

INTERNET SERVICE PROVIDERS' LIABILITY FOR ONLINE COPYRIGHT INFRINGEMENT: THE US APPROACH

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ABSTRACT

The Internet is an outstanding channel to exchange information and a scenario where Copyright owners and the general public are permanently interacting. As this service involves mass distribution, the Internet has implications for copyright law that go beyond its abilities to achieve rapid and widespread delivery. Designing a liability regime for online copyright infringement that appropriately fits the particular characteristics of the Internet became an urgent task.

In 1998 the US Congress passed the Digital Millennium Copyright Act (DMCA), the first attempt in the world to address this issue. As such, the DMCA has been not only a model to the world, but also has been implemented as domestic law in some countries through the negotiation of Free Trade Agreements (FTA) with the US. Colombia included this topic in the FTA's Agenda and for this reason, understanding the US DMCA is essential for the comprehension of the future of this issue in our country.

This paper aims to set out US legislation about ISPs' liability for online copyright infringement made by their subscribers. In doing so, the paper starts with a brief recount of the evolution of this topic at the international level, the DMCA

*Fecha de recepción: 18 de julio de 2006
Fecha de aceptación: 1° de agosto de 2006*

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background and then explains the content of the *Safe Harbour* Provisions of the US DMCA.

Key words: online copyright infringement, Internet Service Providers (ISPs), Digital Millennium Copyright Act (DMCA), Safe Harbors Provisions, ISP's Liability.

LA RESPONSABILIDAD DE LOS PROVEEDORES DE SERVICIOS DE INTERNET POR LA VULNERACIÓN DE DERECHOS DE AUTOR: LA APROXIMACIÓN ESTADOUNIDENSE

RESUMEN

La Internet es un canal expedito para intercambiar información y por tanto, un medio en el cual interactúan de manera permanente autores de obras protegidas por el Régimen de los Derechos de Autor y el público en general. Sus características particulares tales como el acceso masivo e inmediato a la información que circula en la red, favorecen el desarrollo cultural de quienes acceden a ella; sin embargo, la han convertido en un escenario propicio para la infracción de derechos de autor. Por esta razón, crear un régimen de responsabilidad que se ajustara a las características de la Internet se convirtió en una necesidad.

En 1998, el Congreso de los Estados Unidos de América expidió el Digital Millennium Copyright Act (Ley de derechos de autor en el milenio digital) que se convirtió en un primer intento mundial por regular este tema. Desde entonces, el enfoque norteamericano ha servido como modelo para otros países del mundo, y ha sido adoptado como legislación interna mediante la negociación de tratados de libre comercio con los Estados Unidos de América. Colombia incluyó este asunto en la agenda del TLC, y lo aprobó en la negociación que culminó a principios del 2006. Por tanto, resulta de especial interés conocer y entender la regulación y evolución de la responsabilidad de los proveedores del servicio de Internet que surge por la infracción de derechos de autor

cometida por sus suscriptores en los Estados Unidos de América, para comprender el futuro de este asunto en Colombia.

Para el efecto, este documento busca explicar la evolución de este tema en el ámbito internacional, los antecedentes de la norma en los Estados Unidos de América y sus características particulares.

Palabras clave: *infracción de derechos de autor en Internet, proveedores del servicio de Internet (PSI), provisiones de “puerto seguro”, responsabilidad de los PSI.*

INTRODUCTION

Colombians were looking forward to the outcome of the negotiations of a Free Trade Agreement (FTA) with the US. When the parties finally reached an agreement, significant sectors of the national economy resulted affected. Since amending Copyright law was included in the FTA agenda, industries such as culture and entertainment changed. So did the Internet environment.

In 1998 the US became the first country to address the application of Copyright Law to the liability of Internet Service Providers (ISP) for online copyright infringement made by their subscribers. With the passing of the Digital Millennium Copyright Act (DMCA) the US not only regulated this issue as domestic law, but also created a model for the rest of the world. For instance, the EU Copyright Directive 2004 is similar in many ways to this norm.

Furthermore, this model of regulation has been proposed by the US in the negotiation of FTAs and implemented in some cases. Chile¹, Australia², Singapore³ and the countries of Central America⁴ have adopted it. ISPs' liability was also

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- 1 The Chile-US FTA was signed in 2003, becoming the first FTA between the US and a South American Country.
 - 2 In 2004, Australia and the US signed a FTA as a result of the Australian Government's good intentions to bring into line certain aspects of the Australian Copyright Law with those of the USA.
 - 3 Singapore was the first Asian country to sign a FTA with the US.
 - 4 The CAFTA was signed in 2004. These four FTAs include an Intellectual Property Chapter and within it, a replica of the DMCA's scheme of ISPs' liability. For further information, see the US Trade Representative's official website, <http://www.ustr.gov>.

discussed in the Colombian-US FTA⁵. Therefore, understanding the US DMCA is essential for the comprehension of the future of this issue in Colombia.

This paper aims to set out US legislation about ISPs' liability for online copyright infringement made by their subscribers. In doing so, the paper starts with a brief recount of the evolution of this topic at the international level, the DMCA background and then explains the content of the *Safe Harbour* Provisions of the US DMCA.

Finally, as a conclusion, the paper analyses the DMCA and certain concerns that have risen due to the current regime of liability of ISPs for online copyright infringement.

1. ISPS' LIABILITY FOR COPYRIGHT INFRINGEMENT AT THE INTERNATIONAL LEVEL

The liability of communications facilitators regarding copyright infringements has evolved in the last 10 years at the international level. The starting point was article 11(bis) of the Berne Convention, the main international provision likely to have an effect on their liability before 1996. This provision required state members to give to the copyright owner of literary and artistic works the exclusive right to authorise four different classes of acts, all related to broadcasting the work⁶.

The uncertain scope of the word *broadcasting* generated confusion and doubts about the liability of the broadcaster, among others. Apparently, the notion of broadcasting as an activity involving communication to the public was so obvious, that the delegates responsible for the insertion of this provision considered rendering "*an express provision to this effect redundant*"⁷. Since the Internet is a means to broadcast any kind of information, this provision is relevant to the Internet.

5 Ministry of Commerce, Industry and Tourism, Republic of Colombia "FTA's Issues matter of negotiation". See number 289. Available at http://www.mincomercio.gov.co/vbeContent/Documentos/negociaciones/TLC/12_mesasnegociacion/Presentaciónycuadernillotlc_29_05_04.pdf see number 289

6 Article 11bis(1), as inserted by the Brussels Act (of the Berne Convention) of 1948, provided: Authors of literary and artistic works shall enjoy the exclusive right of authorizing:

- (i) the broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images;
- (ii) any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organization other than the original one;
- (iii) the public communication by loudspeaker or any other analogous instrument transmitting, by signs, sounds or images, the broadcast of the work.

7 McMILLAN, FIONA and BLAKENEY, MICHAEL, "The Copyright Liability of Communications Carriers", Journal of Information, Law and Technology. Available at www2.warwick.ac.uk/fac/soc/law/elj/jilt/1997_3/macmillan/macmillan.doc.

With the advent of the digital era, finding a solution for the question of liability became imminent. The Internet has implications for copyright law that go beyond its abilities to achieve rapid and widespread delivery: This service involves mass distribution and moves away from the traditional concept of broadcasting.

“Unlike the position of a broadcaster composing a broadcast to be sent out to the public at a particular time, on the Internet material is made available to individual users to access at will”⁸. “With the growth of the Internet, Internet Service Providers (ISPs) are facing potential liability for the acts of subscribers using their services to access, post, or download information. The appropriate standard of liability for access providers has become an important issue for legislators in all countries throughout the world”⁹.

Thus, designing a liability regime that appropriately fits the particular characteristics of the Internet became an urgent task.

During 1996 the WIPO adopted two related treaties, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (both of them known as the “WIPO Internet Treaties”). The WIPO Internet Treaties gave guidelines in relation to ISPs’ liability, suggesting that copyright liability should not apply to the person that as a conduit provides the physical facilities for enabling or making a communication¹⁰. However, they did not provide a standard of liability for ISPs leaving this task to the domestic legislation of country members.

Over the past decade country members have adapted their domestic Copyright Law in compliance with the basic standards established by the WIPO Internet Treaties. It is the case of the US; in 1998 the Congress passed the Digital Millennium Copyright Act (DMCA), aiming to achieve two main goals: limiting the liability of ISPs for copyright infringement, and protecting intellectual property rights’ owners against unauthorised online distribution¹¹.

⁸ *Ibid.*

⁹ TIAN YIJUN, “*WIPO Treaties, Free Trade Agreement and implications for ISP Safe Harbor Provisions (The role of ISP in Australian Copyright Law)*”, Bond University Law Journal. Available at <http://bond.edu.au/law/blr/vol16-1/BLR16-1.pdf>.

¹⁰ WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty, article 8.

¹¹ Above n 9.

2. THE IMPORTANCE OF REGULATING THE ISSUE OF ISPS' LIABILITY

The Internet is an outstanding channel to exchange information. This is just one among many other features that make of it

“an increasingly prevalent medium of personal communications and an essential means of commerce”¹².

It is a scenario where Copyright owners and the general public are permanently interacting.

ISPs provide their users with the equipment and the services required to access information available on the Internet. Likewise, these technologies allow them to upload files and websites; but some abuse of this privilege by making available infringing copyrighted material. This situation leads Copyright owners to seek the most appropriate way to enforce their rights.

One of the main characteristics of the Cyberspace, which at the same time is one of its major appeals, is the anonymity of the people that interact in it. In the Copyright Law field, this anonymity is particularly inconvenient for Copyright owners when it comes to enforcing their rights. Perhaps the only visible faces of the Internet environment are ISPs.

“Unlike their subscribers, they are readily identifiable, and can control whether or not an individual can use their facilities to access the Internet”¹³.

Additionally, ISPs are deemed to be more solvent than their users so that they would be able to pay a substantial liability judgment. However, this is a very arguable reason. It may apply to big ISPs like AOL and Yahoo!; yet not to the small ISPs that abound in the market all around the world.

Anyways, these reasons justify the trend of Copyright owners suing ISPs rather than going directly after the infringers.

12 The Berkman Center for Internet & Society at Harvard Law School, “Internet Service Provider Liability - Case Study”. Available at <http://cyber.law.harvard.edu/property99/liability/main.html>.

13 MIDDLETON, GAYE L. “*Copyright Conundrum – Liability of ISPs for Online Copyright Infringement*”. Available at <http://crpit.com/confpapers/CRPITV44Middleton.pdf>.

One might ask why ISPs have to respond for someone else's infringement. There is a general perception of unfairness in this approach. ISPs often do not know that their clients are transmitting copyrights infringing material. Yet, they are "unintentional or unwitting infringers" and as so, they deprive copyright owners of the value of their copyrighted works. Courts have developed theories to hold ISPs liable, and they are explained below.

In the face of the threat of copyright liability, ISPs will react implementing mechanisms to avoid it. One possibility is to "*police aggressively its servers for copyright infringements*"¹⁴. Still, this strategy would be unpopular among their clients, due to concerns related to online privacy and freedom of speech. Also, the high costs of acquiring and putting into operation the technology required would make them desist of the idea. By the way, how could an ISP know whether a posted material is infringing copyrights or not, simply by looking at it? None technology can guarantee that material will not be removed unfairly.

Another possibility is to sign disclaimer agreements with their clients, in order to make them accept the economic consequences in case of online copyright infringement.

Nevertheless, neither solution is enough to eradicate the risk of liability.

This uncertainty has serious repercussions for the final user:

1. ISPs would be forced to make monetary reserves to be able to deal with potential lawsuits for copyright infringement. Besides, they would get insurances to cover the risk of liability.
2. "*Many service providers are relatively small companies in very competitive markets, where the added expense is more than just an inconvenience and can have serious effect on the business*"¹⁵. In consequence, small ISPs would be forced out of the market, given their lack of resources to make monetary reserves and confront the risk of liability.
3. The cost of these economic measures would be passed to the final users, for instance significantly increasing the subscription fee.

¹⁴ Above n 12.

¹⁵ Above n 9.

4. Both the reduction of offer in the ISP market, and the economic measures taken by big ISPs, would make access to the Internet more onerous for everybody.

In conclusion, the importance of regulating the issue of ISPs liability is to preserve key values of the Internet environment, such as privacy and freedom of speech. Further more, it is vital to make the Internet accessible to the general public from an economic point of view.

3. THE DMCA BACKGROUND

Before the passing of the DMCA, the issue of ISPs liability for theirs subscribers' online copyright infringement in the US was left to judge made law. Uniformity among Courts was never reached, and both subscribers and ISPs were held liable for copyright infringement according to very different theories. As a starting point, Courts used to focus on breaches of the Copyright Act, because

“cyber law is (...) being developed by judges who must do their best to fit legal disputes on the Internet into preexisting legal frameworks”¹⁶.

Some of the reasons that Courts had to find against ISPs were as follows:

3.1. Direct Liability

The Internet operating system requires ISPs to reproduce and distribute copyrighted material,

“as every download causes the ISPs' computer to copy the material and forward it to the subscriber”¹⁷.

Therefore, if this approach was acknowledged, the mere act of providing Internet service would entail liability to ISPs for online copyright infringement.

16 TYSVER, DANIEL A., “*ISP Liability*”. Bit Law, A resource on Technology Law. Available at <http://www.bitlaw.com/internet/isp.html>.

17 MERCURIO BA, BRYAN, “Internet Service Provider Liability for Copyright Infringement of Subscribers: A comparison of the American and Australian Efforts to Combat the Uncertainty”, Murdoch University Electronic Journal of Law. Available at http://www.murdoch.edu.au/elaw/issues/v9n4/mercurio94_text.html.

Not too many Courts supported this theory, which was considered harsh and extreme. Plaintiffs had to prove two elements in order to succeed: 1) Ownership of the allegedly infringing material and 2) Violation of an exclusive right granted to the copyright owner.

In *Playboy Enterprises, Inc v Frena* (1993) a District Court of Florida found liability under this theory for the first time. The defendant George Frena owned and operated a Bulletin Board System (BBS) which contained Playboy's copyrighted photographs. Given this fact, he was found liable for violating Playboy's right to publish and distribute the pictures. This was true, even though Mr. Frena did not copy the pictures himself, and actually was not aware of the existence of the infringing material. He was held liable basically just because he was providing a means by which copies could be distributed to the public¹⁸. The Court referred to the Copyright Act's strict liability standard in finding the operator liable for direct infringement because it

“supplied a product containing unauthorized copies of copyrighted work. It does not matter that (the defendant) claims it did not make infringing copies itself”¹⁹.

If this ruling was generally accepted, it would have had a huge impact on the expansion and access to the Internet. The world could not afford something like that. This theory was discredited in several subsequent cases, like in *Religious Technology Center v Netcom* (1995), In this case, a District Court of California held that,

“where the infringing subscriber is clearly directly liable for the same act, it does not make any sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for functioning of the Internet”²⁰.

3.2. Vicarious Liability

This is a common approach among American Courts when the defendant has both the possibility to monitor the offender, and a direct financial interest from allowing the infringing conduct. ISPs were likely to be held liable for vicarious liability since they meet both requirements, even when they did not have any knowledge of

18 Above n 16.

19 Above n 17.

20 David Loundy's E-Law Web page. Available at http://www.loundy.com/CASES/RTC_v_Netcom.html.

the infringing activity. *User agreements* or *Acceptable Use Policies* may be evidence of an ISP's authority over users. On the other hand, examples of a financial interest are a subscription fee or advertising revenues.

However, Courts were not inclined to hold ISPs liable for two main reasons. Firstly, ISPs actually have little control over their subscribers, since they do not have the

“needed level of finances or resources to have the ability to supervise and control subscriber activity”²¹.

Secondly, subscribers' actions do not affect ISPs' profitability due to the *flat fee* they get paid for their service.

In the Netcom case, a user placed some files containing copyrighted materials owned by the Church of Scientology on an Internet newsgroup, through a newsgroup server controlled by the defendant (an ISP). In doing so, he used a local Bulletin Board System (BBS) that provided Internet access through Netcom. The Church requested Netcom and the BBS to deny access to the user and to remove the infringing documents from their servers, but they did not accept.

The Court did not find Netcom or the BBS directly liable for copyright infringement, since they did not take any actions to cause the copy of the Church's documents. On a claim of vicarious liability, the Court found that the defendant actually had the ability to control the user's activity. Nevertheless, the Court found against the Church because no monetary award was received by either Netcom or the BBS for the posting of the infringing material.

3.3. Contributory Liability

This last stage of liability derives from the right that copyright owners have to authorize the exercise of their exclusive rights. Whoever authorizes the infringement of a copyrighted work is infringing copyrights as well. Courts have interpreted the providing of services and equipment from ISPs to infringers as an authorization to infringe copyrights.

21 Above n 17.

Contributory liability requires that the ISP knew (or had reason to know) about the copyright infringement; induced, caused or materially contributed to the copyright violation²².

In *Sega v Maphia*²³ was proved that the operator of the defendant's bulletin board was making illegal copies of the plaintiff's computer games available to the public. This person was also offering free downloads to those who bought a game copier purchased by Maphia. The Court found in favour of Sega because the operator knew about his users' activities. Moreover, some evidence showed that the defendant tracked, or at least had the ability to track its users' up and downloads. Thus, the Court held the defendant liable because

“he substantially participated (in his users' infringing actions) by inducing, causing or materially contributing” to their conduct²⁴.

4. THE DMCA SAFE HARBOUR PROVISIONS

Title II of the DMCA introduces the “*Online Copyright Infringement Liability Limitation Act*”. This norm limits the remedies available for copyright owners against ISPs. In doing so, it does not create exclusions from copyright infringement. Rather, it limits the remedies available against ISPs whether they satisfy the conditions stated in the Act, known as *Safe Harbors*.

4.1. Basic requirements

4.1.1. Qualification as Service Provider

To begin with, an ISP must qualify as a *Service Provider* under the Act to benefit from the limitation of remedies.

A *Service Provider* is whoever offers and performs the tasks that make the Internet available to the final users. It is worth highlighting that the Act does not make any distinction among the kind of persons or businesses that may supply

22 The University of North Carolina at Chapel Hill, “*Background information and the laws governing file sharing*”. Available at <http://www.unc.edu/courses/2005spring/law/357c/001/projects/getz/background.htm#ContributoryandVicariousCopyrightInfringement>.

23 University of Oregon, “*Electronic Bulletin Board Copyright Cases*”. Available at http://darkwing.uoregon.edu/~copyright/Docs_Html/APPENDIX_G.htm.

24 Digital Law Online “*Copyright of digital information – what not to protect*”. Available at <http://digital-law-online.info/lpdi1.0/treatise32.html>.

these services. *Therefore, university networks, owners and operators of corporate intranets, interactive websites, search engine firms, etc., are deemed to be Service Providers according to the Act*²⁵.

4.1.2. Threshold conditions for ISPs

Once the ISP qualifies as a *Service Provider* it must meet three threshold requirements:

- a) It must have adopted and implemented a policy of terminating the accounts or subscriptions of repeat infringers.
- b) It must inform its subscribers and account holders of its policy.
- c) It must not accommodate and not interfere with any technical measures used to protect and identify copyrighted material²⁶.

4.2. Additional Requirements for the limitation of remedies

The Act also introduces certain specific conditions that ISPs must comply with depending on the services offered.

4.2.1. The “Mere Conduit” Limitation

Service offered: Transmitting, routing or providing connections for copyrighted material, or intermediate and transit storage of copyrighted material in the course of those activities.

This limitation is justified on the fact that,

“a copy capable of implicating a copyright’s owner right of reproduction under the Copyright Act is created at multiple points over the Internet where a reproduction in transit is made temporarily”²⁷.

25 OKTAY, BATUR, and WRENN, GREG, “WIPO Workshop on Service Provider Liability - A Look back at the Notice-Take Down provision of the US Digital Millennium Copyright Act”. Document OSP/LIA/2.

26 Standard Technical measures are defined in the Act as technical measures used by copyright owners to identify or Project their works.

27 Above n 25.

To be eligible for this limitation, the ISP must prove that it was acting at “arm’s length”, meaning that:

- The infringing transmission must not have been initiated by the ISP.
- The ISP must not have selected the recipients of the infringing transmission.
- The ISP must not have kept a copy of the material on its system, allowing non-recipients to access the copy for longer than necessary to provide its services.
- The ISP must not have modified the content of the material while it was transmitted through its system, other than as a part of a technical process²⁸.

4.2.2. System Caching Limitation

Services offered: Intermediate and temporary storage of material on its system or network through an automatic process, where the ISP has not manually selected the material to be cached.

The Act requires the ISP to prove eight elements; four of them are of general application whereas the other four are only applied to specific cases.

These first four elements that must be shown in all cases are:

- The ISP must not have uploaded or made available online the infringing material.
- The material must have been transmitted by the request of a third party (for instance, when a user calls up a website).
- The material must have been “cached” through

“an automatic process for the purpose of making the material available to users of the system or network”²⁹.

²⁸ Above n 13. The Australian FTA Implementation Act does not define the term *technical process*, but presumably in this context it means the process of providing a carriage service. This process modifies materials transmitted via that service without deliberate intervention of the ISP. For instance, the Explanatory Memorandum to the Act mentions “format shifting” as a process necessary to provide access to copyright material through different technologies.

²⁹ DMCA. Sección 512 (b)(1)(C).

- The ISP must not have substantively modified the copyrighted material transmitted (other than as a part of a technical process).

4.2.3. Hosting Limitation

Service Offered: At a user's direction, storing copyright material on a system or network controlled or operated by or for the ISP.

In this case, the ISP must prove:

- That it either lacked the knowledge of the infringing activity or had taken the appropriate measures to remedy the situation once it acquired such knowledge.
- That it did not receive a financial benefit directly attributable to the infringing activity as if it has the right and ability to control the activity.
- That it expeditiously removed or blocked access to material residing on its system or network upon receipt of a proper notification. The requirements for sending and responding to notifications are set out below, in the "notice and take down" procedure.
- That it designated an agent to receive notifications of alleged acts of infringement, and also made available certain contact information about this agent on its website.

4.2.4. Linking Limitation

Service Offered: Referring users to an online location using information location tools or technology.

To qualify for the limitation of remedies, the ISP must prove the same elements required in the Hosting Limitation.

4.3. Notice and Take Down

The *take down notice* procedure provides that, when a copyright owner becomes aware of any infringing material located in, or infringing activity taking place on the ISP's system or network; that copyright owner may notify the ISP of the infringement. Likewise, he may require the ISP to remove or disable access to that infringing

material or activity³⁰. These provisions are perhaps the most controversial of the Act.

First of all, ISPs are compelled to designate an agent to receive notifications of claimed acts of infringement, in order to qualify to the hosting, linking and caching limitations. Also, they must make available to the public certain contact information about the designated agent on their websites³¹.

In response to a notification that meets the formal requirements established for its effectiveness (take down notice)³²; an ISP must expeditiously remove or disable access to the allegedly infringing material. In addition, it must take reasonable steps to notify the person making available the material that it has done so. As a result, the ISP will be subject to the “safe harbour” protection and also, will be exempt from liability to its subscribers for its good faith removal or disabling access.

The notification made to the alleged infringer subscribers allows them to defend themselves with a *counter notice*. Like a *take down notice*, a *counter notice* has to meet certain formal requirements in order to be effective³³. Once the ISP receives a valid *counter notice*, it must provide the original complainant with a copy of this communication, informing him that it will replace the removed material or disable access to it, if the original complainant does not file a suit within a reasonable period³⁴ to obtain a court order to restrain the subscriber from engaging in infringing activity. In the face of the lack of evidence that the original complainant did so, the ISP must replace the removed material and cease disabling access to it.

This procedure relieves ISPs of any obligation to evaluate the merits of a dispute. Both complainants and alleged infringers may be subject of liability due to the material representations they make in a take down or counter notice.

30 Above n 25.

31 This contact information must include: Name, address, phone number and e-mail address.

32 The Act requires “substantial” compliance with these requirements: 1) sufficient information to identify the original complainant (name, address, e-mail address, telephone number) 2) Information sufficient to identify the allegedly infringed copyrighted work and to locate the allegedly infringing material, 3) a statement that the complainant has good faith belief that the allegedly infringing use is not authorized by the copyright owner, its agent or the law and 4) the signature of the person giving the notice.

33 The Act requires “substantial” compliance with the same requirements for take down notices. In this case, the communication must include a statement under penalty of perjury, that the alleged infringer has a good faith belief that the material at issue was mistakenly removed or misidentified. Above n 13.

34 Ten business days.

Additionally, the Act allows copyright owners to properly identify online copyright infringers. Under the *subpoena procedure* a copyright owner or its agent

“may request the clerk of any United States district Court to issue a subpoena to an ISP for identification of an alleged infringer”³⁵.

To obtain a subpoena, the copyright owner has to provide the Court with a copy of the *take down notice* previously given to the ISP, along with the proposed subpoena; and a sworn declaration stating that the information will only be used by the copyright owner for the purpose of protecting its rights under the Copyright Act³⁶.

Once the subpoena has been issued, the ISP must expeditiously disclose to the copyright owner the information required, “to the extent that such information is available to the service provider”³⁷.

4.4. Remedies

Once an ISP has complied with the threshold conditions and the additional requirements depending on the category of services offered; it can result beneficated from any of the limitation of remedies introduced by the DMCA. Under these circumstances—and this is the essence of the Safe Harbour Provisions—, a Court cannot grant any monetary remedy against an ISP, such as damages, account of profits or additional damages. On the contrary, a Court may grant only three kinds of equitable remedies³⁸ against it.

In relation to those ISPs whose liability is limited by the “mere conduit limitation”, the Court may grant an order requiring the ISP either to block access to online locations outside the US or to terminate the account of an infringing subscriber.

Regarding ISPs that qualified for the limitation of remedies under the “caching”, “hosting” and linking” limitation, the Court may grant an order requiring the ISP either:

35 Section 512 (h)(1).

36 Section 512(h)(2)(A)(B)(C).

37 Section 512(h)(3).

38 An equitable remedy is a no monetary remedy, such as an injunction or specific performance, obtained when monetary damages cannot adequately redress the injury. GARNER, BRYAN A., *Black’s Law Dictionary*. Second Pocket Edition, 2001.

- to remove or block infringing materials and references to those materials, or
- terminating the account of an infringing subscriber; or
- Any other less onerous but similarly effective non-monetary order.

Additionally, the Act introduced four factors that a Court must take into account when deciding what orders to make against an ISP:

1. The harm caused to the relevant copyright owner if steps are not taken to prevent the online infringement.
2. The burden that the order will place on the ISP.
3. The technical feasibility of compliance with the order.
4. Whether another similarly effective order would be less onerous.

5. ANALYSIS OF THE DMCA SAFE HARBORS

5.1. Take Down and Counter Notice Procedure:

The *take down notice* procedure is one of the most controversial innovations introduced by the DMCA in the US. Take down notices are a quick and non expensive mechanism that allow copyright owners to get any material they consider an infringement, removed from the Internet. Both ISPs and Internet users fear that these provisions could lead to abuses by copyright owners. First, it encourages ISPs to indiscriminately remove online material. Second, it could be used to restrict freedom of speech rights and communications on the Internet based on false claims of copyright infringement.

This general alarm is based on the fact that copyright owners are not obliged to show that the allegedly infringing material actually violates their rights. It is enough to say that they believe in good faith that it does so. Some of them have issued

“notices requiring removal or blocking of online material without conducting proper due diligence to determine whether or not such material does not infringe their rights or for ulterior motives”³⁹,

39 Above n 13.

such as unfair competition or to silence harass critics.

For instance, during the first year after the enactment of the DMCA, companies had demanded that Yahoo! Inc. took down sites that somehow criticized a company's product⁴⁰. Likewise, the Church of Scientology initiated a strong campaign against those who question the Church's positions and teaching, "*relying on copyright claims to shut down a website*"^{41, 42}.

The "unbalance" of the system, regarding *take down* and *counter notices* also worries Internet users. In theory, Internet users count on the counter notice procedure to try to get restored material that has been removed based on take down notices (lacking of clear evidence of infringement). Nevertheless, the fact that

"counter notices do not actually require ISPs to restore the disputed material has led to ISPs in the US simply refusing to do so. This creates an inequitable situation where copyright holders exert far too much power over those whom they make allegations against"⁴³.

In addition, counter notices also do not appear as effective and responsive as take down notices. Even though it provides Internet users with an opportunity to protect their interests, this opportunity seems to come late, rather than agile as required by the situation.

"Expedientiously taking down provisions in the DMCA often leave no chance for the subscribers to explain, before their materials/activities are terminated or they know such a termination will be conducted. This may greatly increase the risk of 'wrongful takedown', and place ISPs in an embarrassing situation with their clients. They have to face the dilemma: either lose the immunity of ISP safe harbour or lose (at least offend) their clients"⁴⁴.

40 Above n 25.

41 Ibid.

42 For more examples regarding abusive take down notices see "The Electronic Frontier Foundation – Unsafe Harbors: Abusive DMCA Subpoenas and Takedown Demands", available at www.eff.org/IP/P2P/20030926_unsafe_harbors.php. Also, see "Chilling effects Clearinghouse, a joint project of the Electronic Frontier Foundation and Harvard, Stanford, Berkeley, University of San Francisco, University of Maine, George Washington School of Law, and Santa Clara University School of Law clinics. Available at <http://www.chillingeffects.org/dmca512/news.cgi>.

43 Electronic Frontiers Australia Incorporated EFA, "*Submissions made to the Senate Select Committee on the US-Australia FTA submission dated 30th April 2004*". Available at <http://www.eff.org.au/Publish/ipfta-paper.html>.

44 Ibid.

5.2. Subpoenas

The DMCA implements the subpoena procedure governed by the Federal Rules of Civil Procedure. This novelty implies, to a certain extent, removing the “anonymity veil” that covers Internet users. In the task of helping copyright owners, ISPs have been required around the world to implement certain measures that could have serious privacy repercussions, such as the “subpoena procedure” and monitor systems of their subscribers’ activities. These demands have created discomfort among the parties involved though.

During the negotiation of the Australia-US FTA, Electronic Frontiers Australia Incorporated⁴⁵ expressed it was urgent to clarify the issue of ISPs’ liability in the Australian law. Still,

“the need for certainty should not be used as an excuse to impose unreasonable burdens upon ISPs or to further enhance the extensive powers of copyright holders”⁴⁶.

Additionally, subpoenas look very easy to obtain, since there is no provision for judicial assessment of its merits⁴⁷. Once a take down notice has been issued, obtaining a subpoena “*is little more than a formality*”⁴⁸. This situation could lead to a perturbing scenario, where subpoenas could be used to ulterior motives, for instance, by stalkers⁴⁹.

5.3. Copyright Law goal

Copyright Law aims to strike a balance between the interests of creators and society. It encourages creation by the granting of exclusive rights over copyrighted works, and also it intends to provide the general public with access to these works. Achieving this balance is not an easy task though, and the DMCA is an example of the complexity of this purpose.

45 Electronic Frontiers Australia Incorporated EFA, is a non-profit national organisation formed by ISPs, other service providers, privacy and consumer groups, concerned with on-line rights and freedoms.

46 Above n 43.

47 Above n 13.

48 Ibid.

49 Ibid.

The foregoing shows the unbalance of the system introduced. It has even been perceived as one that,

“enhances the power of copyright holders to control the activities of others and, in practice, labels defendants as guilty unless proven innocent”⁵⁰.

Perhaps this is an extreme point of view. Nonetheless, is undeniable that the DMCA provides copyright owners with much more resources to enforce their rights, than Internet users to defend themselves. Even to prove them wrong.

5.4. Case Precedents

The DMCA’s safe harbors are concerned with clarifying the liability regime for ISPs and protecting copyright owners. They ruled for the first time the issue of ISPs’ liability in the US based on existing case precedents.

The DMCA gives different treatments to the theories of ISPs liability. On the one hand, direct liability is eliminated due to the “mere conduit” and “caching” limitations (passive transmission, retransmission and temporary storage of infringing material). Once an ISP fulfills the threshold conditions and the additional requirements for these safe harbors, it is relieved of monetary remedies for the copyright infringement made through the services offered.

On the other hand, the “hosting” and “linking” limitations keep alive the theories of vicarious and contributory liability. After a detailed reading of the requirements an ISP must comply with, one can notice the correspondence with the elements of these theories.

- Having actual knowledge of the infringing activity is required for the application of contributory liability. Lacking this knowledge is a condition to qualify for both safe harbors.
- The doctrine of vicarious liability includes two basic elements: Financial benefit in the infringer’s activity and capability to control the infringing activity. These safe harbors condition no liability on the absence of vicarious liability.
- Removing allegedly infringing material upon the reception of a formal notice (take down notice) and the designation of an agent to receive this notice are the

⁵⁰ Above n 43.

final conditions for the safe harbor. Both elements are related to the contributory liability doctrine, since the DMCA equals “formal notice” with “actual knowledge” of the infringing activity.

5.5. Risk Aversion

Despite the criticism, the DMCA is a useful effort to give certainty to an issue that, given the lack of guidelines to be dealt with, was up to the Courts.

ISPs are free to adhere or not to the limitations of remedies offered by the DMCA. If they do not, the case will be left to the judge to decide, based on different case precedent and on his own interpretation of the facts. Actually, the DMCA states that,

“the safe harbors do not affect the viability of any other legal grounds on which ISPs might claim nonliability”⁵¹.

This is a high risk to take. Therefore, ISPs tend to comply with the DMCA’s safe harbors because they are a guarantee of nonliability hard to reject. All though they do not prevent litigation, ISPs know that more often than not, they will not be held liable. In consequence, the DMCA constitutes an alternative for risk management.

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