TOPIC 6:

DMCA AND SERVICE PROVIDER "IMMUNITY" UNDER SECTION 512

Topic question

What limitation on liability does Section 512 of the copyright law offer to libraries and how does a library qualify for its protection?

Overview

In response to the legal uncertainty facing online service or access providers and other online intermediaries such as a library that operates a Web site in the online environment, Congress created Section 512. Section 512 states that when a service provider performs one of four functions—conduit, caching, posting, or linking—and meets other qualifying requirements of Section 512, then any liability for copyright infringement will be limited to injunctive relief only. No monetary damages of any kind may be imposed upon a qualifying service provider, including actual damages and attorney fees. The idea behind the damage limitation of Section 512 is that a service provider should not be responsible for the acts of third parties who use service providers system to infringe copyright, provided the service provider meets the qualifying requirements of Section 512. A caveat to the reader: Section 512 and Section 1201 (Topic 7) are the two most confusing and convoluted sections of the copyright law. This topic provides only an introduction to its basic operation.

What you need to know

Familiarity with the following is helpful to fully comprehend the discussion of this topic:

- Review Topic 1 on liability.

Why watch this topic?

Although Section 512 does not give online service providers immunity from copyright infringement, it dramatically limits bottom-line exposure. Section 512 eliminates the threat of monetary damages resulting from any infringement, but the qualifying conditions of Section 512 liability limitation are extensive and complex.

The impact the reduction in monetary damage liability will have on copyright users like libraries is unknown. Consider the following consequence. The insulation of online intermediaries may mean that the copyright owner might be more willing to pursue legal action against the primary infringing actor. For example, in a library scenario this infringer would be the infringing

patron who posted the copyrighted material on the library Web page. This party could also be the individual librarian, or teacher, or student in a school setting. A like result is occurring as a result of the immunity Congress provided service providers for defamatory or other harmful content in online settings, with a somewhat similar provision, but one that provides complete immunity.[194]

Second, the conditions of Section 512 qualification are complex as well as confusing, and, for some service providers, burdensome. The notice and take-down provision is but one example.

In addition, the courts may further define qualifying requirements of Section 512 as case law develops. For example, a recent appellate court held that what would appear to be a strict notice provision of Section 512 requires only "substantial compliance" with the statute before it triggers a service provider's responsibility to take down the infringing material.[195]

Background: Online intermediary liability

Section 512 was added as part of the Digital Millennium Copyright Act (DMCA). The legal context of Section 512 derives~~d~~ from several cases in which courts held that online intermediaries such as the bulletin board operators in the *Frena* and *Russ Hardenburgh* cases were liable for contributory or vicarious copyright infringement and more important for direct infringement. Confusing these developments was a second line of cases that held such intermediaries could not be liable for direct infringement. Faced with an uncertain future, where a bulletin board operator, Web site facilitator, or online service provider might be liable for direct copyright infringement in some courts and not liable in others, industry representatives lobbied Congress for a statutory solution. Section 512 of the copyright law is the result; it describes when and under what conditions such service providers are liable for only injunctive relief as opposed to being liable for the full range of copyright damages.

Several pre-DMCA cases held that online intermediaries were liable for direct copyright infringement for what seemed to be the acts of third parties. For example, in *Playboy Enterprises, Inc. vs. Frena*,[196] an electronic bulletin board operator was liable for board users' direct infringement. The board operator (Frena) did not participate in the uploading or downloading of copyrighted Playboy photographs to his bulletin board, but the court concluded that Frena violated the Playboy copyright when he displayed and distributed (simply by operating the board) the images others had loaded.

In another case involving electronic bulletin boards, *Playboy Enterprises, Inc. vs. Russ Hardenburgh, Inc*.,[197] the court concluded that two specific acts transformed the board operators from mere intermediaries to active participants in infringement. First, the operators encouraged others to upload the adult images to their board. Second, the operators used a screening procedure whereby a~~n~~ board employee viewed, sorted, and organized the images posted by other board users, so subsequent board users could more efficiently locate desired images.

These cases contrast *Religious Technology Center vs. Netcom On-line Communications Services*,[198] where the court held that an online intermediary, a service provider, could not be held liable for direct infringement, and only held liable for contributory infringement if the intermediary knew of the infringing nature of the material posted on its service and failed to take action to remove it. This latter standard of contributory liability was "essen-

tially," to use the word of the 1998 DMCA House Report, incorporated into Section 512.[199]

The *Netcom* court observed that an online intermediary is more like the property owner who allows others to copy material on its premises, stating that liability in the contributory schema only applies if the premise owner (*Netcom*) knows or has reason to know of the infringing nature of the material accessed by users of the premise. The copyright owner provides this "knowledge" to the intermediary when it contacts the service provider and requests the material be taken down because it is posted without permission.

According to the *Netcom* court, iIn the online environment, the second element of the contributory infringement standard (induces, causes, or materially contributes) can be met if the intermediary, notified of infringement by a copyright owner, leaves the material on its bulletin board, Web site, or other electronic location. Without taking affirmative steps to remove the material, the intermediary allows others (service users) to infringe the copyright owner's rights through further download, distribution, and so on. The Netcom court commented that such inaction (refusal to remove) "constitutes substantial participation" [200] and triggers liability for contributory infringement.

Unlike the *Netcom* court, the courts in the Playboy online intermediary cases in imposing liability for direct infringement appear to point to factors relevant to secondary liability analysis. Perhaps the outlandish or egregious nature of the assistance of the bulletin board operators in each case prompted the respective *Playboy* courts to impose liability for direct infringement. Regardless of the merit of each court's rationale in the Playboy cases, these and other similar cases prompted Congress to respond with a statutory framework for limiting the liability of online intermediaries in Section 512 for the infringing acts of third parties.

Main discussion

An online intermediary must answer three main questions before seeking the legal refuge Section 512 provides. First, the service provider must determine whether Section 512 applies to it as an entity; does it meet the definition of service provider as stated in the statue? Second, is the service provider engaging in one of the four acceptable online functions designated for protection in the statute? And what other qualifying conditions does the statute impose? These additional qualifying conditions may vary depending on the function involved.

Library service providers may qualify for Section 512 protections

The definition of a service provider changes depending on whether the service provider functions as a conduit (storing and forwarding information for users) (covered by Section 512(a)) or whether the service provider functions in one of the three remaining functions (covered by Section 512(b)-(d)): caching, posting (user storage facility), or information locator or linking. Overall, Section 512 provides a damage limitation only to service providers whose functions fall within its definition. For the conduit function, the definition of service provider is similar to the telecommunications concept of conduit in Title 47 of the U.S. Code and is applied here to copyright law.[200] If the library desires to be treated as a Section 512 service provider when it

functions as a conduit (Section 512(a)), it must not modify the contents of the material forwarded through its system.

A second definition applies to the rest of the Section 512 functions, the cache, and post and link activities (Sections 512(b)-(d)). This definition is much broader and includes libraries and schools that provide Internet access, host bulletin boards, run intranets, and so on. The legislative history indicates this definition is broad enough to include Internet access, e-mail, chat room, and Web page hosting services, and specifically includes "universities and schools to the extent they perform the functions identified by" Section 512(k)(1)(B).[202]

The first two provisions, transitory store and forward and caching, are acts that happen automatically. On the other hand, posting (third-party storage) and linking are not temporary or transient acts; these two provisions concern visible acts (posting and linking), and "by their nature allow service providers to intervene."[203] As a result, elaborate take-down and counter notification provisions accompany the posting and linking subsections of Section 512.

DMCA and service provider functions under Section 512

As part of the DMCA,[204] Congress created a new section dealing with the limitations on liability relating to infringing material in online settings. The limitation on liability is provided only to qualifying service providers (which could be a library or school). The subsections of Section 512 indicate the circumstances in which a qualifying service provider is not held responsible for the infringing acts of third parties. In the library setting, the third party might be a patron who uses the library computing system to upload and send an infringing copy of a work to another person if or while in the process a copy of the infringing work is cached on a library computer or server (covered by Section 512(b)), or it might a patron who posts infringing material to the library discussion board (covered by Section 512(c)), or it might be a web site operator who loads infringing material onto his or her Web site to which the library Web site contains a link (covered by Section 512(d). Immunity is never complete under Section 512, but the new law eliminates monetary relief as a remedy, including costs and attorneys' fees. Certain types of injunctive relief (a court order directing the removal of infringing material, for example), however, are still possible.

Section 512 provides that four basic functions of service providers can qualify for the protection of the damage limitation provision of Section 512(j):

- When the provider acts as a mere conduit of information, much like a telephone company that allows people to use its system to send messages. As a part of the process, content maybe be momentarily stored and forwarded as an intermediate step to the movement of the material between points A and B on the Internet.
- When its system caches material of another system
- When users post or store material on the service provider's system
- When it links or otherwise directs its users to other material.

Note that Section 512 protects (limit the damages) a service provider against liability based on, contributory, vicarious and potentially direct theories of copyright infringement.

Section 512 is not an immunity provision per se for service providers. Any party covered by its provisions can still be found liable for direct, contributory,

or vicarious copyright infringement. Section 512 states that if the qualifying conditions of its convoluted provisions are met, then the liability of the online intermediary is limited to injunctive relief, for example, an order telling the service provider to do or to refrain from doing something. As provided for in the Section 512(j), when the service provider qualifies for the cache, post or link functions injunctive relief is limited to an order restraining the service provider from providing access to the infringing material or from providing access to the infringing person.[206] In a third alternative the court may order any other injunctive relief the courts deem necessary. But this relief only is possible if such relief is the "least burdensome to the service provider among the forms of relief comparably effective for that purpose."[206]

Library service providers must actively enforce copyright

To seek refuge in the immunity provisions, a library (or governing institution) must first meet various threshold requirements as contained in Section 512(i). These threshold requirements are part of the overall qualifying conditions but apply to all of the four service provider functions: conduit, cache, post, and link. For example, the library as service provider must adopt and reasonably implement a policy to police its network and terminate repeat infringers.[207] Both the legislative history and statutory language are silent about the required contents of such a policy and conditions for determining what constitutes repeat infringement. As a result, "[t]o ensure that they have adopted and implemented an appropriate policy and, thus, are not denied the benefits of the act's limitations on [damage] liability, service providers should document and maintain records of all attempts to implement their policies reasonably."[208] At a minimum, the library, after adopting a copyright compliance policy, should make every effort to publicize the copyright policy and provide patrons, employees, students, and so on, with basic education of copyright law. This effort might include postings on all teacher-, staff-, student-, and patron-accessible Web pages, distribution of documentation, orientation and training programs, and some acknowledgement by patrons, teachers, staff, and students of their responsibility to comply with the copyright law.

A second condition is that the service provider must not interfere with any standard technological measure a copyright owner uses to protect its work.[209] The statutory definition of standard technological measure suggests some sort of marketplace determination of what the measure might be.

Section 512(i)(2) offers a three-part test to determine what qualifies as a technological measure: industry consensus, availability, and nonburdensome cost. Section 512(i)(2)(A) indicates that a standard technological measure is one that has "been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process." Availability occurs when the technology is available to any person on "reasonable and nondiscriminatory terms."[210] Finally the technological measure muse not impose substantial costs on service providers or substantial burdens on their systems or networks."[211]

Arguably, a Section 1201 anticircumvention measure (a technological protection placed on a copyrighted work to prevent access without the owner's permission) (see Topic 7) qualifies. If this is indeed true, then a library service provider that violates Section 1201 would not be able to seek protection under Section 512.

Additional qualifying conditions

Each of the four provisions contains numerous requirements to meet before the function qualifies for Section 512 protection.

The conduit provision requires that the ~~a~~ third party initiate the conduit function (the transmission of information). The service provider function must be passive and automatic in the sense that the service provider offers its facilities for use and merely ensures the facilities are operating properly, much like a telephone company. Any infringing material transmitted through its facilities must be done without any intervention on the part of the service provider without editing, for example). Furthermore, the service provider cannot control or select the recipients of copyrighted material, and the work accessed must not be available to anyone other than anticipated recipients.

The caching provision requires that:

- The person who made the material available is someone other than the service provider.
- The transfer of the material through the service provider's cache must be at the direction of the other person.
- The process must be automatic.

The caching provisions (Section 512 (b)(2)(E)) also include a take-down provision that requires the library's service provider to remove material from or disable access to the infringing material in the cache once the service provider is made aware of the infringement.

The posting provision of Section 512(c) requires that the service provider register with the U.S. Copyright Office and designate an agent to receive notice from copyright owners of infringing material on its system. The point of Section 512 is to limit the liability of the service provider when it acts innocently or when it does not knowingly contribute to the infringing conduct of others. The registered agent qualifying condition of Section 512(c) is not required of the store and forward limitation of Section 512(a), and although not required for Subsections (b) and (d) (the cache and link provisions) it is recommended.[212]

Complying with "registered agent" provisions increases the administrative oversight the library must perform. Weigh and evaluate the costs of the commitment required under Section 512 against the risk of litigation. Also consider a lesser compliance program that reduces overall infringement and the likelihood of litigation but falls short of the level of compliance required by Section 512. Before a service provider or its institution seeks refuge in Section 512, the library or institution must have a compliance program in place. The Section 512 liability limitation is not something that can be sought after infringement litigation proceedings have commenced.

A significant qualifying condition of Section 512(c) post and (d) link function requires that first, the library service provider not have actual knowledge of the infringement, or when it acts without actual knowledge the library must not have reason to know of the infringing material ("is not aware of facts or circumstances from which infringing activity is apparent").[213] Also, once knowledge is obtained, the library must act expeditiously to remove or disable access to the infringing material.

According to the 1998 DMCA House Report on Section 512, this awareness does not require the library to monitor all users of its service, but instead conduct a red flag test, stating that: "[I]f the service provider becomes aware

of a 'red flag' from which infringing activity is apparent, it will lose the limitation of liability if it takes no action at all."[214] Under the red flag standard, the infringement should be readily apparent without a need for investigation.

Also, the library must not receive a financial benefit directly attributable to the infringing activity.

These requirements in essence codify or roll into Section 512, standards of contributory (knowledge), vicarious (financial benefit), and direct (liability under the *Netcom* case for allowing material to remain posted or linked once notice is provided of its infringing nature) liability from existing copyright case law.

More about the notice and registered agent requirement

The contents of the ~~a~~ notice a copyright owner is required to give to the service before the "take-down" qualifying condition is triggered is described in Section 512(c)(3). The notice is provided to the service provider's designated agent.[215] The notice must include authorization of ability to act on behalf of the copyright owner, identification of copyrighted work and instance of infringing material, contact information, good-faith statement that the material posted constitutes an infringing use, and a statement that the information in the notice is accurate.[216] Recent case law has determined that formal and complex notice requirements need only be substantially complied with to trigger the take-down requirements of Section 512.[217] Although only the posting function of service providers requires a registered agent with the U.S. Copyright office, because of the imprecise language of the drafting of the Section 512, one commentator has suggested that any time a service provider desires to be protected for its caching, posting, or linking functions, it should have a registered agent to receive complaints.[218]

Section 512(d) covers the linking function of service providers that "by reason of the provider referring or linking users to an online location containing infringing material or infringing activity."[219] Under Section 512(d) the same contributory, vicarious, or direct infringement schema is created. To avail itself of the damage limitation provision, the library service provider cannot have actual knowledge of the infringing material or infringing activity located at an online location to which it refers or links. When it acts without actual knowledge, the library must not have reason to know of the infringing material ("is not aware of facts or circumstances from which infringing activity is apparent").[220] In addition, once knowledge of infringement is obtained, the library must act expeditiously to remove or disable access. The library also must not receive a financial benefit "directly attributable to the infringing activity." [221]

The linking provision of Section 512(d) applies to material that is linked or referred to, there need not be an active link to infringing material, but the material must reside online. A reference librarian's verbal referral to another Web site that contains infringing material qualifies for protection, as long as previously discussed qualifying conditions for damage reduction are met.

Unresolved points or issues

- According to one commentator, Section 512 is riddled with inconsistencies and loopholes and suffers from overall horrendous drafting.[222] A thorough review of the shortcomings of Section 512 is beyond the scope of this work. Perhaps Congress will respond in the future to growing criticism and simplify the requirements of Section 512.
- Section 512 did not replace the concept of secondary liability in copyright law. The statute provides little guidance as to whether courts should apply basic liability theories of copyright first, or whether Section 512 should be applied first, and whether each analysis should use the same standard.
- Because of the qualifying conditions of Section 512(c) and (d), the post and link provisions appear to incorporate the existing legal standards of contributory and vicarious liability. Unless these standards are interpreted differently by the courts, what benefit does a service provider actually gain?[223]

Resources

Helpful URLs

www.arl.org/info/frn/copy/osp.html Lutzker, A.P., Lutzker, S.J., & Settlemyer, C.H. The Digital Millennium Copyright Act: Highlights of New Copyright Provision Establishing Limitation of Liability for Online Service Providers. Last updated August 16, 2001.

http://lcWeb.loc.gov/copyright/onlinesp U.S. Copyright Office. Designation by Service Provider of Agent for Notification of Claims of Infringement.

From the library literature

L. Gassaway (1999) "Online service provider liability." *Information Outlook, 3*(5), 54-55. (discusses contributory infringement in the online setting).

A.P. Lutzker. (1998) "The Digital Millennium Copyright Act: Highlights of new copyright provision establishing limitation of liability for online service providers." *ALA Washington News, 50*(10), 8-12.

Kenneth D. Crews. *Copyright Essentials for Librarians and Educators* 118-119 (2000) (Contains a two-page summary of Section 512).

Legal resources

F. Lawrence Street and Mark P. Grant. *Law of the Internet*, Appendix 5-A, at 5-85—5-91 (2001) (a six-page summary of Section 512).

Jay Dratler Jr. *Cyberlaw: Intellectual Property in the Digital Millennium* (2000) (this is a several-hundred-page treatise on Sections 512 and 1201).

Charles S. Wright. "Actual Versus Legal Control: Reading Vicarious Liability

for Copyright Infringement into the Digital Millennium Copyright Act of 1998," 75 *Washington Law Review* 1005 (2000).

Michelle A. Ravn. "Navigating Terra Incognita: Why the Digital Millennium Copyright Act Was Needed To Chart the Course of Online Service Provider Liability for Copyright Infringement," 60 *Ohio State Law Journal* 755 (1999).

Brandon K. Murai. "Online Service Providers and the Digital Millennium Copyright Act: Are Copyright Owners Adequately Protected?," 40 *Santa Clara Law Review* 285 (1999).

ENDNOTES

[194] Tomas A. Lipinski, Johannes J. Britz, and Elizabeth Buchanan, "Sticks and Stones and Words that Harm—Liability vs. Responsibility: Section 230 and Defamatory Speech in Cyberspace," paper accepted for CEPE 2001, Computer Ethics: Philosophical Enquires IT and the Body, Dec. 14-16, 2001, Lancaster University, U.K.

[195] *ALS Scan, Inc. vs. Remarq Communities, Inc*., 239 F.3d 619 (4th Cir. 2001).

[196] *Playboy Enterprises, Inc. vs. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993).

[197] *Playboy Enterprises, Inc. vs. Russ Hardenburgh, Inc.*, 982 F. Supp. 503 (N.D. Ohio 1997).

[198] *Religious Technology Center vs. Netcom On-line Communications Services*, 907 F. Supp. 1361 (N.D. Cal. 1995).

[199] H. R. Rep. No. 551 (Part 1), 105th Congress, 2d Session 11 (1998). See also, Jay Dratler Jr., Cyberlaw: Intellectual Property in the Digital Millennium § 6.01,at 6-10 – 6-11 (2000) (discussing the relationship between the *Netcom* case and the legislative intent behind Section 512.

[200] *Religious Technology Center vs. Netcom On-line Communications Services*, 907 F. Supp. 1361, 1369 (N.D. Cal. 1995).

[201] Mark F. Radcliffe, Contracts and Online Content Providers, Part 2, *Journal of Internet Law,* June 2001, at 1, 3.

[202] H. R. Rep. No. 551 (Part 2), 105th Congress, 2d Session 64 (1998).

[203] Jay Dratler Jr., Cyberlaw: Intellectual Property in the Digital Millennium § 6.01,at 6-11 (2000).

[204] Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified at 17 U.S.C. § 512).

[205] 17 U.S.C. § 512(j)(1)(A)(i) and (ii).

[206] 17 U.S.C. § 512(j)(1)(A)(iii).

[207] 17 U.S.C. § 512(i)(1)(A).

[208] Keith Kupferschmid, "Something for Everyone," *Intellectual Property Magazine*, February, 1999, no pagination (available in the LEXIS-NEXIS LEGNEW Library).

[209] 17 U.S.C. § 512(i)(B).

[210] 17 U.S.C. § 512(i)(2)(B).

[211] 17 U.S.C. § 512(i)(2)(C).

[212] Jay Dratler Jr., Cyberlaw: Intellectual Property in the Digital Millennium § 6.01,at 6-13 (2000).

[213] 17 U.S.C. § 512(c)(2)(A)(ii).

[214] H. R. Rep. No. 551 (Part 2), 105th Congress, 2d Session 53 (1998).

[215] 17 U.S.C. § 512(c)(2).

[216] 17 U.S.C. § 512(c)(3).

[217] *ALS Scan, Inc. vs. Remarq Communities, Inc*., 239 F.3d 619 (4th Cir. 2001) (representative list of photographs is sufficient).

[218] Jay Dratler Jr., Cyberlaw: Intellectual Property in the Digital Millennium § 6.03[2],at 6-703 (2000).

[219] 17 U.S.C. § 512(d).

[220] 17 U.S.C. § 512(d)(1)(B).

[221] 17 U.S.C. § 512(d)(2).

[222] Jay Dratler Jr., Cyberlaw: Intellectual Property in the Digital Millennium (2000) (Chapter 6).

[223] Charles S. Wright, "Actual Versus Legal Control: Reading Vicarious Liability for Copyright Infringement into the Digital Millennium Copyright Act of 1998," 75 *Washington Law Review* 1005 (2001) (discussing the issue of vicarious liability under general copyright law versus Section 512).