

The Relationship Between the ISP Safe Harbors and the Ordinary Rules of Copyright Liability

R. Anthony Reese*

I think that there is a general understanding abroad in the land about the relationship between the ordinary principles of liability for copyright infringement and the limits on liability for online service providers (OSPs) in sections 512(c) and 512(d). The basic view is that these sections depart from the traditional copyright regime by protecting OSPs from claims of direct copyright infringement, but basically follow the traditional copyright regime and allow secondary liability claims against an OSP for infringements committed by users of the OSP's services.¹

In this view, section 512 is most notable for changing the rules governing liability for direct infringement of copyright. A direct infringer is a party that itself uses a copyrighted work in one of the ways that the Copyright Act reserves exclusively to the copyright owner—reproduction, adaptation, distribution, public performance or public display.² Under the expansive statutory readings that many courts have given to the scope of online conduct that comes within the copyright owner's exclusive rights,³ many of an OSP's activities might lead to liability for direct infringement. But section 512 provides that, if the OSP meets certain conditions, it will not be liable as a direct infringer for certain types of activities. Thus, section 512 is seen as shielding OSPs from otherwise potentially successful claims of direct infringement.

At the same time, this view sees section 512 as preserving copyright owners' secondary liability claims against OSPs. Secondary liability claims are premised not on a defendant's *own* unauthorized use of a copyrighted work in violation of the owner's exclusive rights. Instead, secondary liability claims target a defendant

* Arnold, White & Durkee Centennial Professor of Law, The University of Texas at Austin; Visiting Professor, NYU School of Law, Spring 2009; Professor, UC Irvine School of Law (from 1 July 2009). Thanks to the symposium participants and to Christopher Leslie for their comments on earlier versions of this Article, and to Jane O'Connell and the staff of Tarlton Law Library for research assistance. © 2009 R. Anthony Reese.

1. See, e.g., *In re Aimster Copyright Litig.*, 334 F.3d 643, 655 (7th Cir. 2003) (“The [Online Copyright Infringement Liability Limitation] Act [codified at § 512] does not abolish contributory infringement.”); *CoStar Group Inc. v. LoopNet, Inc.*, 164 F. Supp. 2d 688, 704 (D.Md. 2001) (“Basically, the DMCA provides no safe harbor for vicarious infringement because it codifies both elements of vicarious liability.”).

2. 17 U.S.C. § 106 (2006).

3. See, e.g., *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 519 (9th Cir. 1993) (temporary storage in RAM constitutes reproduction).

who has contributed to some third party's act of direct infringement, or a defendant who has a sufficiently close relationship with a third-party direct infringer such that it is fair to hold the defendant liable for the infringement. In this view of section 512, an OSP's conduct or relationship that would lead to secondary liability under ordinary common law principles of copyright law⁴ is essentially the same kind of conduct or relationship that the statute specifies would disqualify the OSP from its safe harbors. Such conduct or relationships would thus both remove the OSP from the safe harbor, exposing it to ordinary secondary liability claims, and would generally suffice to prove such claims.

So in this view, the section 512(c) and (d) safe harbors change the rules of the game with respect to direct infringement, shielding an OSP from claims for which it would otherwise likely be liable, but they essentially preserve the ordinary principles of secondary liability, exposing an OSP to claims for contributory infringement or vicarious liability that would otherwise likely succeed.

In this Article, I suggest that the general view just described is not entirely correct. Part I explores OSP liability for direct infringement. Section 512 does protect qualifying OSPs against liability. It is not clear, however, how significant this protection is. In the years since section 512 was enacted in 1998, courts have developed the ordinary principles of copyright infringement doctrine in the online context, and some have interpreted direct infringement law so as to avoid holding an OSP liable for merely carrying out routine internet communications on behalf of its users without any knowledge of a user's infringement or any practical way to detect it.⁵ As a result, at least in many instances, an OSP that fails to qualify for a safe harbor's protection against direct infringement claims may nevertheless not face liability for its actions as a direct infringer (though it may still find its conduct judged under secondary liability principles). Thus, what appears to be the most substantial safe harbor protection—the shield against direct infringement claims—may in fact not be necessary in many circumstances.

Part II compares the elements of a common law claim for contributory infringement or vicarious liability with the provisions of sections 512(c) and 512(d) that disqualify an OSP from a safe harbor based either on its level of knowledge about, or its level of control over, a user's infringing activity. The statutory conditions that an OSP must meet in order to qualify for a safe harbor's protection certainly reflect the contours of ordinary claims of contributory infringement and

4. The doctrines of secondary liability in copyright law are essentially judge made, and are not spelled out in federal copyright legislation. The 1976 Act's legislative history indicates that the drafters of that statute approved of the courts' recognition of secondary liability claims, but the statute as enacted offered no details on such claims. *See* H.R. REP. NO. 94-1476, at 61 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5674. Amendments since 1976 have not added any general provisions on secondary liability, and have only rarely addressed the topic even in specific contexts. *See, e.g.*, 17 U.S.C. § 1008 (limiting secondary liability claims based on provision of analog and digital audio recording devices and media).

5. *See, e.g.*, *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 550 (4th Cir. 2004) (“[T]he ISP should not be found liable as a direct infringer when its facility is used by a subscriber to violate a copyright without intervening conduct of the ISP.”).

vicarious liability, but the precise details of the statutory requirements differ in some ways from the elements of those claims. As a result, some conduct that would lead a court to find contributory infringement or vicarious liability under ordinary common law principles may not be enough to deprive an OSP of the safe harbor's shield. Thus, sections 512(c) and 512(d) may not, in fact, preserve all secondary liability claims against OSPs, but instead may protect OSPs from liability in at least some instances where a claim for contributory infringement or vicarious liability would otherwise succeed.⁶

I. LIABILITY FOR DIRECT INFRINGEMENT INSIDE AND OUTSIDE THE SAFE HARBOR

The most straightforward type of infringement claim is a direct infringement claim. The Copyright Act provides that “[a]nyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright” and subject to the Act’s remedies.⁷ A plaintiff copyright owner generally need not prove anything about a defendant’s knowledge, right and ability to control, or direct financial interest in order to establish a direct infringement claim. The most obvious difference between the ordinary copyright regime and the liability regime of section 512 would seem to involve such direct infringement claims. If an OSP comes within a safe harbor, then the OSP faces no liability for claims of direct infringement—beyond being subject to very narrowly circumscribed injunctive relief.⁸

The difference may not be as significant as it appears, however. Even outside the safe harbors, OSPs may not face liability for direct infringement claims based on their own activities (transmission, storage, etc.) on behalf of users. Section 512’s approach of barring direct infringement liability but allowing secondary liability (in some modified form) is, after all, modeled on the approach of the landmark *Netcom* case. As that decision demonstrates, the ordinary copyright liability regime had begun, even before enactment of section 512’s safe harbors, to reject direct infringement liability at least for some OSP conduct.⁹

In *Netcom*, the court essentially interpreted the statutory section on direct infringement to mean that a defendant must engage in at least some “volitional” conduct in order to be held liable as a direct infringer.¹⁰ And at least for some

6. This appears to be the intent of the drafters of an early version of the safe harbors. That version was far less detailed than the version finally adopted, although the language of the early version’s conditions for qualifying for the safe harbors was quite similar to the final version’s. The committee report for the early version explained that “[a]s to secondary liability [for OSPs,] the current criteria for finding contributory infringement or vicarious liability are made clearer *and somewhat more difficult to satisfy*.” H.R. REP. NO. 105-551, pt. 1, at 11 (1998) (emphasis added).

7. 17 U.S.C. § 501(a) (2006).

8. 17 U.S.C. § 512(j) (2006).

9. *Religious Tech. Ctr. v. Netcom On-Line Commc’n Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995).

10. *Id.* at 1370. The court’s approach prefigures, to some extent, the question in the recent *Cartoon Network LP, LLLP v. CSC Holdings, Inc.* case regarding who is actually making the copy when

important activities, the court concluded that the OSP was not engaged in such volitional conduct and, therefore, could not be held liable under the ordinary principles of direct infringement. Instead, if the OSP was to be held liable, it would have to be under some form of secondary liability.¹¹

Of course, *Netcom* was only a single district court opinion, of no direct precedential force in subsequent cases. Nevertheless, at least one circuit court has expressly adopted the *Netcom* approach to direct liability for at least some OSP conduct.¹² The Fourth Circuit in *CoStar* interpreted *Netcom* as having articulated a volitional conduct element to the standard test for direct copyright infringement under sections 501 and 106 of the Copyright Act, and praised that decision as offering “a particularly rational interpretation” of the statute.¹³ The court stated:

Agreeing with the analysis in *Netcom*, we hold that the automatic copying, storage, and transmission of copyrighted materials, when instigated by others, does not render an ISP strictly liable for copyright infringement under §§ 501 and 106 of the Copyright Act. An ISP, however, can become liable indirectly upon a showing of additional involvement sufficient to establish a contributory or vicarious violation of the Act.¹⁴

At least one other circuit court seems to have taken the same approach.¹⁵ As a result, when an OSP fails to qualify for a section 512 safe harbor and thus does not enjoy a shield against direct infringement liability, courts may nonetheless evaluate the OSP’s liability for copyright infringement under principles of secondary liability rather than under principles of direct infringement. While the safe harbor’s most significant benefit appears at first to be the protection it offers OSPs against claims of direct infringement, it turns out that, at least in some circuits, OSPs do not need a safe harbor’s protection in order to avoid direct infringement liability. Of course, the protection may be important in circuits that have not yet adopted (or that decline to adopt) the *Netcom* approach, or if a court determines that some of the OSP activity covered by section 512 involved the kind of volitional conduct by the OSP that would make direct infringement liability appropriate even under that approach. But the value of the safe harbor’s shield against direct infringement

a cable TV subscriber uses a remote-storage DVR system to record a TV show. *See* 536 F.3d 121, 130 (2d Cir. 2008).

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

12. *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 548-52, 555 (4th Cir. 2004).

13. *Id.* at 551.

14. *Id.*

15. *See Parker v. Google, Inc.*, 242 F. App’x 833, 836 (3d Cir. 2007) (“[T]o state a direct copyright infringement claim, a plaintiff must allege volitional conduct on the part of the defendant.”) (citing *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 551 (4th Cir. 2004) and *Religious Tech. Ctr. v. Netcom On-Line Comm’n Servs., Inc.*, 907 F. Supp. 1361, 1370 (N.D. Cal. 1995)). The Second Circuit has also recently endorsed the *Netcom* view as a more general principle for determining who is actually engaged in directly infringing conduct, in a case not involving an OSP. *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. 2008). At least one district court has also taken the *Netcom* approach to direct infringement. *Ellison v. Robertson*, 189 F. Supp. 2d 1051, 1056-57 (C.D. Cal. 2002).

claims is surely somewhat less than it would be if courts routinely viewed typical OSP activity as subject to direct infringement liability.

II. COMPARING THE SAFE HARBOR CONDITIONS AND SECONDARY LIABILITY DOCTRINES

A. KNOWLEDGE-BASED DISQUALIFICATION FROM THE SAFE HARBORS AND CONTRIBUTORY INFRINGEMENT

Knowledge of infringing activity is one ground on which an OSP can be excluded from the safe harbors. Sections 512(c) and 512(d) essentially immunize an OSP from liability for copyright infringement that occurs by reason of the provider's storing user material or providing information location tools as long as the provider does not have certain kinds of knowledge regarding the infringing material or activity.¹⁶ If the provider does meet certain knowledge requirements, though, it loses the benefit of the safe harbor and must face a copyright owner's infringement claims.

Here, the safe harbor regime substantially parallels common law contributory infringement doctrine, which premises liability on the contributing defendant's knowledge of the infringer's activity. The now classic statement of the elements of a contributory infringement claim is 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."¹⁷ Courts have generally indicated that a defendant has sufficient knowledge to be a contributory infringer if the defendant actually knows of the infringing activity or if a reasonable person in the defendant's position would have known of the activity.¹⁸

The requirements of sections 512(c)(1)(A) and 512(d)(1) are conceptually quite similar to those of a contributory infringement claim. A defendant will not be liable as a contributory infringer if she does not have actual or constructive knowledge of the direct infringement. Similarly, an OSP that otherwise qualifies under either section 512(c) or 512(d) will be immune from liability if it does not have certain knowledge or awareness of infringing material or activity. And under both the common law and the statutory safe harbors, a defendant will not face liability unless it contributes to a third-party's infringement. Given the structural similarities, it might appear that if a copyright owner could establish a prima facie claim that an OSP engaged in contributory infringement by knowingly contributing to a user's infringing activity, she would also be able to disqualify the OSP from

16. 17 U.S.C. § 512(c)(1)(A), (c)(1)(C), (d)(1), (d)(3) (2006).

17. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

18. *See, e.g., id.* at 1162; *Casella v. Morris*, 820 F.2d 362, 365 (11th Cir. 1987) ("The standard of knowledge is objective: 'Know, or have reason to know.'"); *Ellison v. Robertson*, 357 F.3d 1072, 1076 (9th Cir. 2004) ("We have interpreted the knowledge requirement for contributory copyright infringement to include both those with *actual knowledge* and those who *have reason to know* of direct infringement.").

the safe harbor and therefore be able to pursue her contributory infringement claim. The following sections demonstrate, however, that while the structure of the safe harbors resembles that of a contributory infringement claim, the specific details of the statutory provisions mean that at least in some situations sections 512(c) and 512(d) will shield OSPs from contributory infringement claims.

1. Material Contribution

Unlike a contributory infringement claim, the statute does not expressly state that an OSP must induce, cause, or materially contribute to a user's infringing activity in order to lose the benefit of the safe harbor under section 512(c) or 512(d). But an OSP only qualifies for the safe harbor if copyright infringement occurs "by reason of the storage at the direction of a user of material that resides" on the OSP's system or network, in the case of section 512(c), or "by reason of the provider referring or linking users to an online location containing infringing material or infringing activity, by using information location tools," in the case of section 512(d).¹⁹ The statute's drafters evidently presumed that any OSP that could come within the scope of the safe harbors was in fact materially contributing to any infringement at issue by providing the online storage or the information location tools "by reason of" which the infringement occurred in the first place.

This view is reinforced by provisions in each section that allow an OSP to retain the benefit of the safe harbor, even if the OSP acquires knowledge or awareness of infringement, as long as it stops the activity that contributes to the infringement.²⁰ Under section 512(c), a provider that stores infringing material for a user and finds out about that infringing material will usually lose the safe harbor's shield. But if the OSP, upon acquiring the requisite knowledge, removes or disables access to the stored material, it remains protected by the safe harbor.²¹ Similarly, under section 512(d), an OSP that unknowingly links users to infringing material will remain protected from liability if, once it finds out about the infringement, it disables access to the material.²² Thus, the elements of knowing of the infringement *and* facilitating that infringement by storing the user's infringing material or linking to infringing activity must coalesce in order for the OSP to lose the safe harbor's benefit and face possible liability for copyright infringement, just as a defendant faces liability as a contributory infringer under ordinary copyright principles only if it satisfies the elements of *both* knowledge and material contribution. The safe harbor provisions and the elements of a contributory infringement claim therefore likely do not substantively differ with respect to an OSP's material contribution to infringement.

19. 17 U.S.C. § 512(c)(1), (d) (2006).

20. 17 U.S.C. §§ 512(c)(1)(A)(iii), 512(c)(1)(C), 512(d)(1)(C), 512(d)(3) (2006).

21. 17 U.S.C. §§ 512(c)(1)(A)(iii), 512(c)(1)(C) (2006).

22. 17 U.S.C. §§ 512(d)(1)(C), 512(d)(3) (2006).

2. Knowledge: Knowledge of What?

Sections 512(c) and 512(d) thus proceed from the underlying premise that an OSP that stores a user's infringing material, or provides information location tools that lead a user to infringing material, necessarily assists in the user's infringement. The specific conditions that an OSP must meet to qualify for the limitation on liability focus on the OSP's knowledge. As noted above, both the safe harbors and the common law contributory infringement doctrine contain a knowledge element. Both, not surprisingly, recognize the defendant's "actual knowledge" as one way to satisfy the requirement. And just as the common law will impose liability even if a defendant did not have actual knowledge—if the defendant *should have known* of the infringing activity—so, too, the safe harbor provisions will not protect an OSP who lacks actual knowledge but who nonetheless is "aware of facts or circumstances from which infringing activity is apparent."²³

The safe harbors and common law doctrine appear to differ, however, as to what knowledge a copyright owner must show in order to, respectively, remove an OSP from a safe harbor or impose secondary liability on the OSP. Recall the *Gershwin* statement of the contributory infringement test, which imposes liability on anyone who contributes to another party's infringing conduct "with knowledge of the infringing activity." This language is ambiguous. Does the defendant accused of contributory infringement merely have to know that the activity is taking place? Or must the defendant know that the activity constitutes infringement?

Few cases directly address this issue in the contributory infringement context. Professor Goldstein, in his treatise *Copyright*, states that "[t]o be liable for contributory infringement, the defendant need only have known of the direct infringer's activities, and need not have reached the legal conclusion that these activities infringed a copyrighted work."²⁴ Section 512, though, seems to take a different approach, denying its protections to an OSP if the OSP knows of the infringing nature of its user's material or activity, but not if the OSP merely knows (or should know) that the activity is occurring. The statutory language, legislative history and case interpretation all point to that conclusion.

The statutory language is clearest in articulating the actual knowledge required to deprive an OSP of a safe harbor. Section 512(c)(1)(A)(i) allows an OSP to enjoy the benefit of the safe harbor if the provider "does not have actual knowledge that the material or . . . activity . . . is infringing."²⁵ Identical language appears in section 512(d) regarding information location tools.²⁶ These provisions clearly require not only that the provider know of the existence of the infringing material or activity, but rather that the provider know that it is infringing.²⁷

23. 17 U.S.C. § 512(c)(1)(A)(ii) (2006).

24. 2 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 8.1, at 8:9 n.1 (3d ed. 2008) ("This rule is dictated by the more general rule that innocence is no defense to an action for copyright infringement.")

25. 17 U.S.C. § 512(c)(1)(A)(i) (2006).

26. 17 U.S.C. § 512(d)(1)(A) (2006).

27. *See, e.g., ALS Scan, Inc. v. RemarQ Cmty., Inc.*, 239 F.3d 619, 623 (4th Cir. 2001) (noting

The provisions of sections 512(c) and 512(d) that concern what the OSP *should* know are more ambiguous. They deny protection to a provider that is “aware of facts or circumstances from which infringing activity is apparent.”²⁸ As with the statement of the common law claim in *Gershwin*, this could mean either that the *occurrence* of the activity is apparent from the facts or circumstances, or that the *infringing nature* of the activity is apparent. The legislative history makes clear, however, that the drafters intended to require that the provider know of the infringing nature of the activity. For example, the committee reports repeatedly refer to this language as barring a provider from the safe harbor where the provider has seen a “red flag” of obvious infringement. The specific examples in the committee reports make clear that the red flag must signal to the provider not just that the activity is occurring, but that the activity is infringing. In describing the operation of the “red flag” test in connection with information location tools such as Web directories, the committee explained that:

Absent such “red flags” . . . , a directory provider would not be . . . aware merely because it saw one or more well known photographs of a celebrity at a site devoted to that person. The provider could not be expected, during the course of its brief cataloguing visit, to determine whether the photograph was still protected by copyright or was in the public domain; if the photograph was still protected by copyright, whether the use was licensed; and if the use was not licensed, whether it was permitted under the fair use doctrine.²⁹

In these examples, the OSP is obviously more than just aware of facts from which the user’s activity is apparent—the provider has actually seen the user’s material. The examples make clear that this is not enough to meet the “aware of facts or circumstances” test set out in sections 512(c) and 512(d). Instead, the question is whether the facts and circumstances make apparent the infringing nature

that if defendant OSP “had *actual* knowledge of the *infringing nature* of the two subject newsgroups even before being contacted” by plaintiff copyright owner, it would meet section 512(c)(1)(A)(i)’s condition for denying the safe harbor (second emphasis added); *but see* *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1108 (W.D. Wash. 2004) (phrasing the issue under this subsection as “whether [defendant] Amazon actually knew that specific [users] were selling items that infringed [plaintiff] Corbis copyrights,” leaving unclear whether inquiry was whether Amazon knew of the sales or knew that the items sold infringed).

28. 17 U.S.C. § 512(c)(1)(A)(ii) (2006); 17 U.S.C. § 512(d)(1)(B) (2006).

Unlike the common law knowledge standard, which may allow a court to ask if the contributory infringement defendant *should* have been aware of the infringing activity, this statutory standard appears to require that the defendant OSP was *actually* aware of the relevant facts and circumstances. Thus, one court found that a copyright owner failed to disqualify an OSP under this condition where the copyright owner did not present evidence suggesting that the OSP was in fact aware of the allegedly significant facts. *Io Group, Inc. v. Veoh Networks, Inc.*, 586 F. Supp. 2d 1132, 1149 & n.10 (N.D. Cal. 2008) (no evidence that defendant was aware of plaintiff’s trademark notice in a video clip uploaded by a user to defendant’s service, or of information in an uploading user’s profile indicating the user’s age). *See also* H.R. REP. NO. 105-551, pt. 2, at 53 (1998) (“In determining whether the service provider was aware of a ‘red flag,’ the subjective awareness of the service provider of the facts or circumstances must be determined.”).

29. H.R. REP. NO. 105-551, pt. 2, at 57-58 (1998).

of the user's activity.

Those courts that have addressed the knowledge and awareness requirements have interpreted them as requiring a showing of the OSP's mental state with respect to the infringing nature of the activity at issue, and not merely with respect to the existence of that activity. In *Perfect 10, Inc. v. CCBill LLC*, the Ninth Circuit reviewed the copyright owner's claims that the defendants had the awareness of facts and circumstances required by section 512(c)(1)(A)(ii) to disqualify them from the safe harbor.³⁰ In rejecting those claims, the court clearly focused on whether the facts and circumstances identified by the copyright owner made the defendants aware of the infringing nature of their users' activities, and not merely that the activity was occurring. The copyright owner alleged, for example, that the defendants "must have been aware of apparent infringing activity" because they provided services to websites at the domain names "illegal.net" and "stolencebritypics.com." The court disagreed:

When a website traffics in pictures that are titillating by nature, describing photographs as "illegal" or "stolen" may be an attempt to increase their salacious appeal, rather than an admission that the photographs are actually illegal or stolen. *We do not place the burden of determining whether photographs are actually illegal on a service provider.*³¹

Clearly, the relevant question in the court's mind was not whether the defendants knew about the photographs, but whether they knew of the photos' infringing nature.³²

Another court took a similar approach in *Corbis Corp. v. Amazon.com*.³³ The copyright owner, Corbis, claimed that the defendant OSP, Amazon.com, was precluded from using section 512(c)'s safe harbor because it was aware of facts and circumstances from which alleged infringing activity by its users was apparent. Corbis argued that other copyright owners had sent notices of alleged infringement to Amazon, and that these notices made Amazon aware of the relevant facts and circumstances.³⁴ The court concluded that "the third party notices do not, in

30. 488 F.3d 1102, 1114-15 (9th Cir. 2007).

31. *Id.* at 1114 (emphasis added).

32. The court took a similar approach with respect to claims that the defendants hosted "password-hacking websites." *See id.* It noted that for such a website:

[T]o qualify as a 'red flag' of infringement [under section 512(c)(1)(A)(ii)], it would need to be apparent that the website instructed or enabled users to infringe another's copyright . . . The website could be a hoax, or out of date. The owner of the protected content may have supplied the passwords as a short-term promotion, or as an attempt to collect information from unsuspecting users . . . There is simply no way for a service provider to conclude that the passwords enabled infringement without trying the passwords, and verifying that they enabled illegal access to copyrighted material. We impose no such investigative duties on service providers.

Id. Again, the court looked at whether the facts and circumstances put the OSP on notice of the infringing nature of the activity that it was hosting, and not merely on notice of the existence of that activity.

33. 351 F. Supp. 2d 1090 (W.D. Wash. 2004).

34. On the question of the relevance of notice from copyright owners to a service provider's

themselves, constitute red flags.”³⁵ It continued:

Outside of the fact that the [complained-of users] sold pictures of celebrities, Corbis is silent regarding the content of the complained of listings. There is simply nothing to suggest that the vendor listings contained evidence of blatant copyright infringement. As a result, even if the notices of infringement would have caused Amazon to examine the content of the [users’] sites, Corbis has failed to close the link by showing that those sites contained the type of blatant infringing activity that would have sent up a red flag for Amazon.³⁶

Again, the question for the court was not whether the notices made Amazon aware that its users were selling the disputed items, but rather whether the notices made Amazon aware of the infringing nature of those sales. In concluding that the answer to that question was negative, the court distinguished between the statutory standard and what seems to be the ordinary contributory infringement standard:

In determining whether a service provider is “aware of facts or circumstances from which infringing activity was apparent,” . . . the question is not “what a reasonable person would have deduced given all of the circumstances.” . . . Instead, the question is “whether the service provider deliberately proceeded in the face of blatant factors of which it was aware.” . . . As articulated by Congress, apparent knowledge requires evidence that a service provider “turned a blind eye to ‘red flags’ of obvious infringement.”³⁷

The court thus articulated the statutory “awareness” standard as more demanding than the common law “should have known” standard.

To the extent that a contributory infringement claim against an OSP for a customer’s infringement requires only that the OSP knows that the customer is engaging in the allegedly infringing activity, but does not require that the OSP knows that the activity is infringing, section 512’s knowledge standard diverges from the standard for secondary liability at common law. As a result, an OSP may have knowledge that would be sufficient for a copyright owner to prevail on a contributory infringement claim, but that knowledge may not be sufficient to disqualify the OSP from the statutory safe harbor. In such a case, an OSP that meets section 512’s other requirements will not face infringement liability even though it could be held liable under ordinary contributory infringement doctrine. Section 512 therefore shields OSPs from certain otherwise viable secondary liability claims, and not just from claims of direct infringement.

3. Knowledge: Notice from the Copyright Owner

The knowledge requirements of the safe harbors and a common law contributory infringement claim also differ with respect to knowledge that comes by way of

knowledge for safe harbor purposes, *see infra* Part II.A.3.

35. *Corbis*, 351 F. Supp. 2d at 1108.

36. *Id.* at 1109.

37. *Id.* at 1108 (citations omitted).

notice from a copyright owner. One of the most direct ways that an OSP can obtain knowledge of infringing material or activity on its system is if a copyright owner tells the provider about the infringement. Courts applying the ordinary principles of contributory infringement, in cases involving conduct of OSPs as well as those involving non-Internet-related infringement, recognize that notice from the copyright owner to the defendant can demonstrate that the defendant had the knowledge necessary for imposing secondary liability.³⁸ The safe harbors' requirements once again echo the ordinary principles of secondary liability in recognizing that a copyright owner's notice can provide sufficient knowledge to remove an OSP from a safe harbor. Section 512's notice-and-takedown system provides that if a copyright owner gives an OSP notice of alleged infringement on the OSP's system, the provider will generally lose the safe harbor's benefit unless it expeditiously removes or blocks the allegedly infringing material.³⁹

Here again, however, the two regimes differ in operational detail. Section 512 imposes more stringent requirements for a copyright owner's notice to remove an OSP from a safe harbor than a contributory infringement cause of action requires for such notice to satisfy the claim's knowledge element. Section 512(c) specifies, in considerable detail, the elements that a copyright owner's notice must contain, and even, to some degree, the form that notification must take, in order to trigger the OSP's obligation to remove or block the allegedly infringing material in order to remain within the safe harbor.⁴⁰ If a copyright owner's notice to an OSP fails to substantially comply with the form and content requirements, then the OSP need not remove the complained-of material in order to stay within the safe harbor.⁴¹ This, of course, goes beyond the approach of common law contributory infringement doctrine, which looks for no specific form or content in judging whether notice from a copyright owner gives a defendant sufficient knowledge of a third party's infringing activity.

The statute's form and content requirements have an even more significant consequence beyond determining an OSP's obligation to remove or block infringing material in order to retain the safe harbor's protection. The statute also provides that, for the most part, a copyright owner's noncompliant notice cannot be considered in determining, for purposes of the other safe-harbor knowledge requirements, whether the OSP has actual knowledge of infringing material on its system or is aware of facts and circumstances from which infringing activity is apparent.⁴²

38. See, e.g., *Religious Tech. Ctr. v. Netcom On-Line Comm'n Servs., Inc.*, 907 F. Supp. 1361, 1374 (N.D. Cal. 1995); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261, 264 (9th Cir. 1996).

39. 17 U.S.C. §§ 512(c)(1)(C), 512(d)(3) (2006).

40. 17 U.S.C. § 512(c)(3) (2006). Notices to OSPs regarding infringement by means of information location tools must comply with essentially the same requirements. 17 U.S.C. § 512(d)(3) (2006).

41. 17 U.S.C. § 512(c)(1)(C) (2006) (requiring expeditious response upon notification "as described in" section 512(c)(3)). Section 512(c)(3)(B)(ii) still requires that an OSP respond to some noncompliant notices, though it does not require taking down or blocking infringing material.

42. 17 U.S.C. § 512(c)(3)(B)(i) (2006); see, e.g., *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102,

As a result, even where a copyright owner's statutorily inadequate notice in fact gives an OSP actual knowledge that material stored on its network is infringing, that knowledge will not disqualify the OSP from the safe harbor—even though an OSP in such a situation would likely have sufficient knowledge to satisfy the knowledge requirement of a common law contributory infringement claim. Thus, with respect to notice from a copyright owner, the statute seems to impose a higher standard than contributory infringement doctrine for a copyright owner's notice to be effective in showing that an OSP had knowledge of the infringement. Here again, section 512 does not preserve all copyright owners' secondary liability claims against OSPs. Instead, the statute's elevated notice provision protects an OSP against liability even in some circumstances when ordinary common law contributory infringement standards would impose liability.

In sum, an OSP's knowledge is relevant both to a copyright owner's argument that the OSP is not shielded from infringement claims by section 512's safe harbors and to a copyright owner's claim of contributory infringement by the OSP. But despite surface similarities, the knowledge requirements in each situation are rather different. Section 512 requires a showing of greater knowledge on the OSP's part to deprive it of a safe harbor's shield than the common law requires to hold an OSP liable, as a contributory infringer, for its users' infringements. Section 512 thus does not merely preserve what would otherwise be valid secondary liability claims against OSPs. Instead, the statute draws on the ordinary common law principles of secondary liability in determining whether an OSP qualifies for a safe harbor, but it adapts those principles somewhat for the specific context of OSP activity, and in doing so prevents a qualifying OSP, to some degree, from facing secondary liability claims that it would otherwise face.

B. CONTROL-BASED DISQUALIFICATION FROM THE SAFE HARBORS AND VICARIOUS LIABILITY

In addition to knowledge-based disqualifications, an OSP can also lose a safe harbor's protection if it "receive[s] a financial benefit directly attributable to the infringing activity" and has "the right and ability to control such activity."⁴³ This requirement, of course, parallels the common law doctrine for holding a defendant vicariously liable for another person's copyright infringement: "one may be vicariously liable if he has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities."⁴⁴

Again, despite the parallel language between the statute and the elements of the

1113-14 (9th Cir. 2007); *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1108 (W.D. Wash. 2004) (third-party notices to service provider could not be considered in determining service provider's awareness of relevant facts and circumstances because copyright holder did not show that such notices complied with statutory requirements.); *Hendrickson v. Amazon.com, Inc.*, 298 F. Supp. 2d 914, 917-18 (C.D. Cal. 2003); *Hendrickson v. eBay Inc.*, 165 F. Supp. 2d 1082, 1092-93 (C.D. Cal. 2001).

43. 17 U.S.C. § 512(c)(1)(B) (2006).

44. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

common law claim, courts appear to have applied the two tests differently—in particular with respect to the “right and ability to control” element. Courts interpreting section 512 have made clear that an OSP does not have the requisite right and ability to control a user’s infringing activity just because the OSP could remove the user’s stored material or terminate the user’s access to the provider’s system or network.⁴⁵ This interpretation makes sense, given that the OSP must be able to remove material or terminate a user in order to qualify for the section 512(c) and section 512(d) safe harbors in the first place. If the ability to remove a user’s stored material or access was enough to meet the “right and ability” test under section 512(c)(1)(B) or section 512(d)(2), then the test would essentially swallow those safe harbors, as every relevant OSP would meet the test and be disqualified from the safe harbor.

This interpretation appears to be a sensible approach to the structure of sections 512(c) and 512(d), although it has left the law somewhat at sea as to what does constitute sufficient “right and ability to control” for purposes of those safe harbors.⁴⁶ But that interpretation of the requisite “right and ability to control” under section 512 certainly differs from how courts determine whether a defendant has the requisite “right and ability to supervise the infringing activity” to be held vicariously liable under the common law test.⁴⁷ Although few cases have specifically applied the common law test to OSPs, those that have, and the logic of other precedent, suggest that an OSP’s right (under, for example, its terms of service) and technological ability to remove a user’s material or terminate a user’s access might well satisfy this element of a vicarious liability claim.⁴⁸ Here again, then, facts that could establish a *prima facie* vicarious liability claim would not suffice to remove the OSP from the safe harbor and allow the claim to proceed, and the safe harbor would offer the OSP some protection from secondary liability claims.

Both the common law vicarious liability claim, and the section 512(c) and 512(d) safe harbors, also require considering an OSP’s financial stake in a user’s infringing activity. If an OSP has the right and ability to control infringing activity, it will not qualify for a safe harbor if it receives “a financial benefit directly attributable to the infringing activity.”⁴⁹ Similarly, under common law doctrines, an OSP will only be vicariously liable for a user’s infringing activities if it “has a direct financial interest in such activities.”⁵⁰ This parallel raises the question of

45. See, e.g., *Io Group, Inc. v. Veoh Networks, Inc.*, 586 F. Supp. 2d 1132, 1150-54 (N.D. Cal. 2008); *Corbis*, 351 F. Supp. 2d at 1110; *Perfect 10, Inc. v. CCBill, LLC*, 340 F. Supp. 2d 1077, 1098 (C.D. Cal. 2004); *CoStar Group, Inc. v. LoopNet, Inc.*, 164 F. Supp. 2d 688, 704 (D. Md. 2001); *Hendrickson v. eBay*, 165 F. Supp. 2d at 1093.

46. See, e.g., *Io Group, Inc. v. Veoh Networks, Inc.*, 586 F. Supp. 2d at 1151.

47. See Jane C. Ginsburg, *Separating the Sony Sheep From the Grokster Goats*, 50 ARIZ. L. REV. 577, 600-02 (2008).

48. See, e.g., *Religious Tech. Ctr. v. Netcom On-Line Commc’n Servs., Inc.*, 907 F. Supp. 1361, 1375-76 (N.D. Cal. 1995).

49. 17 U.S.C. §§ 512(c)(1)(B), 512(d)(2) (2006).

50. *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

whether the level of financial benefit needed to disqualify an OSP from a safe harbor is the same level of financial interest necessary to establish this element of a vicarious liability claim. At least one court has held that the “‘direct financial benefit’ [requirement in section 512(c)] should be interpreted consistent with the similarly-worded common law standard for vicarious liability.”⁵¹ That raises the further questions of whether an interpretation of the statutory test that is “consistent with” the common law test might still differ in particular application, and how courts are actually applying the statutory test.

These questions prove difficult to answer, principally due to uncertainty in both contexts about what financial interest is required. Some uncertainty surrounds how direct a defendant’s financial interest must be to make an ordinary vicarious liability claim. One leading case, *Fonovisa*, indicated that the test is met when a third party’s infringing activities “enhance the attractiveness of the [vicarious liability defendant’s] venue to potential customers.”⁵² That case involved a flea market that rented space for a flat fee to vendors who allegedly sold infringing sound recordings. The court ruled that the copyright owner had sufficiently alleged direct financial interest by alleging facts that “reflect that the defendants reap substantial financial benefits from admission fees, concession stand sales and parking fees, all of which flow directly from customers who want to buy the counterfeit recordings at bargain basement prices.”⁵³ The *Fonovisa* opinion might suggest that the availability of infringing material is necessarily a draw for customers, and that the “direct financial interest” test is therefore met whenever a vicarious liability defendant receives payments from customers. But a subsequent Ninth Circuit case, *Ellison v. Robertson*, seems to require that a copyright owner *prove* that infringing material attracted paying customers, who otherwise would not have paid, for the defendant’s product or service.⁵⁴ The suit included a claim that AOL was vicariously liable for infringement Robertson committed when he posted infringing copies of the plaintiff’s literary works on one of the many USENET newsgroups that AOL (and many other service providers) carried. In rejecting that claim, the court explained that the “essential aspect of the ‘direct financial benefit’ inquiry is whether there is a causal relationship between the infringing activity and any financial benefit a defendant reaps.”⁵⁵ Because the copyright owner in the case had not offered any evidence that “AOL customers either subscribed because of the available infringing material or canceled subscriptions because it was no longer available,” the court affirmed summary judgment for AOL on the vicarious liability claim.

The *Fonovisa* opinion might be read to presume that payments not directly tied to infringing activity constitute a direct financial interest in that activity because the

51. Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102, 1117 (9th Cir. 2007).

52. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 263 (9th Cir. 1996).

53. *Id.*

54. 357 F.3d 1072 (9th Cir. 2004).

55. *Id.* at 1079. The court also stated that the infringing activity must constitute a “draw” from customers and “not just an added benefit.” *Id.*

activity draws more customers than would noninfringing activity—a reading that arguably loosens the directness of the financial interest required to impose vicarious liability. The *Ellison* court, however, read the *Fonovisa* opinion more narrowly, and required proof that the infringing activity actually drew customers to the defendant—a reading that maintains a more direct relationship between the infringement and the defendant’s financial interest.⁵⁶ The broadest reading of *Fonovisa* seems broader than the language of the safe harbor condition, which requires that the OSP’s benefit be “directly attributable to the infringing activity.” The *Ellison* view, on the other hand, seems more consistent with that statutory language.

What, precisely, the statutory language actually requires in practice, though, also remains rather unclear. The “financial benefit” requirement of the section 512 safe harbors has received little judicial interpretation. Many cases that consider this aspect of the safe harbor find that the OSP did not have the right and ability to control the infringing activity, and so do not need to evaluate the financial benefit.⁵⁷ Other cases simply assume, or conclude without explicit analysis, that the OSP received a sufficient financial benefit.⁵⁸ The one circuit court case that has so far addressed the requirement in any detail applied the same test that the *Ellison* court applied to a common law vicarious infringement claim, and found that the copyright owner had not sufficiently demonstrated “that the infringing material was a ‘draw’ as required by *Ellison*.”⁵⁹

56. The *Ellison* reading seems entirely appropriate given that the *Fonovisa* court was reviewing the district court’s dismissal of the copyright owner’s complaint for failure to state a claim, and therefore was required to accept as true all of the complaint’s allegations. The *Fonovisa* opinion therefore established that allegations that infringing activity drew additional customers to a defendant’s business and the defendant received financial benefits from those additional *could*, if proven, meet the vicarious liability test, but not that infringing activity necessarily or presumptively served as a draw.

57. See, e.g., *Hendrickson v. eBay*, 165 F. Supp. 2d at 1093; *Corbis*, 351 F. Supp. 2d at 1110; *Perfect 10, Inc. v. CCBill, LLC*, 340 F. Supp. 2d 1077, 1105 (C.D. Cal. 2004), *affirmed in part, reversed in part*, 488 F.3d 1102 (9th Cir. 2007).

58. See, e.g., *Hendrickson v. Amazon.com, Inc.*, 298 F. Supp. 2d at 918; *Io Group, Inc. v. Veoh Networks, Inc.*, 586 F. Supp. 2d at 1150.

59. *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1118 (9th Cir. 2007).

Two earlier district court decisions, though, expressed seemingly different opinions on the relationship between the statutory and common law tests, but did so in fairly inconclusive terms. The district court in *CoStar* stated plainly that “[b]oth the language and the purpose of the test for direct financial benefit [in the statutory safe harbor] are different from the test” at common law, but the court appears to have been comparing the statutory test to the common law claim for contributory infringement, not for vicarious liability. *CoStar Group Inc. v. LoopNet, Inc.*, 164 F. Supp. 2d 688, 705 (D. Md. 2001) (comparing statutory test to analysis in *Fonovisa* and *Playboy Ent. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 504 (N.D. Ohio 1997) of claims for “contributory liability” and “contributory infringement”). And the district court in *Cybernet Ventures*, acknowledging the *CoStar* court’s discussion, “expresse[d] no opinion on the question whether the ‘directly attributable’ language [in the statute] is narrower or equivalent to the general vicarious infringement requirements,” but found the statutory test likely to be met where the OSP received a payment from each customer who obtained adult verification services from the OSP in order to view adult material, including allegedly infringing material, on websites that accepted the OSP’s verification services. *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146, 1181 (C.D. Cal. 2001). “The more new visitors an infringing site attracts, the more money Cybernet makes.” *Id.*

Thus, while the statutory test for control-based disqualification from the safe harbors clearly differs from the ordinary vicarious liability test with respect to the right and ability to control infringing activity, it is unclear whether the test of an OSP's direct financial interest in that activity is the same for purposes of determining eligibility for the safe harbors and of imposing vicarious liability. How much protection section 512 offers from vicarious liability claims depends on whether, and to what extent, the financial interest requirements of the statute and the common law diverge.

III. CONCLUSION

A view that the section 512(c) and 512(d) safe harbors shield OSPs from direct infringement claims but allow copyright owners to hold OSPs secondarily liable for their users' infringements may be a relatively accurate thumbnail account of these statutory provisions. But that account overlooks some important detail, and this Article attempts to provide a more nuanced picture. While the safe harbors do protect OSPs against direct infringement claims, continuing judicial development of the ordinary law of copyright infringement for OSPs outside the safe harbors suggests that an OSP's potential direct infringement liability for its routine functions may not be particularly great. And while the conditions that an OSP must meet in order to qualify for these safe harbors closely parallel the elements of common law contributory infringement and vicarious liability claims, those conditions and elements differ in subtle but important ways. As a result, while in many instances a copyright owner who can establish such a claim against an OSP will also be able to disqualify that OSP from the safe harbor and pursue her claim, in many other instances the safe harbor will insulate an OSP from secondary liability claims that would, in the absence of section 512, succeed. Thus, the safe harbors may be more valuable than they initially appear for OSPs facing secondary liability claims, and less valuable than they initially appear for OSPs facing direct infringement claims.

The fact that these statutory and common law regimes are quite similar and yet not identical raises the questions of whether either approach might influence the development of the other at the points where they differ, and whether the differences might gradually disappear so that the two regimes converge. The safe harbor approach to direct infringement claims may already have influenced the judicial development of ordinary copyright infringement principles. As noted above, several courts have agreed with the *Netcom* decision's rejection of direct infringement liability for an OSP's routine and automatic operations. While those courts found *Netcom*'s analysis persuasive on its merits, at least one circuit court also seemed to view Congress's endorsement of *Netcom* in the adoption and legislative history of section 512 as important in choosing to follow that analysis.⁶⁰

60. *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 552–55 (4th Cir. 2004); *see also* *ALS Scan, Inc. v. RemarQ Cmty., Inc.*, 239 F.3d 619, 622–23 (4th Cir. 2001).

As for secondary liability, the common law claims and the statutory conditions seem unlikely to converge when their differences are rooted in detailed statutory language or the complex interaction of multiple statutory sections. For example, while the statute requires that courts evaluating an OSP's level of knowledge not consider a copyright owner's notice that does not meet the detailed statutory requirements for form and content, a court has no reason in the ordinary case to insist on those detailed requirements when considering whether a copyright owner's notification gave a defendant sufficient knowledge for a contributory infringement claim to succeed. And an OSP's right and ability to remove a user's infringing material from its system or to terminate the user's access may well remain sufficient in many instances to meet the first element of a common law vicarious liability claim, even though, as discussed above, it would make little sense to disqualify an OSP from the safe harbors based on that right and ability, given the other statutory sections that require an OSP to take those actions.

The safe harbors' qualifying conditions might, though, influence one aspect of ordinary secondary liability law: the kind of knowledge required for contributory infringement liability. As noted above, the caselaw has paid little attention to whether a contributory infringement defendant must know that infringing activity is occurring or that the activity is infringing. To the extent that issue is unclear in ordinary contributory infringement cases, if a court were to address the issue expressly, it might well look to section 512 for guidance. Such a court might conclude that Congress's approach in section 512 clarifies that the same approach should be taken in contributory infringement cases generally, or instead that Congress provided a special exception for OSPs that confirms the different rule in ordinary cases. If courts do look to the statute in resolving that issue, how much protection the section 512(c) and 512(d) safe harbors offer OSPs against contributory infringement claims will depend in part on whether the statutory and common law knowledge standards converge.