



# ความรับผิดของผู้ให้บริการอินเทอร์เน็ตต่อการละเมิดลิขสิทธิ์ที่กระทำโดยบุคคลอื่น เปรียบเทียบกฎหมายของประเทศสหรัฐอเมริกาและ กฎหมายของสหภาพยุโรปผู้ให้บริการอินเทอร์เน็ต ควรมีความรับผิดต่อการละเมิดลิขสิทธิ์ที่กระทำขึ้นโดย บุคคลอื่นแค่ไหน เพียงใด

Internet Service Provider liability for third-party  
copyright infringement : A comparative study between  
US and EU approaches To what extent should an ISP  
be held liable for third-party copyright infringement?

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## บทคัดย่อ

ในยุคข้อมูลข่าวสารที่มีการเชื่อมต่อโดยเครือข่ายอินเทอร์เน็ต งานที่มีลิขสิทธิ์ถูกเผยแพร่ ทำซ้ำหรือส่งผ่านอย่างผิดกฎหมายโดยไม่ได้รับอนุญาตจากเจ้าของลิขสิทธิ์ ด้วยเหตุนี้เจ้าของผลงานจึงได้รับความเสียหายเป็นอย่างมากจากการละเมิดลิขสิทธิ์ผ่านเครือข่ายอินเทอร์เน็ต ซึ่งเป็นการยากต่อการติดตามเอาตัวผู้กระทำผิดตัวจริงมาลงโทษ ดังนั้น “ผู้ให้บริการอินเทอร์เน็ต (Internet Service Provider : ISP)” จึงเป็นบุคคลที่ต้องรับโทษจากการละเมิดลิขสิทธิ์ที่กระทำขึ้นโดยบุคคลอื่นซึ่งเกิดขึ้นภายใต้การให้บริการและการกำกับดูแลของตน เนื่องจากผู้ให้บริการอินเทอร์เน็ตสามารถระบุตัวตนได้แน่นอน และมีความสามารถทางการเงินที่จะชดเชยค่าเสียหายได้ อย่างไรก็ตามการที่จะให้ผู้ให้บริการอินเทอร์เน็ตรับผิดชอบจากการกระทำผิดกฎหมายของผู้อื่นนั้นนั้นต้องมีข้อเท็จจริงตามหลักเหตุผลของกฎหมายที่แน่นอนว่าผู้ให้บริการอินเทอร์เน็ตมีส่วนเกี่ยวข้อง มีส่วนที่จะส่งผลต่อ หรือก่อให้เกิดการละเมิดลิขสิทธิ์ขึ้น ประเด็นที่เป็น

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ข้อโต้แย้งตามมาก็คือผู้ให้บริการอินเทอร์เน็ตต้องรับผิดชอบต่อเจ้าของลิขสิทธิ์แค่นั้น เพียงใด ภายใต้เงื่อนไขและหลักเกณฑ์อย่างไรต่อการละเมิดลิขสิทธิ์ที่กระทำขึ้นโดยบุคคลอื่น เนื่องจากผู้ให้บริการอินเทอร์เน็ตนั้นเป็นเพียงแค่ “ตัวกลาง” ที่ให้บริการเชื่อมต่อเพื่อส่งผ่านข้อมูลเท่านั้น ดังนั้นการที่จะกำหนดให้ผู้ให้บริการอินเทอร์เน็ตมีความรับผิดชอบทางกฎหมายโดยไม่มีหลักเหตุผลทางกฎหมายที่แน่นอนนั้นจึงไม่ยุติธรรมด้วยเหตุนี้ประเทศสหรัฐอเมริกา และ สหภาพยุโรปได้มีการออกกฎหมายเพื่อวางหลักเกณฑ์และข้อกำหนดว่าภายใต้เงื่อนไขอย่างไรจึงจะสามารถลงโทษผู้ให้บริการอินเทอร์เน็ตต่อการละเมิดลิขสิทธิ์ที่กระทำขึ้นโดยบุคคลอื่นได้ โดยกฎหมายที่ออกมาบังคับใช้นี้มีจุดมุ่งหมายที่จะกำจัดการละเมิดลิขสิทธิ์ที่เกิดขึ้นผ่านเครือข่ายอินเทอร์เน็ต และให้การคุ้มครองผู้ให้บริการอินเทอร์เน็ตว่าจะไม่ต้องรับผิดชอบจากการกระทำของบุคคลอื่นอื่นถ้าผู้ให้บริการอินเทอร์เน็ตได้ปฏิบัติตามบัญญัติของกฎหมายโดยครบถ้วนแล้ว กล่าวโดยสรุปคือกฎหมายของประเทศสหรัฐอเมริกาและของสหภาพยุโรปนั้นได้กำหนดหลักเกณฑ์ไว้ชัดเจนว่าภายใต้เงื่อนไขเช่นไรที่สามารถเอาผิดผู้ให้บริการอินเทอร์เน็ตได้ และผู้ให้บริการอินเทอร์เน็ตต้องปฏิบัติเช่นไรเพื่อไม่ให้ตนเองต้องรับผิด จึงเป็นการวางแนวทางและกำหนดกรอบความรับผิดชอบของผู้ให้บริการอินเทอร์เน็ตอย่างชัดเจน เพื่อผู้ให้บริการอินเทอร์เน็ตได้รู้ถึงสิทธิและหน้าที่ของตนตามกฎหมายเมื่อต้องเผชิญกับการละเมิดลิขสิทธิ์ที่กระทำขึ้นโดยบุคคลอื่นภายใต้การให้บริการของตน

**คำสำคัญ :** ผู้ให้บริการอินเทอร์เน็ต ความรับผิด การละเมิดลิขสิทธิ์ที่กระทำโดยบุคคลอื่น

## Abstract

In the digital networked environment, copyrighted works are displayed, reproduced or distributed unlawfully from one user to another by only one mouse click. Copyright owners have suffered from high cost of damages from such infringing activities committed easily through the internet networks. The internet has made it harder to trace actual wrongdoers. As a result, Internet Service Providers (ISPs) have become a center of attention to be sued because of their identifiable location and reliable financial status. ISPs, in this sense, are somewhat relevant to the case of online copyright infringement since the functions that they perform might contribute to, induce, or cause such infringing activities. The controversial issue which might arise here is to what extent ISPs should be held liable for copyright infringement conducted by others since the main function of ISPs is merely middle man providing connection for information. To hold ISPs liable for third-party copyright infringement regardless of reasonable foundation is not justifiable. The US and the EU enacted regulations with regard to the limitations of liability concerning ISP liability for third-party copyright infringement which intends to combat online copyright

infringement, and provide legal certainty for ISPs when they comply with the conditions set forth in the regulations. In a nutshell, the regulations establish what can constitute liability so that ISPs will know their rights and obligations when they have to deal with copyright infringement committed by others.

**Keywords :** Internet Service Provider (ISP), liability, third-party copyright infringement

## 1. Introduction

The amazing capabilities of the internet to promote the exchange of knowledge, information, and ideas on a global scale have surely revamped the way people interact.<sup>1</sup> The greatest advantage of the internet is that it plays an essentially crucial role as a medium which has the ability to enable people around the world to obtain great quantities of information within seconds just by one mouse click. In this way, the internet has given power to people to transmit and duplicate a vast amount of data or information, including copyrighted materials.<sup>2</sup> Due to the fact that in the digital network environment the

material is rarely transmitted directly from the originator to the end-user, usually a range of providers act as go-betweens for content creators and consumers. Such go-betweens are hosting service providers, communications or network providers, and access providers who play a role as intermediaries by providing the venues for internet users to download, upload post or transfer such materials.<sup>3</sup> In this thesis the Internet Service Provider (ISP)<sup>4</sup> will be the focal point of study. ISPs are one type of such intermediaries providing the internet access and giving their subscribers means to make materials publicly available in exchange for a fee.<sup>5</sup> Additionally, they

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<sup>1</sup> The matter of face-to-face present is not necessary anymore for the interaction between people.

<sup>2</sup> H. Salow, (2001), 'Liability Immunity for Internet Service Provider-How is it working?', *Journal of Technology Law & Policy*, Vol. 6, No. 1. p. 31.

<sup>3</sup> K. Koelman, 'Online Intermediary Liability', in Hugenholtz (ed.) *Copyright and Electronic Commerce: Legal Aspects of Electronic Copyright Management*, Kluwer Law International, 2000, The Hague - Boston - London, p. 7.

<sup>4</sup> Internet Service Providers offer a wide spectrum of information processing service such as search service, chats, forums, hosting, storage, payment, marketing, and design service.

<sup>5</sup> B. Bolin & D. Tysver, *ISP Liability*, at <http://www.bitlaw.com/internet/isp.html>, last visited on 30 May 2009. See also R. Mann & S. Belzley, (2005), 'The Promise of Internet Intermediary Liability', *William and Mary Law Review*, Vol. 47. pp.11-14.

provide a variety of services, including, data-storage for their customers on newsgroup servers or World Wide Web servers.<sup>6</sup> With regard to copyright law<sup>7</sup>, copyrighted works transmitted and duplicated through the digital networked environment without the permission of copyright owners is considered as a violation of the copyright.<sup>8</sup> A number of copyright infringing activities conducted through the online world extremely increases because the internet facilitates such fraudulent activities. At present, the traditional way to deal with copyright infringement is no longer effective since those who directly conduct unlawful acts seem to be anonymous and undetectable.<sup>9</sup> As a result, copyright owners have sought a way to compensate their damages by looking at ISPs as potential targets to be sued.<sup>10</sup> In this relation, from the copyright owner's perspective, ISPs have the ability

to determine whether infringing material is being transmitted over their networks and stored on their servers.<sup>11</sup> Moreover, ISPs have been dragged into the center of copyright owners' attention as potential defendants since their roles as a middle-man are believed that, to some extent, they might be responsible for infringing activities conducted by their subscribers. In this regard, according to the legal doctrines of copyright law, ISPs could be held liable for direct liability, contributory liability or vicarious liability for the copyright infringement committed by their subscribers. Furthermore, ISPs are easy to be identified and deemed to have deep pockets. Moreover, ISPs are in a good position to supervise how their subscribers make use of the internet. Accordingly, these factors make that ISPs potentially engage in the copyright infringement in the eyes of the law.

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<sup>6</sup> See *ibid*.

<sup>7</sup> US Copyright Act of 1976.

<sup>8</sup> Exclusive owner rights, contained in U.S. s106 (as codified and amended at 17 USC section 101-1010 (1998)) are as follow: (1) copying the copyright work; (2) preparing derivative works; (3) distributing copies of the works; (4) performing the works publicly; and (5) displaying the work publicly.

<sup>9</sup> B. Mercurio, (2002), 'Internet Service Provider Liability for Copyright Infringements of Subscribers: A Comparison of the American and Australian Efforts to Combat the Uncertainty', *Murdoch University Electronic Journal of Law*, Vol. 9, No. 4.

<sup>10</sup> See *ibid*.

<sup>11</sup> See *supra* note 2, H. Salow, p. 39 (citing T. Casey, 'ISP Liability Survival Guide 99, (John Wiley & Sons, Inc. 2000). p. 100).

On the other hand, one might argue that it is not justifiable to impose liability upon ISPs for the illegal activities performed by others. In addition, to impose obligations upon ISPs to monitor/police/supervise activities going on through the internet network is burdensome and impractical since the volume of material transmitted over their systems is too large to monitor. Also, even if ISPs are willing and able to monitor materials on their own systems, it could not necessarily identify infringing materials.<sup>12</sup> This controversial issue has been discussed over decades and there has been a lot of ink spilt on this issue.<sup>13</sup> Regarding to one who supports ISP liability, ISPs seem to be in a vulnerable position if they have to bear a burden of

monitoring the internet traffic where “trillions of bits of information representing millions of messages and files travel through networks each day”.<sup>14</sup> It is therefore virtually impossible for ISPs of large systems to review every message transmitted or file uploaded. Moreover, it is relatively unjustifiable that ISPs are seen as potential defendants just because they simply provide services for their subscribers. On the contrary, for those who oppose ISP liability, ISPs are believed to bear responsibility for the copyright infringement occurred through their systems in certain circumstances since they are in a good position to supervise their subscribers and might have known that their subscribers make use of the

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<sup>12</sup> See *supra* note 9 (citing T. Casey, p. 101).

<sup>13</sup> For articles supporting ISP liability, see, for example, Jane C. Ginsburg, Putting Cars on the “Information Superhighway”: Authors, Exploiters, and Copyright in Cyberspace, 95 COLUM. L. REV. 1466, 1492-95 (1995) (mildly supporting the idea of ISP vicarious copyright liability); I. Trotter Hardy, *The Proper Legal Regime for “Cyberspace”*, 55 U. PITT. L. REV. 993, 1042-46 (1994) (advocating strict ISP liability); John Carmichael, Comment, *In Support of the White Paper: Why Online Service Providers Should Not Receive Immunity from Traditional Notions of Vicarious and Contributory Liability for Copyright Infringement*, 16 LOY. L.A. ENT. L.J. 759,771-85 (1996) (advocating vicarious and contributory ISP liability); Kelly Tickle, Comment, *The Vicarious Liability of Electronic Bulletin Board Operators for the Copyright Infringement Occurring on Their Bulletin Boards*, 80 IOWA L. REV. 391, 416 (1995) (favoring limited ISP liability). For arguments opposing liability, see, for example, Niva Elkin-Koren, *Copyright Law and Social Dialogue on the Information Superhighway: The Case Against Copyright Liability of Bulletin Board Operators*, 13 CARDOZO ARTS & ENT. L.J. 345, 399-410 (1995) (opposing ISP liability under existing copyright law).

<sup>14</sup> B. Lehman & R. Brown, (1995), ‘Intellectual Property and the National Information Infrastructure: The Report of the Working Group on Intellectual Property Rights, (hereinafter “White Paper”), p.116.

internet unlawfully. As a result, many countries<sup>15</sup> have become aware of this issue and seek a way to compromise between copyright owners' interest and the limitations of liability for ISPs. This thesis concentrates on US and EU regulatory frameworks on the limitations of liability for ISPs. The US has responded to this issue through an enactment of the Digital Millennium Copyright Act 1998<sup>16</sup> providing the safe harbor for ISPs to be exempted from being held liable where they follow the procedure set forth according to the Act. The EU has enacted the E-Commerce Directive<sup>17</sup> which contains provisions concerning the liability of intermediaries. Similarly to the DMCA; the Directive provides shelter for ISPs to be excluded from being held liable under certain conditions. Consequently, this thesis will focus on the liability of ISPs; whether it is justifiable to hold ISPs liable for the

copyright infringement committed by others and if so to what extent ISPs should be responsible for third-party copyright infringement.

## 2. General issues of ISP liability for third-party copyright infringement

### 2.1 What is an Internet Service Provider?

Online intermediaries come in several forms, namely Internet Service Providers (ISPs), Bulletin Board Systems (BBSs), Network operators, Access providers, Host service providers, Information location tool providers, et cetera. Each of these actors has a different role to play in the digital networked environment. According to the different functional roles of online intermediaries, the following types of online intermediaries can be categorized:<sup>18</sup>

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<sup>15</sup> For example Australia Copyright Amendment (Digital Agenda) Act 2000, India Information Technology Act 2000, Singapore Copyright Amendment Act 2005, HK copyright (Amendment) Bill (proposed, 2007), New Zealand Copyright (New Technologies) Amendment Act 2008.

<sup>16</sup> See *infra* paragraph 3.1.

<sup>17</sup> See *infra* paragraph 4.1.

<sup>18</sup> P. Basicocchi, (2002), 'Liability of Intermediary Service Provider in the EU Directive on Electronic Commerce', Computer and High Technology Law Journal, Vol. 9. p.116. See further R. Julia-Barcelo, (1999), 'Liability for Online Intermediaries: A European Perspective', intellectual property review, pp.4-5.

- 1) Network operator: providing the technical facilities for the transmission of information such as cable, routers and switches.
- 2) Access provider: providing users with access to the internet. Users connect to the internet through their access providers' servers.
- 3) Information location tool providers: providing online tools used for finding information that resides in other Web sites such as Yahoo!, Alta Vista, Google, etc. There are two types of search engines, namely, automated search engines and search engines that rely upon people to review and catalogue Web sites.
- 4) Host service providers: services in which users may rent Web sites space, set up Web pages, and upload content, such as software, text, graphics, or sounds. Hosting services may include online exchange also,

like bulletin board and chat rooms which allows direct communication in real time.<sup>19</sup>

These different online intermediaries play different roles when internet users wish to use the internet in common ways such as surfing the net, or uploading and downloading materials. In order to do so, internet users first need to connect to the network via access providers. Then, assisted by browser software and often by an information location tool, internet users will identify and contact servers operated by host service providers where web pages they wish to contact are located. Depending on the type of web page, in addition to browsing the page, internet users may be able to request information, upload materials, and download files to their personal computers. Internet users will also be able to connect to the newsgroup hosted by a host service provider. In order to participate in the newsgroup, internet users will send a message that will be posted in the newsgroup. In addition, they will be able to read the posted messages sent by other internet users.<sup>20</sup>

<sup>19</sup> See *ibid.*

<sup>20</sup> See *ibid.*, R. Julia-Barcelo, (citing P. Gralla, How The Internet Works (Millennium ed. 1999)); see also R. SHULER, How Does the Internet Work?, at [http://www.theshulers.com/whitepapers/internet\\_whitepaper/index.html](http://www.theshulers.com/whitepapers/internet_whitepaper/index.html) last visited on 20 May 2009. See also Reference for Business, Internet Service Providers, at <http://www.referenceforbusiness.com/small/Inc-Mail/Internet-Service-Providers-ISPS.html>, last visited on 20 May 2009.

To make it simple, the term ISP that will be used in this thesis aims to cover a wide range of companies and organizations that provide their subscribers with different facilities, ranging from providing access to the internet, to giving their subscribers the means to make documents publicly available on the internet. For example, ISPs may provide their subscribers with more than just an email account and access to the web. They may also give them the right to upload files, software, text, sound, etc. to the ISP's publicly accessible servers.<sup>21</sup>

## 2.2 Reasons for pursuing claim against Internet Service Providers<sup>22</sup>

It is rational for ISPs to bear some responsibility for copyright infringing activities conducted by others. With regard to copyright infringement, as mentioned, the expansion of the internet makes it easy for anyone who wishes to upload, download, post, disseminate or transmit copyrighted materials. ISPs play a crucial role as a middle man to provide and facilitate those activities. As ISPs, to some

extent, are involved in those activities, copyright owners put ISPs high on the list as potential defendants in online infringement lawsuits. There are several reasons why aggrieved parties may decide to pursue action against ISPs rather than subscribers who are direct infringers.

First, in the online world, identity is hidden and malicious-minded people can violate the copyright anonymously and from any territorial area. Therefore, it is tricky for copyright owners to sue them. In addition, to bring a lawsuit against defendants who are not in the plaintiff's home jurisdiction is burdensome in several aspects. On the contrary, ISPs are identifiable and easy to be located. It is therefore relatively easy for copyright owners to pin point the location of ISPs instead of their subscribers. Second, copyright owners are looking for deep pockets to pay high damages. It is obvious that the internet users are not the right target to sue since in general, their financial support is less sufficient to cover damages. Hence, it is not worth the time and money for copyright owners to bring a lawsuit against them. Finally, copyright

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<sup>21</sup> G. Teran (1999), 'ISP Liability for Copyright Infringement', at <http://cyber.law.harvard.edu/property99/liability/main.html>, last visited on 20 May 2009.

<sup>22</sup> S. Anil (2002), The Limit of Liability of Network Service Providers, available at <http://www.ieid.org/congresso/ponencias/Anil,%20Samtani.pdf>, last visited on 16 May 2009.

owners will often wish to bring an action against a person in his home jurisdiction, and in many cases the only possible candidate will be an ISP. However, to hold ISPs liable for the illegal actions of others, legal doctrines are needed that offer plausible support for the general idea of ISP liability. Copyright owners, in this sense, might wish to have a particular regulation which can be the basis of accountability in order to sue ISPs. The following paragraph will describe the type of liability that can be applied to copyright infringement involving ISPs and their users.

### 2.3 Types of liability

Generally, copyright owners have exclusive rights to exclude others from reproducing or distributing their copyrighted works without authorization. One who violates those rights will be held directly liable for copyright infringement as a direct infringer. On the other hand, as for the issue of ISP liability, it comes in the form that ISPs have to bear responsibility for an infringement conducted by third parties. To make it clear, the issue of ISP liability deals with liability that ISPs truly act as a passive conduit, meaning that they

do not initiate the infringing activity themselves, otherwise they would be held directly liable. Liability for harm done by others is generally governed by tort law.<sup>23</sup> In this relation, in order for ISPs to be responsible for an infringement conducted by others, they must have actual knowledge or constructive knowledge (awareness of facts or circumstances of infringing activity) so that they can be held vicariously or contributory liable. In this light, the knowledge of ISPs is fundamental because it is the key whether to impose liability upon ISPs. Basically, two kinds of liability are distinguished.

#### 2.3.1 Strict liability (no-fault liability)

The concept of strict liability (direct liability) is that ISPs will be held liable regardless of their knowledge and control over materials disseminated through their systems.<sup>24</sup> This liability is rigid since ISPs might be considered as infringers, even though they do not have any knowledge of infringing activity or any control over certain materials. It also indirectly imposes obligations to police their system upon ISPs since they have to be aware of infringing activity which may be occurring through their networks.<sup>25</sup>

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<sup>23</sup> See *supra* note 3, K. Koelman, p.8.

<sup>24</sup> See *supra* note 19, R. Julia-Barcelo, p. 10.

<sup>25</sup> See *supra* note 19, P. Basicrocchi, p.114.

### 2.3.2 With-fault liability

According to the with-fault standard, ISPs will be held liable whenever they intentionally or negligently violate the rights of others with knowledge of infringing activity.<sup>26</sup> The knowledge of infringing activity can be divided into two levels; actual knowledge and constructive knowledge. The actual knowledge is apparent where ISPs know that there is infringing materials disseminated, or there is infringing activity performed through their systems. Under the constructive knowledge, the law may determine if ISPs have reason to know that materials disseminated through their networks violate someone's right, or ISPs have clues of infringing activity, then ISPs will be held liable. In relation to with-fault liability, ISPs will be held liable for vicarious liability where they have the right and the ability to control an infringer and they could gain benefit directly from the infringement. Moreover, ISPs will be held liable for contributory liability where they know or have reason to know of infringements, facilitated, or induced such infringements.

## 2.4 Areas of potential liability

This thesis focuses merely on ISP liability for copyright infringement.

However, there are various types of violations that can occur through the use of online intermediaries' facilities which concerns not only civil law, but also criminal law. This paragraph touches upon various infringements possible:

- 1) *Copyright material*: The infringing act occurs when certain copyrighted files are posted on web pages where it allows such files to be downloaded, transmitted, or distributed through the internet network without the authorization of the copyright owner.
- 2) *Illegal and harmful content*: The infringing act may occur where certain materials containing pornography, racist, or terrorist contents are disseminated through the internet network.
- 3) *Private and defamatory material*: The infringing act may occur when private materials such as private pictures or private text could be posted on the web page, bulletin board, chat room, etc. and made publicly available without permission of owners of such materials. Moreover, the same act may occur with defamatory materials when a

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<sup>26</sup> See *supra* note 3, K. Koelman, p.8..

libelous text could be posted through the internet network.

- 4) *Trade secrets*: The infringing act may occur when employees disclose business secret or confidential information which may be used in trade or business.
- 5) *Misrepresentation*: This might happen when someone provides false or incorrect information which could be disseminated through the internet network and cause damage to a third party.<sup>27</sup>

In summary, this briefly chapter purports to give a basic insight in order to pave a way to following chapters which will deliberately describe ISP liability for third-party copyright infringement in the US and the EU regimes. To this end, ISPs can be seen as potential defendants in lawsuit concerning copyright infringement conducted by others since there are types of liability that can possibly be applied in this situation. Moreover, as stated above, ISPs may involve in various kinds of potential liability. In following chapters, the thesis will be processed by describing the

issue of ISP liability in different regimes, as well as explaining how different regimes codify this matter into their legislations.

### 3. The U.S. Approach: The Digital Millennium Copyright Act 1998

#### 3.1 The Digital Millennium Copyright Act of 1998

Before the implementation of Digital Millennium Copyright Act (hereinafter DMCA), there was no particular regulation on the limitations of ISP liability for third-party copyright infringement. The courts have made decisions to impose liability upon ISPs by applying judge-made legal doctrines which are unclear, inconsistent and sometime ISPs had to excessively bear responsibility of policing infringing activities committed through their systems. The US Online Copyright Infringement Liability Limitation Act was enacted as part of the Digital Millennium Copyright Act (DMCA).<sup>28</sup> The Act adds a new Section 512 to Chapter 5 of the US Copyright Act, which deals with the enforcement of copyrights. Consequently the DMCA was signed into law on 28 December, 1998 aimed to bring U.S. law into compliance with private international

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<sup>27</sup> See *supra* note 19, R. Julia-Barcelo, pp. 5-6.

<sup>28</sup> Public Law 105-308-OCT. 28, 1998.

law and in particular with the WIPO Copyright Treaty.<sup>29</sup> With regard to the DMCA, “service provider” is defined as “an entity offering transmission, routing, or providing connections for digital online communication, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received”<sup>30</sup> or, more widely, “a provider of online services or network access, or the operator of facilities thereof”.<sup>31</sup> The DMCA creates four new limitations on ISP liability for copyright infringement, (a so-called the safe harbor”).<sup>32</sup> The limitations are based on the following four categories of activities conducted by a service provider; transitory communication<sup>33</sup>, system caching<sup>34</sup>, storage of information on systems or networks at

direction of users<sup>35</sup>, and information location tools.<sup>36</sup> In this regard, ISP will not be held liable if they perform those activities. Moreover, in order for ISPs to benefit from the safe harbor, they must comply with the procedural requirement (a so-called the notice and takedown procedure) set forth in the Act. Title II of the DMCA was purposed not only to deal with the online copyright infringement but also to particularly provide certainty for ISPs. These instrumental purposes of the enactment of the DMCA were stated in the Joint Explanatory Statement of the Committee of Conference: “Title II preserves strong incentive for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital

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<sup>29</sup> The WIPO Copyright Treaty(WCT), concluded in 1996, recognizes the need to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information in updating international copyright norms to respond to challenges arising from advance in information and communications technologies, including global digital networks; see WIPO Copyright Treaty, Dec. 20, 1996, WIPO Doc. CRNR/DC/94, available at <http://groups.csail.mit.edu/mac/classes/6.805/articles/int-prop/wipo-copyright.html>, last visited on 23 June 2009.

<sup>30</sup> DMCA, section 512(k)(1)(A)

<sup>31</sup> See *ibid.* section 512(k)(1)(B). See further infra chapter 5.

<sup>32</sup> DMCA Section 512(a)-(d), (f), (g), (i). See also The Digital Millennium Copyright Act of 1998, U.S. Copyright Office Summary, available at <http://www.copyright.gov/legislation/dmca.pdf>, last visited on 11 June 2009.

<sup>33</sup> See *ibid* section 512(a).

<sup>34</sup> See *ibid* section 512(b).

<sup>35</sup> See *ibid* section 512(c).

<sup>36</sup> See *ibid* section 512(d).

networked environment. At the same time, it provides greater certainty to service providers concerning their legal exposure for infringements that may occur in the course of their activities.<sup>37</sup> This paragraph will examine section 512 of the DMCA on online copyright liability limitation, providing an explanation of the safe harbor and the notice and takedown procedure.

### 3.1.1 The Safe Harbor

Specifically, Title II limits ISP liability for four general categories of activities stipulated below as four safe harbors. However, in order for ISPs to be shielded from liability for copyright infringement they must follow the conditions set forth in section 512. In

return, by complying with the conditions established in the DMCA, ISPs can avoid monetary penalties and disabling injunctions<sup>38</sup>. That is, if their activities fall within the safe harbors, the only penalty that they face is a narrow injunction to block access to individual infringing users.<sup>39</sup> Moreover, in order for ISPs to be eligible for taking advantage of these four safe harbors, they have to fulfill simply two requirements.<sup>40</sup> First, ISPs must adopt and implement the policy provided for the termination of subscribers who are repeat infringers.<sup>41</sup> Second, ISPs must accommodate and do not interfere with standard technical measures designed for detecting and/or eliminating copyright infringement.<sup>42</sup> Nevertheless, it is not

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<sup>37</sup> H.R. Conf. Rep. No. 105-796, at 73 (1998)

<sup>38</sup> DMCA. Section 512 (a)-(d); "A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of..."

<sup>39</sup> See *ibid.* Section 512(j)(1)(b).

<sup>40</sup> See *ibid.* Section 512(i)(1)(A)-(B).

<sup>41</sup> See *ibid.* Section 512(i)(1)(A).

<sup>42</sup> See *ibid.* Section 512(i)(1)(B). With regard to copyright infringement, technical tool such as digital watermarking allows copyright owner to track their work across the internet by using web spider technology. Web spider is a program that visit web sites and read their page and other information in order to create entries for a search engine index. The major search engine on the web all have such a program, which is also known as a crawler or a bot. Spiders are typically programmed to visit sites that have been submitted by their owners as new or updated. Entire sites or specific pages can be selectively visited and indexed. Spiders are called spiders because they usually visit many sites in parallel at the same time, their "legs" spanning a large area of the "web." Spiders can crawl through a site's pages in several ways. One way is to follow all the hypertext links in each page until all the pages have been read. See [http://whatis.techtarget.com/definition/0\\_sid9\\_gci213035.00.html](http://whatis.techtarget.com/definition/0_sid9_gci213035.00.html), last visited on 23 July 2009.

mandatory for ISPs to be pursuant to the certain conditions provided in section 512, meaning that ISPs who do not follow the safe harbor are not automatically liable. Instead, liability must be proven on the basis of existing law.<sup>43</sup> Four categories of activities that fall within the safe harbor are (1) Transitory network communication (2) System caching (3) Information residing on systems or networks at direction of users (4) Information location tools

### 3.1.2 The Notice and take down procedure

In section 512(b)(2)(E),(c)(1)(C) and (d)(3) the notice and takedown procedure is established. This procedure purports to immunize ISPs where they act as “good citizen”<sup>44</sup> by encouraging ISPs to cooperate with copyright owners when they receive a notification of claimed infringement from copyright owners. In this way, upon receiving notifications from copyright owners regarding infringing materials, ISPs must expeditiously remove claimed infringing materials or disable access to

those materials. Regarding the procedure, it is somewhat irrelevant to ISPs who act as merely data conduit or ISPs who provide information technology tools as in both cases copyright owners tend to be more equipped to disable infringing materials by attacking the site themselves.<sup>45</sup> Moreover, in the former case the ability of ISPs to gain knowledge of infringing activities is almost non-existent, as well as in the latter case, it is not relevant to the storage of materials, but concerning the web page provided by ISPs, that link users to another page. Therefore the notice and takedown procedure is essentially relevant to the safe harbor regarding user storage.<sup>46</sup> Furthermore, in order for ISPs to enjoy the limitations of liability, they must designate an agent<sup>47</sup> to receive notifications of claimed infringement by making substantial information available on their websites, including a location accessible to the public and by providing to the Copyright Office the name, address, phone and electronic mail of the agent, as well as

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<sup>43</sup> Legal doctrines of Copyright law.

<sup>44</sup> V. McEvedy, (2002), ‘The DMCA and the E-Commerce Directive’, European Intellectual Property Review. Vol. 24. No. 2. p. 1.

<sup>45</sup> See *ibid.* pp. 2-3. (citing Nimmer, at section 12B.07[D][2] p. 12B-66.)

<sup>46</sup> See *ibid.* (citing Nimmer, at section 12B.07[C] p. 12B-64).

<sup>47</sup> DMCA. Section 512(c)(2)

other contact information which the Register of Copyrights may deem appropriate.<sup>48</sup> Moreover, the notification of claimed infringement must be a written form, provided to the agent, that includes substantial elements, such as, a physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed, Identification of the copyrighted work claimed to have been infringed, and Identification of the material that is claimed to be infringing or to be the subject of infringing activity.<sup>49</sup>

The notice and takedown procedure considers knowledge of ISPs on infringing activities as a prime matter by establishing statutory law which constitutes knowledge of ISPs whether they have actual knowledge<sup>50</sup> or constructive knowledge (awareness).<sup>51</sup> Hence, ISPs must conform to the procedure only when they

have actual knowledge or awareness of allegedly infringing activities. In this relation, the first way that ISPs can be put on notice of infringing materials on their systems is notifications from copyright owners. The notification from copyright owners is essential since ISPs do not have the ability to gain actual knowledge unless they receive the notification from copyright owners. As a result, in case that copyright owners fail to comply with requirements concerning element of notification<sup>52</sup>, it will be considered as no-existent knowledge of ISPs.<sup>53</sup> Moreover, the DMCA establishes awareness criterion, in which this is the second way that ISPs can be put on notice that their systems contain infringing materials. In this regard, awareness criterion intends to express that ISPs have an obligation to monitor their systems if they have a special reason to suspect that infringing activities are taking place.<sup>54</sup> This can best describe as a “red flag test”.<sup>55</sup>

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<sup>48</sup> See *ibid.* Section 512(c)(2)(A)-(B).

<sup>49</sup> See *ibid.* Section 512(c)(3)(A)(i)-(vi).

<sup>50</sup> See *ibid.* Section 512(c)(1)(A)(i).

<sup>51</sup> See *ibid.* Section 512(c)(1)(A)(ii).

<sup>52</sup> See *ibid.*

<sup>53</sup> See *ibid.* Section 512(c)(3)(B)(i)

<sup>54</sup> See *supra* note 3, K. Koelman, p. 30.

<sup>55</sup> H.R. Rep. No. 105-551, p. 53 (1998).

The red flag test stems from the language in the statute that requires ISPs to take action when they become aware of a red flag from which infringing activity is apparent. According to the committee report, the “red flag” test has both a subjective and an objective element. In determining whether the service provider was aware of a “red flag,” the subjective awareness of the service provider of the facts or circumstances in question must be determined. However, in deciding whether those facts or circumstances constitute a “red flag” or in other words, whether infringing activity would have been apparent to a reasonable person operating under the same or similar circumstances, an objective standard should be used.<sup>56</sup> Moreover, the committee sought to distinguish the red flag test from the mere constructive knowledge, “should have known,” standard typically applied in contributory liability cases. The committee reports specifically provide that the DMCA’s knowledge standard differs from

existing law, under which a defendant may be liable for contributory infringement if it knows or should have known that the material was infringing.<sup>57</sup> In this regard, the reports underscore that the infringement must be apparent “from even a brief and casual viewing.” Reading this legislative history, scholars have concluded that “the ‘flag’ must be brightly red indeed and be waving blatantly in the provider’s face.”<sup>58</sup>

Furthermore, the DMCA established the protection for ISPs from being held liable for any kind of liability where they take down claimed infringing materials incorrectly on the basis of good faith.<sup>59</sup> However, in order for ISPs to be exempted from being held liable for taking down claimed infringing materials, the DMCA states that to have protection from all claims, ISPs who remove the material upon obtaining the notification which are believed to be illegal must promptly notify the subscriber that they have removed or disabled access to the material.<sup>60</sup> Moreover,

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<sup>56</sup> See *ibid.* See further E. Lee, (2009), ‘Decoding DMCA Safe Harbors’, Columbia Journal of Law & the Arts (draft) (forthcoming 2009) (see Part II. Decoding the Red Flags theory of Liability, pp. 25-32).

<sup>57</sup> See *ibid.*, p.25

<sup>58</sup> J. Band & M. Schruers, (2002), ‘Safe Harbors Against the Liability Hurricane: the Communications Decency Act and the Digital Millennium Copyright Act’, Cardozo Arts & Entertainment Law Journal, Vol. 20, No. 295, p. 13 (citing MELVILLE B. NIMMER, 2 NIMMER ON COPYRIGHT 12B.04[A][1] at 12B-37.)

<sup>59</sup> DMCA. Section 512(g)(1).

<sup>60</sup> See *ibid.* Section 512(g)(2)(A)

ISPs have to put the material back online or cease disabling access to it upon receiving a counter notification claiming that the removal was unjustified.<sup>61</sup> In addition, the counter notification must comply with requirements which are similar to the notification of claimed infringement, but also must contain some sort of choice of forum provision.<sup>62</sup>

### 3.2 Conclusion

In summary, the DMCA proved averagely effective as a solution for online copyright infringement cases involving users and their ISPs.<sup>63</sup> The two main purposes of the DMCA have been proved successful. First, regarding the purpose of providing incentives for both ISPs and copyright owners to detect and combat online copyright infringements. In this regard, copyright owners have incentives to monitor internet sites for infringing materials and to provide appropriately detailed information to ISPs so that

infringing materials can be taken down. Moreover, copyright owners are prevented from sending false notifications intentionally by the provision of the DMCA that penalizes persons who send improper notifications.<sup>64</sup> In return, ISPs have incentives to cooperate with copyright owners by complying with the notice and takedown procedure otherwise they will lose the safe harbor protection provided by the DMCA.<sup>65</sup> Second, regarding the purpose of providing legal certainty for ISPs, the DMCA accomplished three main objectives 1) codified into statutory law that passive automatic acts cannot be a foundation for finding of online copyright infringement; 2) made it harder to establish a case of contributory or vicarious copyright infringement against ISPs; and 3) in cases where an ISPs take action against alleged copyright violators, protected ISPs from lawsuits when they act to aid copyright owners in restricting or impeding infringements.<sup>66</sup> In this light, the DMCA not only

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<sup>61</sup> See *ibid.* Section 512(g)(2)(B)-(C).

<sup>62</sup> See *ibid.* Section 512(g)(3)(A)-(D).

<sup>63</sup> See, e.g., C. Beams, (1999), 'The Copyright Dilemma Involving Online Service Provider: Problem Solved...for now, 51 *Fed.Comm. L.J.* 823,845-46; H. Salow, (2001), 'Liability Immunity for Internet Service Provider-How is it working?', *Journal of Technology Law & Policy*, Vol. 6, No. 1.

<sup>64</sup> See *supra* note 139, J. Reichman, G. Dinwoodie & P. Samuelson, p. 24

<sup>65</sup> See *ibid.*

<sup>66</sup> T. Casey & J. Magenau, (2002), 'A Hybrid Model of Self-Regulation and Governmental Regulation of Electronic Commerce', *Santa Clara Computer and High Technology Law Journal*, Vol. 19, No. 1, p. 6.

allows ISPs to be secure as to what exactly the law is, but also reaches a fair conclusion as to what that standard should be.<sup>67</sup>

However, there are contrary comments, which are not the prevailing view, on this legislation. One commentator can rarely see the point in this legislation, rather thinks that it is better to wait and see how the case law develops itself.<sup>68</sup> Another one supports that perspective stating that this legislation is not necessary because “courts had not yet interpreted copyright law in a manner which would have a chilling effect on ISPs, and legislation constrains the courts at the very time they need the most room to develop ISP liability doctrines”.<sup>69</sup> However, as abovementioned, the DMCA was added in the existing law, meaning that the good old law and judge-made principles remain

intact. For example, it is not always the case that ISPs will be shielded from direct liability where they perform activity which falls within the first safe harbor, the Frena case is still a good law remaining open in other jurisdictions and could be followed by a future court.<sup>70</sup>

## 4. EU Approach: E-Commerce Directive 2000

### 4.1 E-Commerce Directive 2000

Similarly to the US, the EU has become aware of the issue of ISP liability. Before the enactment of the ECD, each Member State had its own legislation governing copyright infringement and some Member States already had specific regulations on ISP liability.<sup>71</sup> Those countries that did not have specific legislation on ISP liability had regulated this issue through case law.<sup>72</sup>

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<sup>67</sup> See *supra* note 82, C. Beams, p. 841.

<sup>68</sup> See *supra* note 2, H. Salow, p. 48 (citing On-Line Copyright Liability Limitation Act and WIPO Copyright Treaties Implementation Act: Hearing on H.R. 2280 and H.R. 2281 before the subcommittee on courts and Intellectual Property of the house Judiciary Committee (statement of Michael K. Kirk, Executive Director AIPLA)).

<sup>69</sup> See *ibid* (citing Danial R. Cahoy, Comment, New Legislation Regarding On-Line Service Provider Liability for Copyright Infringement: A solution in Search of a Problem? 38 IDEA 335, 354 (1998) (quoting Kirk)).

<sup>70</sup> See *supra* note 34, A. Yen, pp. 49-50.

<sup>71</sup> For example Germany has Multimedia Law which addressed the scope of liability of on-line service providers, and Sweden has a law regarding responsibility for electronic bulletin board which appears to be applicable to other on-line intermediaries. See R. Julia-Barcelo, (1999), ‘Liability for On-line Intermediaries: A European Perspective’, *intellectual property review*, pp. 8-11.

<sup>72</sup> See *ibid*, R. Julia-Barcelo, pp.11-13.

Moreover, in countries where there was no case law, the liability of online intermediaries was dealt with by applying general laws governing tort liability and specific laws concerning copyright.<sup>73</sup> Unlike the US regulation described in the previous chapter, this chapter is not going to deal with kinds of liability applying to ISPs before the enactment of the E-Commerce Directive (hereinafter ECD)<sup>74</sup> since each Member State had its own national law and therefore the statutory rule on ISP liability differed from one country to another. However, basically, types of liability that were applicable to ISPs are strict liability and secondary liability which have been adopted from tort law.<sup>75</sup> The ECD aimed to be the leading law that each Member State has to implement in their national legislation. However, even if there is common regulation, the way Member States implement the ECD into their own laws is different.

To make it clear from the start, the purpose of the ECD is not focused solely on copyright infringements. The main reason behind the enactment of the ECD is to contribute to the proper functioning of the internal market by ensuring the free movement of information society services between the Member States.<sup>76</sup> That is, the main purpose of the ECD is to enhance e-commerce among Member States. Before the enactment of the ECD, the growth of e-commerce had been rapid, by the year 2000, its worth exceeded 17 billion euro and it was expected to reach 340 billion euro by the end of 2003.<sup>77</sup> In order to respond to the growth of e-commerce, the European Commission needed to harmonize the law among Member States. The uniformity of the law and the coordination among Member States will enhance the development of information society services, ensure legal certainty and build up consumer confidence. The original

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<sup>73</sup> See *ibid*, pp.13-14.

<sup>74</sup> Directive 2000/31/EC on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market, passed 8 June 2000.

<sup>75</sup> See *supra* note 3, K. Koelman, pp.8-11.

<sup>76</sup> ECD, Art. 1(1).

<sup>77</sup> See *supra* note 19, P. Basicocchi, p.111 (citing European Commission, Electronic Commerce: Commission Welcomes Final Adoption of Legal Framework Directive, available at [http://europa.eu.int/comm/internal\\_market/en/ecommerce/2k-442.htm](http://europa.eu.int/comm/internal_market/en/ecommerce/2k-442.htm), last visited on 30 June 2009.

proposal for the ECD considered five crucial issues; (1) establishment of Information Society service providers; (2) commercial communications; (3) online conclusion of contracts; (4) liability of intermediaries; and (5) implementation.<sup>78</sup> The issue of ISP liability is significant because it is relevant to the development of cross-border services among Member States. With regard to recital 40 of the ECD, it is noted that “both existing and emerging disparities in Member State’s legislation and case law concerning liability of service providers acting as intermediaries prevent the functioning of the internal market, in particular by impairing the development of cross-border services and producing distortions of competition”.<sup>79</sup> The ECD then was enacted aiming to solve these internal market problems by introducing safe harbors for certain types of intermediaries.<sup>80</sup>

In addition, the enactment of the ECD was aimed to bring the law into compliance with WIPO Copyright Treaty<sup>81</sup>. In particular, the ECD deals with the liability of intermediaries throughout Europe. The regime is very widely drawn, effecting not just ISPs, but “ISSPs”: “information society service providers”<sup>82</sup> or, as the title of Section 4 of the ECD also calls them “intermediary service providers”. An “information society service” is defined as “any service normally provided for remuneration, at a distance by electronic means and at the individual request of a recipient of services”<sup>83</sup>. According to the definition, it was broadly drafted; the intermediary service provider liability regime covers not only the traditional ISP sector, but also a much wider range of actors who are involved in selling goods or services online.<sup>84</sup> The ECD takes a

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<sup>78</sup> A.R. Lodder & H.W.K. Kaspersen, ‘Directive 2000/31/EC on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market’, Chapter 4 in *eDirective: Guide to European Union Law on E-Commerce*, Kluwer Law International, 2000, p. 68.

<sup>79</sup> ECD, Recital 40.

<sup>80</sup> J. Hoboken, (2009), ‘Legal space for innovative ordering: On the need to update selection intermediary liability in the EU’, *International Journal of Communication Law & Policy*, Issue 13, p.7.

<sup>81</sup> See *supra* note 66.

<sup>82</sup> ECD, Art.2 (b). These providers can be natural or juristic person.

<sup>83</sup> Article 2(a) of the ECD refers back to the definition in Article 1(2) of Directive 98/34/EC as amended by Directive 98/48/EC. The definition is discussed further in recital 17 and 18 of ECD.

<sup>84</sup> See further *supra* note 133 L. Edward, pp. 11-13.

horizontal approach to deal with ISP liability, meaning that one liability regime is applicable to any infringements initiated by third parties in the online environment regardless of the area of law.<sup>85</sup> Hence, liability of ISPs according to the ECD covers not only copyright infringement but also the area of defamation, criminal obscenity libel, privacy etc.<sup>86</sup>. Moreover, as regards the types of liability covered by the ECD, it should be noted that the ECD applies both to civil and criminal liability for copyright infringement.<sup>87</sup>

#### 4.2 Liability of intermediary service providers

The set of rules regarding ISP liability is laid down in articles 12-15 of the ECD. The rules mainly concern activities of ISPs which can be exempted from being held liable. In this way, in the case that ISPs provide a specific service and comply

with a series of requirements, they will be shielded from being held liable.<sup>88</sup> Moreover the limitations of liability apply only to monetary damages, meaning that the ECD does not affect the grant of different kinds of injunctions in accordance of national law.<sup>89</sup> Member States can impose all types of injunctions upon online intermediaries.<sup>90</sup> In other words, the ECD does not provide a complete protective mantle for ISPs.<sup>91</sup> In particular, the ECD covers three categories of online intermediary functions which are (1) Mere conduit (2) Caching (3) Hosting and (4) No general obligation to monitor.

#### 4.3 Conclusion

The ECD has answered the question that to what extent ISPs should be responsible for online copyright infringement by establishing a set of rules concerning the limitations of intermediary liability in articles 12-15. The ECD provides

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<sup>85</sup> See *supra* note 19, P. Basicocchi, p. 117. See *ibid.* pp.4-6.

<sup>86</sup> See *supra* note 133, L. Edwards. p.23.

<sup>87</sup> R. Julia-Barcelo & K Koelman, (2000), 'Intermediary Liability – Intermediary liability in the E-Commerce Directive: So far so good, but it is not enough', *Computer law & Security Report*, Vol.16, No. 4. p. 231.

<sup>88</sup> See *supra* note 19, P. Basicocchi, pp. 117-118

<sup>89</sup> ECD. Recital 45.

<sup>90</sup> See *supra* note 164, R. Julia-Barcelo & K Koelman, p.231.

<sup>91</sup> P. Eecke & B. Ooms, (2007), 'ISP Liability and the E-Commerce Directive: A Growing Trend Toward Greater Responsibility for ISPs', *Journal of Internet Law*, p.4.

protection for ISPs who perform certain activities and comply with the conditions set forth in the ECD. Moreover, the ECD harmonized the laws among Member States, and therefore it can enhance the development of the internal market. However, Member States have implemented the ECD into their national legislation differently. Moreover The ECD does not affect the possibility for Member States to deal with the issue of ISP liability in accordance with their national laws, meaning that national legislations remain intact. Nevertheless, the ECD falls short in some areas. The main areas that the ECD does not cover are information location tool providers. Hence, in this regard it depends on the national law of each Member State whether ISPs are liable where they provide information location tool services. Moreover, the ECD does not establish the elaborate notice and take down regime, and therefore problems arise regarding the knowledge standard, freedom of expression and unfair competition as explained above.

## 5. Concluding remarks

### 5.1 The DMCA

#### *Advantages*

ISPs can be seen as potential defendants under copyright legal doctrines of the Copyright Act which imposes liability upon ISPs unjustifiably. ISPs have been left unprotected and faced with an unclear situation that to what extent they should be responsible for copyright infringement committed by others. The DMCA has generally proved reasonably effective in providing legal certainty for ISPs and make them secure to stay in business.<sup>92</sup> ISPs under the DMCA are protected by the safe harbor regime. The DMCA establishes provisions concerning functions of ISPs that fall within the safe harbor, and therefore ISPs can be shielded from being held liable. In this way, ISPs can be certain that they cannot be potential defendants where they merely play a role as passive conduit of a transmission of information. Hence, direct

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<sup>92</sup> David Kravets, 10 Years Later, Misunderstood DMCA is the Law That Saved the Web, available at <http://www.wired.com/threatlevel/2008/10/ten-years-later/>, last visited 31 July 2009.

liability will be unjustified to impose upon ISPs under the DMCA. Moreover, the DMCA establishes knowledge standards in narrow fashion which is clear and hard to be stipulated. That is, actual knowledge can be perceived when ISPs obtain notifications of claimed infringement from copyright owners while constructive knowledge can be judged by the red flag test. In this light, the constructive knowledge is not the same standard as existed in required factor of contributory liability but narrower. Furthermore, the notice and takedown procedure, in my view, is very well drafted, even though there are some problems which occurred in relation to the implementation of the procedure. The advantages of the notice and takedown procedure outweigh the drawbacks. The benefits of the procedure are that; first, the procedure encourages ISPs and copyright owners to combat copyright infringement by providing incentives for both parties. In this way, copyright owners give notifications of claimed infringement to ISPs so that ISPs can take down such materials; copyright owners benefit from action of ISPs. In return, when ISPs expeditiously takedown claimed infringing material, they can be protected under the DMCA.

Second, ISPs are less concerned about any liability which might occur in relation to taking down allegedly infringing material since the DMCA provides immunity for ISPs who take down such material on the basis of good faith.

Third, the notice and takedown procedure provides persons whose materials have been taken down an opportunity to protest and initiate the process to put materials back online, this provision shows that the DMCA takes the issue of freedom of expression in to account. Moreover, the DMCA allocates liability upon malicious-minded copyright owners who intentionally give false notifications to ISPs. Therefore, it can eliminate unfair competition and can reduce a number of inappropriate notifications.

Finally, the DMCA does not generally require ISPs to monitoring, nor apply technology to police their systems. It is sensible for ISPs because it is burdensome for ISPs to bear such responsibility.

### ***Drawbacks***

However, there are contrary views of the DMCA concerning the safe harbor

and the notice and take down procedure.<sup>93</sup> The argument suggests that it was not necessary to adopt the DMCA because the DMCA prevented future judicial clarification. Because by adopting the DMCA, a wide spread use of the safe harbor procedure barred the opportunity for courts to decide cases clarifying liability of ISPs.

Second, the safe harbors protection that gives incentives to ISPs to be exempted from being held liable creates excessive authority for ISPs regarding takedown procedure. In this regard, the notice and take down leads to the following problems: (1) as noted above, ISPs respond immediately to take down claimed infringing material merely on the basis of allegation of copyright infringement, meaning that certain materials have been taken down before the infringement was verified. Therefore, it has resulted in problems of freedom of expression and could impede the development of online businesses. However, even though, the DMCA takes these matters into account by

provide an opportunity for one whose material has been taken down to protest and initiate a process to put the material back online, the procedure is found insufficient to safeguard freedom of expression since the material might have been down for 10 or 14 days. Hence, it could create damages in cases of sensitive information, as well as a huge loss in online business; (2) in case of repeat infringers, the DMCA seems to encourage ISPs to terminate users' the internet access merely on the basis of allegation of copyright infringement. In addition, the DMCA does not define repeat infringer. As a result of this, it could threaten users' ability to access the internet.

Third, the emergence of new kinds of intermediaries does not fit the safe harbors protection, even if their functions fall within the safe harbor. In this respect, P2P systems is the best example; in the case of Napster, the ISP merely provided connectivity to users which would actually fall within the first safe harbor, but the court refused to grant safe harbor

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<sup>93</sup> See e.g. A. Yen, (2002), 'Internet Service Provider Liability for Subscriber Copyright Infringement, Enterprise Liability and the First Amendment', *Georgetown Law Journal*, Vol. 88, No. 1833; J. Band & M. Schruers, (2002), 'Safe Harbors Against the Liability Hurricane: the Communications Decency Act and the Digital Millennium Copyright Act', *Cardozo Arts & Entertainment Law Journal*, Vol. 20, No. 295; M. Jackson, (2002), 'One Step Forward, Two Steps Back: An Historical Analysis of Copyright Liability', *Cardozo Arts & Entertainment Law Journal*, Vol. 20, No. 367.

protection as Napster was not considered service provider under the DMCA. According to the definition of ISP, courts tend to define it narrowly and do not want to extend the scope of the definition. Hence, this old-fashioned regulation might give negative effects to the development of new technologies and utilization of innovation.

### Recommendation

The DMCA should be reconsidered and amended in order to keep it up to date. First, the four safe harbors should be extended to functions of ISPs that should be protected, as well as the scope of the definition should be enlarged. Second, the authority of ISPs to judge whether material should be removed or maintained should be lessened by establishing a special body. As one legal commentator suggests that the ECD should create a special body,<sup>94</sup> I think the DMCA should also consider this matter. Even though the DMCA has a higher protection of supporting freedom of expression than the ECD, as noted above the procedure is not good enough. In my view, ISPs should not be given an obligation to judge whether certain materials should be taken down, but the

notification of claimed infringement should be delivered to a special body, then the body will verify and if the notification is justified, ISPs will be informed to take certain materials down. In this respect, it will be fair for persons whose materials have been taken down that their materials will be taken down merely when such materials have been verified. Moreover, the DMCA should explicitly define some wording which is likely to be problematic in practice, such as good faith, repeat infringer or awareness.

## 5.2 The ECD

### Advantages

The ECD was enacted with the purpose of enhancing the growth of e-commerce in the internal market. The main goal of the ECD is to provide legal certainty for entrepreneurs doing business online, as well as build up consumer confidence when they have to deal with online business. As a result, the ECD has to harmonize laws among Member States in order to eliminate disparities which can impede the development of cross-border services. The matter of ISP liability is one of the original issues which is established in section 4 of the ECD on the purpose of

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<sup>94</sup> See *supra* note 164, R. Julia-Barcelo & K Koelman, p. 237.

providing certainty for ISPs when they are involved in third-party copyright infringement. The ECD establishes the extent of liability that can be imposed upon ISPs, that is ISPs will be held liable if certain functions performed by ISPs do not fall within the limitations of liability provided in the ECD. The ECD provides the safe harbor for ISPs in the same manner as the DMCA does. It also sets forth the conditions that ISPs have to meet in order to benefit from the safe harbor protection. Moreover, the ECD has no general obligation for ISPs to police their networks. Furthermore, the ECD establishes a procedure which is somewhat similar to the notice and take down procedure of the US regime. Article 14 of the ECD, it requires ISPs who gain actual knowledge or awareness of facts or circumstances of infringing activity to expeditiously take down material claimed to be infringing.

### ***Drawbacks***

However, the ECD comes up short in some issues when compared to the DMCA. First the ECD does not provide protection for ISPs who provide information location tool services.

Second, As noted above, the ECD did not adopt the elaborate notice and take

down procedure, therefore it creates the following problems: (1) the ECD lacks clarity on what constitutes knowledge of ISPs, what elements should be mentioned in notifications of claimed infringement, and to whom notifications should be delivered; (2) the ECD does not serve freedom of expression as it does not offer persons whose materials have been taken down an opportunity to protest, nor initiate a process to put materials back online, and therefore it can result in censorship ISPs; (3) the ECD does not provide immunity for ISPs who take down claimed infringing materials upon receiving notifications from copyright owners on the basis of good faith; (4) the ECD does not allocate liability upon malicious-minded copyright owners who intentionally give incorrect notifications in order to eliminate their competitive parties by exploiting fast action of ISPs.

Third, even though the ECD prohibits Member States to impose a general obligation of monitoring on ISPs, the ECD contains provisions that appear to contradict with article 15, and therefore they could undermine the effectiveness of the main principle.<sup>95</sup>

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<sup>95</sup> ECD. Article 12(3), 13(2), 14(3), Recital 47 and 48.

Nevertheless, although the ECD does not institute crucial matter into the directive itself, the ECD does not affect the possibility for Member States to establish any measures/procedures concerning those issues in accordance with their national laws. First, with regard to the notice and take down procedure, the ECD does not affect the possibility for Member States of establishing a procedure governing the removal or disabling of access to information.<sup>96</sup> Second, concerning freedom of expression, the ECD does not affect Member States' possibility of establishing specific requirements which must be fulfilled expeditiously prior to the removal or disabling of information.<sup>97</sup> However, to leave room for national laws means the ECD is not implemented absolutely. Member States anytime can always impose their own ways to deal with issues. Hence, it can be concluded that the ECD does not provide a complete protective immunity for ISPs.

### Recommendation

As aforementioned, the ECD does not affect the possibility for Member State of establishing preventive measures or procedures in accordance with national

law. Therefore, the ECD should instead of amending the directive itself, encourage Member States to draw codes of conducts concerning lacking issues which closely conform to the ECD. Moreover, article 21(2) instructs the European commission to re-examine the need of adopting concerned issues such as the notice and take down procedure and protection for ISPs who provide information location tool services. Furthermore, in order to achieve an effective implementation of the ECD, the European Commission should provide a guideline regarding how to interpret provisions of the regulation, how to apply provisions which seem to contrast to each other or how to reconcile them harmo-niously. Moreover, as noted above, according to the notice and take down procedure, one legal commentator suggest that the European commission should take into account the creation of a special body instead of adopting the notice and take down procedure since the ECD does not establish protection for ISPs who wrongfully believe that they takedown illegal materials, nor impose liability to parties who intentionally give false notifications to ISPs. Therefore, it might not be appropriate to adopt the notice and take down, but the European

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<sup>96</sup> ECD. Article 14(3).

<sup>97</sup> See *ibid.* Recital 46.

Commission would rather institute a special body which operates by verifying notifications claiming infringing material, then after verification, ISPs will be informed to takedown. In this respect it could get rid of an absolute authority of ISPs of judging which material should be kept or should be removed.

### **5.3 To what extent should ISPs be held liable for third-party copyright infringement?**

The extent of liability which will be imposed upon ISPs is restricted by certain

functions performed by ISPs and the conditions that ISPs must obey in order to take advantage of limitations of liability. The US and the EU regimes, in my view, are averagely successful of providing legal certainty for ISPs. ISPs are provided a clear framework on what constitutes liability, and what they must do in order to be immunized. However, both regulations need improving in order to respond rapidly to growth of technologies which always brings new issues. Moreover, clarifying provisions is another aspect that needs to be taken into account too.



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