently grants licenses to those seeking to use the database.[249] The defendant, LoopNet, is an Internet company that allows its users to post listings of leases available for commercial real estate.[250] Photographs may also be posted after they are uploaded into LoopNet's system so that LoopNet may verify the property and picture.[251] There is no fee for this service.[252] Plaintiff brought a copyright infringement action against LoopNet for direct and contributory copyright infringement, claiming that over 300 photographs copyrighted by CoStar were listed on defendant's website.[253]

The court used the interpretation of the DMCA definition of online service provider from prior cases.[254] The court found that LoopNet might fall within the broad definition of an online service provider used by earlier courts.[255] The court pointed out that if the defendant met the threshold requirement of qualifying as a service provider, it may be entitled to safe harbor protection unless it had knowledge of the infringement.[256] The court found that even though the photographs were uploaded onto LoopNet's

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[245] *Id.*
[246] *Id.* at 620.
[247] 164 F. Supp. 2d 688 (D. Md. 2001).
[248] *Id.* at 691-92.
[249] *Id.*
[250] *Id.*
[251] *Id.*
[252] *CoStar*, 164 F. Supp. 2d at 692.
[253] *Id.*
[254] *Id.* at 701 (citing *ALS Scan*, 239 F.3d at 619 and Hendrickson v. eBay, Inc., 165 F. Supp. 2d 1082 (C.D. Cal. 2001)).
[255] *CoStar*, 164 F. Supp. 2d at 701.
[256] *Id.* at 702.

system and reviewed before posting, LoopNet might still be protected because it did not have knowledge of the infringement.[257]

In order to remain protected by the safe harbor provision, a service provider must respond immediately to correct the situation to the best of its ability after notice of the possible copyright infringement.[258] The court found that there were questions of fact concerning the response to the notice, although the court did recognize that LoopNet established copyright policies.[259] The court applied the safe harbor analysis and concluded that LoopNet may be protected.[260] The motions for summary judgment by CoStar relating to safe harbor protection and contributory copyright infringement were denied and LoopNet's motion for summary judgment on the claim of direct copyright infringement was granted.[261]

The *CoStar* ruling is inconsistent with *Napster*. In *CoStar*, the photographs were actually uploaded into LoopNet's system and reviewed, yet the court still found that LoopNet would be protected. The ability to control the photos through the ISP's system would defeat protection under the safe harbor provision. In *CoStar*, the court acknowledged this, yet stated that because LoopNet's only form of control is blocking users to the site, this system of review may be enough to stay within the safe harbor protection.[262] Napster's actions would seem to qualify more clearly under the safe harbor provision than LoopNet's since Napster did not hold any of the music on its system and did not have the ability to monitor what music was being shared.[263]

Whether or not an Internet company can monitor what its users are doing depends on available technology. The law is not

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[257] *Id.*

[258] *Id.* at 703.

[259] *Id.* at 704.

[260] *CoStar*, 164 F. Supp. 2d at 717.

[261] *Id.*

[262] *Id.* at 704.

[263] *Napster*, 2000 WL 1009483 at *6. The court justifies the inference that Napster has the ability to monitor by comparing it to its ability to create this software in the first place.

firm in this area, therefore decisions will depend on the court, the times, and the specific facts of each case. Again, the court in LoopNet relaxed the standards required by the statute by inferring that LoopNet would fit within the statute as an online service provider affording LoopNet the additional protection of the safe harbor provision. If Napster, or a similar system were to be decided on the merits, using the more relaxed reasoning of recent decisions, the outcome may not be unfavorable to the internet service.

VIII. CONCLUSION

The public debate over possible outcomes of *Napster* seems unbelievable considering the earlier case law in this area. By analyzing the copyright infringement case law that developed over the years, even before the arrival of the Internet the outcome of *Napster* seems obvious. Punishing the service provider or the person who created the mechanism that is facilitating the copyright infringement is not effective. New developments facilitate normally questionable activities in all areas of life everyday, but those developing the means cannot be held liable for their mere ingenuity. A change is necessary for law and law enforcement on the Internet.

Until the proper parties are held accountable for their actions, copyright infringement on the Internet will continue. While individual users are at home using the Internet, it is easy to feel like no one is watching. Someone should be watching. Those being held liable for contributory copyright infringement should develop a way to better monitor their own systems in order to avoid liability. If monitoring is performed effectively, copyright infringement on the Internet may become a thing of the past.

One possible solution to the problem of enforcing copyright laws on the Internet is to create a monitoring system with the capacity to monitor the Internet more completely. This type of system could trace copyright infringement, or prevent copyright infringement altogether. With a system to trace copyright infringement, the actual infringing party can be held

liable, rather than an innocent third party. The ISPs and Napsters of the Internet should not be punished for the acts of the actual infringing parties.

In the mean time, the legislature should deal with the hindering effect third party infringement laws have on technological advances. Specifically, the safe harbor provisions, which currently protect some parties from liability should be expanded to include those parties making technological advances that may be utilized by those who infringe directly. In this author's opinion, the expansion of the safe harbor was not intended to protect those assisting copyright infringement with full knowledge of the infringement. Rather, it was expanded to protect those parties who have made advancements in technology whose advancements are being employed by third parties to infringe on the copyrights of others. In addition, the courts can narrow their interpretation of contributory and vicarious copyright infringement. By doing this, the courts would be limiting the broad liability now imposed on third parties in Internet cases. In some cases, as we saw through discussion of the case law, courts appear to be moving in this direction, making such limitations.