

PUBLISHED

UNITED STATES COURT OF APPEALS  
FOR THE FOURTH CIRCUIT

CoSTAR GROUP, INCORPORATED;  
COSTAR REALTY INFORMATION,  
INCORPORATED,

*Plaintiffs-Appellants,*

v.

LOOPNET, INCORPORATED,

*Defendant-Appellee.*

BMG MUSIC; EMI MUSIC, North  
America; SONY MUSIC  
ENTERTAINMENT, INCORPORATED;  
UNIVERSAL MUSIC GROUP; UNIVISION  
MUSIC, LLC; COLUMBIA PICTURES  
INDUSTRIES, INCORPORATED; METRO-  
GOLDWYN-MAYER STUDIOS,  
INCORPORATED; PARAMOUNT PICTURES  
CORPORATION; TWENTIETH CENTURY  
FOX FILM CORPORATION; UNIVERSAL  
CITY STUDIOS, LLLP,

*Amici Supporting Appellants,*

No. 03-1911

BELLSOUTH TELECOMMUNICATIONS,  
INCORPORATED; NETCOALITION; EBAY  
INCORPORATED; COMPUTER &  
COMMUNICATIONS INDUSTRY  
ASSOCIATION; GOOGLE INCORPORATED;  
YAHOO! INCORPORATED; AMAZON.COM,  
INCORPORATED; UNITED STATES  
INTERNET SERVICE PROVIDER  
ASSOCIATION; VERIZON  
COMMUNICATIONS, INCORPORATED;  
U.S. INTERNET INDUSTRY  
ASSOCIATION,

*Amici Supporting Appellee.*

Appeal from the United States District Court  
for the District of Maryland, at Greenbelt.  
Deborah K. Chasanow, District Judge.  
(CA-99-2983-DKC)

Argued: May 6, 2004

Decided: June 21, 2004

Before NIEMEYER, MICHAEL, and GREGORY, Circuit Judges.

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Affirmed by published opinion. Judge Niemeyer wrote the opinion,  
in which Judge Michael joined. Judge Gregory wrote a dissenting  
opinion.

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**COUNSEL**

**ARGUED:** Jonathan D. Hacker, O'MELVENY & MYERS, L.L.P.,  
Washington, D.C., for Appellants. Kurt B. Opsahl, PERKINS COIE,  
L.L.P., San Francisco, California, for Appellee. Bruce G. Joseph,

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WILEY, REIN & FIELDING, L.L.P., Washington, D.C., for Amici Supporting Appellee. **ON BRIEF:** Walter Dellinger, O'MELVENY & MYERS, L.L.P., Washington, D.C., for Appellants. Kenneth B. Wilson, PERKINS COIE, L.L.P., San Francisco, California, for Appellee. Paul B. Gaffney, Joseph M. Terry, Manish K. Mital, WILLIAMS & CONNOLLY, L.L.P., Washington, D.C., for Amici Supporting Appellants. Scott E. Bain, WILEY, REIN & FIELDING, L.L.P., Washington, D.C., for Amici Supporting Appellee.

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## OPINION

NIEMEYER, Circuit Judge:

CoStar Group, Inc. and CoStar Realty Information, Inc. (collectively "CoStar"), a copyright owner of numerous photographs of commercial real estate, commenced this copyright infringement action against LoopNet, Inc., an Internet service provider, for direct infringement under §§ 501 and 106 of the Copyright Act because CoStar's copyrighted photographs were posted by LoopNet's subscribers on LoopNet's website. CoStar contended that the photographs were copied into LoopNet's computer system and that LoopNet therefore was a copier strictly liable for infringement of CoStar's rights under § 106, regardless of whether LoopNet's role was passive when the photographs were copied into its system.

Relying on *Religious Technology Center v. Netcom On-Line Communications Services, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995), the district court entered summary judgment in favor of LoopNet on the claim of direct infringement under § 106. We agree with the district court. Because LoopNet, as an Internet service provider, is simply the owner and manager of a system used by others who are violating CoStar's copyrights and is not an actual duplicator itself, it is not *directly* liable for copyright infringement. We therefore affirm.

## I

CoStar is a national provider of commercial real estate information, and it claims to have collected the most comprehensive database of

information on commercial real estate markets and commercial properties in the United States and the United Kingdom. Its database includes a large collection of photographs of commercial properties, and CoStar owns the copyright in the vast majority of these photographs. CoStar makes its database, including photographs, available to customers through the Internet and otherwise, and each customer agrees not to post CoStar's photographs on its own website or on the website of a third party.

LoopNet is an Internet service provider ("ISP") whose website allows subscribers, generally real estate brokers, to post listings of commercial real estate on the Internet. It claims that its computer system contains over 100,000 customer listings of commercial real estate, including approximately 33,000 photographs, and that it was, during the district court proceedings, adding about 2200 listings each day, 250 of which include photographs. LoopNet does not post real estate listings on its own account. Rather it provides a "web hosting service that enables users who wish to display real estate over the Internet to post listings for those properties on LoopNet's web site."

When using LoopNet's services, a subscriber fills out a form and agrees to "Terms and Conditions" that include a promise not to post copies of photographs without authorization. If the subscriber includes a photograph for a listing, it must fill out another form and agree again to the "Terms and Conditions," along with an additional express warranty that the subscriber has "all necessary rights and authorizations" from the copyright owner of the photographs. The subscriber then uploads the photographs into a folder in LoopNet's system, and the photograph is transferred to the RAM of one of LoopNet's computers for review. A LoopNet employee then cursorily reviews the photograph (1) to determine whether the photograph in fact depicts commercial real estate, and (2) to identify any obvious evidence, such as a text message or copyright notice, that the photograph may have been copyrighted by another. If the photograph fails either one of these criteria, the employee deletes the photograph and notifies the subscriber. Otherwise, the employee clicks an "accept" button that prompts LoopNet's system to associate the photograph with the web page for the property listing, making the photograph available for viewing.

Beginning in early 1998, CoStar became aware that photographs for which it held copyrights were being posted on LoopNet's website by LoopNet's subscribers. When CoStar informed LoopNet of the violations, LoopNet removed the photographs. In addition, LoopNet instituted and followed a policy of marking properties to which infringing photographs had been posted so that if other photographs were posted to that property, LoopNet could inspect the photographs side-by-side to make sure that the new photographs were not the infringing photographs. By late summer 1999, CoStar had discovered 112 infringing photographs on LoopNet's website, and by September 2001, it had found over 300. At that time, LoopNet had in its system about 33,000 photographs posted by its subscribers.

CoStar commenced this action in September 1999 against LoopNet, alleging copyright infringement, violation of the Lanham Act, and several state-law causes of action. On cross-motions for summary judgment, the district court concluded that LoopNet had not engaged in direct infringement under the Copyright Act. It left open, however, CoStar's claims that LoopNet might have contributorily infringed CoStar's copyrights and that LoopNet was not entitled to the "safe harbor" immunity provided by the Digital Millennium Copyright Act, 17 U.S.C. § 512. When the parties stipulated to the dismissal of all claims except the district court's summary judgment in favor of LoopNet on direct infringement, the district court entered final judgment on that issue in favor of LoopNet. From entry of the judgment, CoStar noticed this appeal.

## II

CoStar contends principally that the district court erred in providing LoopNet "conclusive immunity," as a "'passive' provider of Internet" services, from strict liability for its hosting of CoStar's copyrighted pictures on LoopNet's website. The district court based its decision on the reasoning of *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995) ("*Netcom*"), which held that an ISP serving as a passive conduit for copyrighted material is not liable as a direct infringer. CoStar asserts that LoopNet is strictly liable for infringement of CoStar's rights protected by § 106 of the Copyright Act. According to CoStar, any immunity for the passive conduct of an ISP such as

LoopNet must come from the safe harbor immunity provided by the Digital Millennium Computer Act ("DMCA"), if at all, because the DMCA codified and supplanted the *Netcom* holding. Because LoopNet could not meet the conditions for immunity under the DMCA as to many of the copyrighted photographs, LoopNet accordingly would be liable under CoStar's terms for direct copyright infringement for hosting web pages containing the infringing photos.

Stated otherwise, CoStar argues (1) that the *Netcom* decision was a pragmatic and temporary limitation of traditional copyright liability, which would otherwise have held ISPs strictly liable, and that in view of the enactment of the DMCA, *Netcom*'s limitation is no longer necessary; (2) that Congress considered *Netcom* in enacting the DMCA, codifying its principles and thereby supplanting and preempting *Netcom* as the only exemption from liability for direct infringement; and (3) that because LoopNet cannot satisfy the conditions of the DMCA, it remains strictly liable for direct infringement under §§ 106 and 501 of the Copyright Act. We will address CoStar's points, determining first the nature and applicability of the *Netcom* decision and second the impact of the DMCA on *Netcom*.

#### A

In *Netcom*, the court held, among other things, that neither the ISP providing Internet access, nor the bulletin board service storing the posted material, was liable for direct copyright infringement under § 106 when a subscriber posted copyrighted materials on the Internet. The court observed that "[a]lthough copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant's system is merely used to use a copy by a third party." 907 F. Supp. at 1370. In responding to the argument that the ISP's computers stored and thereby "copied" copyrighted material on its system for a period of days in rendering its service, the court stated:

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

Internet. . . . The court does not find workable a theory of infringement that would hold the entire Internet liable for activities that cannot reasonable be deterred. Billions of bits of data flow through the Internet and are necessarily stored on servers throughout the network and it is thus practically impossible to screen out infringing bits from noninfringing bits. Because the court cannot see any meaningful distinction (without regard to knowledge) between what Netcom did and what every other Usenet server does, the court finds that Netcom cannot be held liable for direct infringement.

*Id.* at 1372-73.

CoStar argues, in view of the court's explanation, that the *Netcom* decision was driven by expedience and that its holding is inconsistent with the established law of copyright, as represented by *Playboy Enterprises, Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993) (holding an ISP strictly liable for illegal copying on its computer system). It maintains that the court made a policy judgment based not on what the law was but on the fact that the Internet would have been crippled as a medium if preexisting law had been applied. It argues further that since the enactment of the DMCA in 1998, the problem identified in *Netcom* has been solved by the DMCA, and consequently there is no longer any need for the courts to continue to uphold this "special exemption" from § 106 liability for ISPs.

While the court in *Netcom* did point out the dramatic consequences of a decision that would hold ISPs strictly liable for transmitting copyrighted materials through their systems without knowledge of what was being transmitted, the court grounded its ruling principally on its interpretation of § 106 of the Copyright Act as implying a requirement of "volition or causation" by the purported infringer. This construction is one for which we have already indicated our preference over the contrary decision described in *Frena*. See *ALS Scan, Inc. v. RemarQ Communities, Inc.*, 239 F.3d 619, 622 (4th Cir. 2001). There are several reasons to commend this approach.

"[T]he Copyright Act grants the copyright holder 'exclusive' rights to use and to authorize the use of his work in five qualified ways, including reproduction of the copyrighted work in copies." *Sony*

*Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 432-33 (1984). And it provides that "[a]nyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright." 17 U.S.C. § 501. Stated at a general level, "[t]o establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). A direct infringer has thus been characterized as one who "trespasses into [the copyright owner's] exclusive domain" established in § 106, subject to the limitations of §§ 107 through 118. *Sony*, 464 U.S. at 433; *see also* 17 U.S.C. § 106 (specifying limitations).

While the Copyright Act does not require that the infringer know that he is infringing or that his conduct amount to a willful violation of the copyright owner's rights, it nonetheless requires *conduct* by a person who causes in some meaningful way an infringement. Were this not so, the Supreme Court could not have held, as it did in *Sony*, that a manufacturer of copy machines, possessing constructive knowledge that purchasers of its machine may be using them to engage in copyright infringement, is not strictly liable for infringement. 464 U.S. at 439-42. This, of course, does not mean that a manufacturer or owner of machines used for copyright violations could not have some *indirect* liability, such as contributory or vicarious liability. But such extensions of liability would require a showing of additional elements such as knowledge coupled with inducement or supervision coupled with a financial interest in the illegal copying.

The Copyright Act does not specifically provide for such extended liability, instead describing only the party who *actually engages* in infringing conduct — the one who directly violates the prohibitions. Yet under general principles of law, vicarious liability or contributory liability may be imposed:

The absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity. For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in

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which it is just to hold one individual accountable for the actions of another.

*Sony*, 464 U.S. at 435. Under a theory of contributory infringement, "one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another" is liable for the infringement, too. *Gershwin Publishing Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (footnote omitted). Under a theory of vicarious liability, a defendant who "has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities" is similarly liable. *Id.*

But to establish *direct* liability under §§ 501 and 106 of the Act, something more must be shown than mere ownership of a machine used by others to make illegal copies. There must be actual infringing conduct with a nexus sufficiently close and causal to the illegal copying that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner. The *Netcom* court described this nexus as requiring some aspect of volition or causation. 907 F. Supp. at 1370. Indeed, counsel for both parties agreed at oral argument that a copy machine owner who makes the machine available to the public to use for copying is not, without more, strictly liable under § 106 for illegal copying by a customer. The ISP in this case is an analogue to the owner of a traditional copying machine whose customers pay a fixed amount per copy and operate the machine themselves to make copies. When a customer duplicates an infringing work, the owner of the copy machine is not considered a direct infringer. Similarly, an ISP who owns an electronic facility that responds automatically to users' input is not a direct infringer. If the Copyright Act does not hold the owner of the copying machine liable as a direct infringer when its customer copies infringing material without knowledge of the owner, the 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.

Moreover, in the context of the conduct typically engaged in by an ISP, construing the Copyright Act to require some aspect of volition and meaningful causation — as distinct from passive ownership and management of an electronic Internet facility — receives additional support from the Act's concept of "copying." A violation of § 106

requires copying or the making of copies. *See* 17 U.S.C. § 106(1), (3); *id.* § 102(a); *Feist Publishing*, 449 U.S. at 361. And the term "copies" refers to "material objects . . . in which a work *is fixed*." 17 U.S.C. § 101 ("Definitions") (emphasis added). A work is "fixed" in a medium when it is embodied in a copy "sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period *of more than transitory duration*." *Id.* (emphasis added). When an electronic infrastructure is designed and managed as a *conduit* of information and data that connects users over the Internet, the owner and manager of the conduit hardly "copies" the information and data in the sense that it fixes a copy in its system *of more than transitory duration*. Even if the information and data are "downloaded" onto the owner's RAM or other component as part of the transmission function, that downloading is a temporary, automatic response to the user's request, and the entire system functions solely to transmit the user's data to the Internet. Under such an arrangement, the ISP provides a system that automatically transmits users' material but is itself totally indifferent to the material's content. In this way, it functions as does a traditional telephone company when it transmits the contents of its users' conversations. While temporary electronic copies may be made in this transmission process, they would appear not to be "fixed" in the sense that they are "of more than transitory duration," and the ISP therefore would not be a "copier" to make it directly liable under the Copyright Act. With additional facts, of course, an ISP could become *indirectly* liable.

In concluding that an ISP has not itself fixed a copy in its system of more than transitory duration when it provides an Internet hosting service to its subscribers, we do not hold that a computer owner who downloads copyrighted software onto a computer cannot infringe the software's copyright. *See, e.g., MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518-19 (9th Cir. 1993). When the computer owner downloads copyrighted software, it possesses the software, which then functions in the service of the computer or its owner, and the copying is no longer of a transitory nature. *See, e.g., Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 260 (5th Cir. 1988). "Transitory duration" is thus both a qualitative and quantitative characterization. It is quantitative insofar as it describes the period during which the function occurs, and it is qualitative in the sense that it describes the status of transition. Thus, when the copyrighted software is down-

loaded onto the computer, because it may be used to serve the computer or the computer owner, it no longer remains transitory. This, however, is unlike an ISP, which provides a system that automatically receives a subscriber's infringing material and transmits it to the Internet at the instigation of the subscriber.

Accordingly, we conclude that *Netcom* made a particularly rational interpretation of § 106 when it concluded that a person had to engage in volitional conduct — specifically, the act constituting infringement — to become a direct infringer. As the court in *Netcom* concluded, such a construction of the Act is especially important when it is applied to cyberspace. There are thousands of owners, contractors, servers, and users involved in the Internet whose role involves the storage and transmission of data in the establishment and maintenance of an Internet facility. Yet their conduct is not truly "copying" as understood by the Act; rather, they are conduits from or to would-be copiers and have no interest in the copy itself. *See Doe v. GTE Corp.*, 347 F.3d 655, 659 (7th Cir. 2003) ("A web host, like a delivery service or phone company, is an intermediary and normally is indifferent to the content of what it transmits"). To conclude that these persons are copyright infringers simply because they are involved in the ownership, operation, or maintenance of a transmission facility that automatically records material — copyrighted or not — would miss the thrust of the protections afforded by the Copyright Act. In rejecting even contributory infringement in some of such circumstances, the Supreme Court stated:

The staple article of commerce doctrine must strike a balance between a copyright holder's legitimate demand for effective — not merely symbolic — protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.

*Sony*, 464 U.S. at 442. We thus find it an overstatement by CoStar to argue that *Netcom* represented the adoption of a new "special liability-limiting rule for Internet servers."

## B

CoStar rests its position not only on the marginalization of the *Netcom* holding, but also on the assertion that the DMCA rendered *Net-*

*com* no longer necessary — indeed, even codified and preempted *Netcom* — by imposing an exclusive safe harbor for ISPs that fulfill the conditions of the DMCA. CoStar argues that because the DMCA supplanted *Netcom*, LoopNet must rely for its defense exclusively on the immunity conferred by the DMCA. This argument, however, is belied by the plain language of the DMCA itself.

The DMCA was enacted as § 512 of the Copyright Act. The relevant subsection of § 512 provides limitations on liability "for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service for the [Internet] service provider" if the ISP lacks scienter about a copyright violation by a user, does not profit directly from the violation, and responds expeditiously to a proper notice of the violation. *See* 17 U.S.C. § 512(c)(1). In order to enjoy the safe harbor provided by § 512(c), the ISP must also fulfill other conditions imposed by the DMCA. *See id.* § 512(c), (i). Even though the DMCA was designed to provide ISPs with a safe harbor from copyright liability, nothing in the language of § 512 indicates that the limitation on liability described therein is exclusive. Indeed, another section of the DMCA provides explicitly that the DMCA is *not* exclusive:

*Other defenses not affected.* — The failure of a service provider's conduct to qualify for limitation of liability under this section shall not bear adversely upon the consideration of a defense by the service provider that the service provider's conduct is not infringing under this title or any other defense.

*Id.* § 512(l). Thus the statute specifically provides that despite a failure to meet the safe-harbor conditions in § 512(c) and (i), an ISP is still entitled to all other arguments under the law — whether by way of an affirmative defense or through an argument that conduct simply does not constitute a *prima facie* case of infringement under the Copyright Act.

Given that the statute declares its intent not to "bear adversely upon" any of the ISP's defenses under law, including the defense that the plaintiff has not made out a *prima facie* case for infringement, it

is difficult to argue, as CoStar does, that the statute in fact precludes ISPs from relying on an entire strain of case law holding that direct infringement must involve conduct having a volitional or causal aspect. Giving such a construction to the DMCA would in fact "bear adversely upon the consideration" of this defense, in direct contravention of § 512(l). We conclude that in enacting the DMCA, Congress did not preempt the decision in *Netcom* nor foreclose the continuing development of liability through court decisions interpreting §§ 106 and 501 of the Copyright Act.

CoStar advances the additional argument that because "Congress 'codified' *Netcom* in the DMCA . . . it can only be *to the DMCA* that we look for enforcement of those principles." The brief of several *amici* echoes this point with the assertion that "if Congress intended *Netcom* to survive the DMCA, there would have been no need to enact the statute in the first place." CoStar and the *amici*, however, have this point of statutory construction exactly backward. When Congress codifies a common-law principle, the common law remains not only good law, but a valuable touchstone for interpreting the statute, unless Congress explicitly states that it *intends* to supplant the common law. "The normal rule of statutory construction is that if Congress intends for legislation to change the interpretation of a judicially created concept, it makes that intent specific." *Midatlantic Nat'l Bank v. N.J. Dep't of Envtl. Prot.*, 474 U.S. 494, 501 (1986) (citing *Edmonds v. Compagnie Generale Transatlantique*, 443 U.S. 256, 266-67 (1979)); *Harper & Rowe, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 549 (1985) (observing that § 107 of the Copyright Act, articulating the elements of the fair use defense, "restate[s] [not changes] pre-existing judicial doctrine") (quoting H.R. Rep. No. 94-1476, at 66 (1976)). Thus, without explicit statutory instructions, the cases drawn upon by Congress in writing legislation are *not* supplanted by the legislation, and courts may — indeed should — continue to look to these cases for guidance.

CoStar's argument that the DMCA supplanted and preempted *Netcom* is further undermined by the DMCA's legislative history. Congress actually expressed its intent that the courts would continue to determine how to apply the Copyright Act to the Internet and that the DMCA would merely create a floor of protection for ISPs. After citing the conflicting decisions in *Netcom* and *Frena*, the Senate Com-

mittee on the Judiciary explained that "rather than embarking upon a wholesale clarification of these doctrines, the Committee decided to leave current law in its evolving state and, instead, to create a series of 'safe harbors,' for certain common activities of service providers." S. Rep. No. 105-190, at 19 (1998). The Ninth Circuit has found this language persuasive, citing it in finding that "[t]he DMCA did not simply rewrite copyright law for the on-line world." *Ellison v. Robertson*, 357 F.3d 1072, 1077 (9th Cir. 2004). Furthermore, the final conference report supports this passage, stating:

As provided in subsection (l), Section 512 is not intended to imply that a service provider is or is not liable as an infringer either for conduct that qualifies for a limitation of liability or for conduct that fails to so qualify. Rather, the limitations of liability apply if the provider is found to be liable under existing principles of law.

H.R. Conf. Rep. No. 105-796, at 73 (1998), *reprinted in* 1998 U.S.C.C.A.N. 639, 649. Thus the DMCA was intended not to change the "evolving" doctrines on ISP liability for copyright infringement, which included *Netcom* and *Frena*, but to offer a certain safe harbor for ISPs. Courts were left free to continue to construe the Copyright Act in deciding the scope and nature of prima facie liability. The legislative "compromise" repeatedly invoked by CoStar and its *amici* was that Congress would not end the debate by importing and fixing copyright infringement liability in the form articulated by *Netcom*, but rather would provide a limited safe harbor immediately necessary to ISPs, and allow the courts to continue defining what constitutes a prima facie case of copyright infringement against an ISP.

CoStar challenges our conclusion by relying also on a passage from *ALS Scan*, which is concededly ambiguous when taken out of context, where we wrote:

Although we find the *Netcom* court reasoning more persuasive, the ultimate conclusion on this point is controlled by Congress' codification of the *Netcom* principles in Title II of the DMCA. As the House Report for that Act states,

The bill distinguishes between direct infringement and secondary liability, treating each separately.

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This structure is consistent with evolving case law, and appropriate in light of the different legal bases for and policies behind the different forms of liability.

As to direct infringement, liability is ruled out for passive, automatic acts engaged in through a technological process initiated by another. Thus the bill essentially codifies the result in the leading and most thoughtful judicial decision to date: *Religious Technology Center v. Netcom On-Line Communications Services, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995). In doing so, it overrules these aspects of *Playboy Enterprises, Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993), insofar as that case suggests that such acts by service providers could constitute direct infringement, and provides certainty that *Netcom* and its progeny, so far only a few district court cases, will be the law of the land.

H.R. Rep. No. 105-551(I), at 11 (1998). Accordingly, we address only ALS Scan's claims brought under the DMCA itself.

*ALS Scan*, 239 F.3d at 622. This portion of legislative history was referring to an earlier version of the legislation, in which the entire holding of *Netcom* was imported.\* The distinction between this ear-

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\*The earlier version of the bill, to which this language referred, read:

- (a) Limitation. . . . [A] provider shall not be liable for —
  - (1) direct infringement, based solely on the intermediate storage and transmission of material through a system or network controlled or operated by or for that provider, if —
    - (A) the transmission was initiated by another person;
    - (B) the storage and transmission is carried out through an automatic technological process, without any selection of that material by the provider; and

lier bill and the legislation as ultimately passed was not relevant to the holding in *ALS Scan*, where we denied summary judgment to both parties and remanded for the district court to determine facts that would be relevant to whether the defendant had committed contributory or vicarious infringement, such as whether the defendant system's "'sole purpose' [was] infringement of ALS Scan's copyrights," and whether "'virtually all' the images posted in the newsgroups [were] infringing." *Id.* at 626. Indeed, we noted that "[i]t would appear that ALS Scan's allegations amount more to a claim of contributory infringement . . . than to a claim of direct infringement." *Id.* at 621 n.1.

With respect to the issue of what creates liability for direct infringement, the distinction between the two bills is more important. The earlier version of the bill was meant to incorporate all of *Netcom's* protections, whereas the final law reflected the above-mentioned compromise between the earlier version and the concerns

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(C) no copy of the material thereby made by the provider is maintained on the provider's system or network in a manner ordinarily accessible to anyone other than the recipients anticipated by the person who initiated the transmission, and no such copy is maintained on the system or network in a manner ordinarily accessible to such recipients for a longer period than is reasonably necessary for the transmission. . . .

H.R. Rep. No. 105-551, pt. 1, at 7-8 (1998). These provisions most closely resemble those codified at 17 U.S.C. § 512(a), but the final legislation differs in several ways that are important to this case. First, the law as enacted draws no distinction between direct and indirect liability for infringement. Second, the earlier version does not appear to address how to treat material for which the ISP acts as a host server, allowing users to post the information in anticipation that other users will request the information to be transmitted to them, as LoopNet and many other ISPs do. In the final legislation, "[i]nformation residing on systems or networks at [the] direction of users" is specifically addressed. 17 U.S.C. § 512(c). Finally, unlike the earlier version, which would have exempted ISPs unconditionally for direct liability for automatic processes, the enacted law requires ISPs to fulfill certain "[c]onditions for eligibility" for the safe harbors. *Id.* § 512(i).

of copyright-holders. Congress would enact certain safe-harbor provisions absolutely necessary to the immediate survival of ISPs, while courts would continue to consider the question of whether passive ISPs could ever be directly liable for violations of copyright committed using their systems.

It is clear that Congress intended the DMCA's safe harbor for ISPs to be a floor, not a ceiling, of protection. Congress said nothing about whether passive ISPs should ever be held strictly liable as direct infringers or whether plaintiffs suing ISPs should instead proceed under contributory theories. The DMCA has merely added a second step to assessing infringement liability for Internet service providers, after it is determined whether they are infringers in the first place under the preexisting Copyright Act. Thus, the DMCA is irrelevant to determining what constitutes a *prima facie* case of copyright infringement.

At bottom, we hold that ISPs, when passively storing material at the direction of users in order to make that material available to other users upon their request, do not "copy" the material in direct violation of § 106 of the Copyright Act. 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. In that case, the ISP could still look to the DMCA for a safe harbor if it fulfilled the conditions therein.

### III

CoStar contends that even under *Netcom*'s construction of copyright infringement liability for ISPs, LoopNet's conduct in this case is more than passive, in that LoopNet screens photographs posted by its subscribers. In CoStar's opinion, this screening process renders LoopNet liable for direct copyright infringement.

LoopNet, like other ISPs, affords its subscribers an Internet-based facility on which to post materials, but the materials posted are of a

type and kind selected by the subscriber and at a time initiated by the subscriber. Similarly, users who wish to access a subscriber's information may do so without intervention from LoopNet. A subscriber seeking to post a listing on LoopNet's website containing only *text* fills out a form and agrees to LoopNet's "Terms and Conditions," which include the obligation to respect others' copyrights. Once the subscriber has filled out the form and agreed to the "Terms and Conditions," an identification number is automatically assigned to the listing, and a web page containing the listing and the identification number is automatically created. The web page is then hosted on LoopNet's website to be viewed by users who request the listing. CoStar does not contend that LoopNet's activity in signing up subscribers with *only* textual property listings is anything other than passive.

To argue that LoopNet loses its status as a passive ISP and therefore becomes liable for direct copyright infringement, CoStar focuses on LoopNet's gatekeeping practice with respect to photographs. To add a photograph to a listing, the subscriber must fill out another form and again agree to the "Terms and Conditions." After expressly warranting that he has "all necessary rights and authorizations from the . . . copyright owner of the photographs," the subscriber uploads the photograph into a folder in LoopNet's system. The photograph is then transferred to the RAM of one of LoopNet's computers for review. A LoopNet employee reviews the photo for two purposes: (1) to block photographs that do not depict commercial real estate, and (2) to block photographs with obvious signs that they are copyrighted by a third party. If the photograph carries a copyright notice or represents subject matter other than commercial real estate, the employee deletes the photograph; otherwise, she clicks a button marked "accept," and LoopNet's system automatically associates the photograph with the subscriber's web page for the property listing, making it available for use. Unless a question arises, this entire process takes "a few seconds."

Although LoopNet engages in volitional conduct to block photographs measured by two grossly defined criteria, this conduct, which takes only seconds, does not amount to "copying," nor does it add volition to LoopNet's involvement in storing the copy. The employee's look is so cursory as to be insignificant, and if it has any signifi-

cance, it tends only to lessen the possibility that LoopNet's automatic electronic responses will inadvertently enable others to trespass on a copyright owner's rights. In performing this gatekeeping function, LoopNet does not attempt to search out or select photographs for duplication; it merely *prevents* users from duplicating certain photographs. To invoke again the analogy of the shop with the copy machine, LoopNet can be compared to an owner of a copy machine who has stationed a guard by the door to turn away customers who are attempting to duplicate clearly copyrighted works. LoopNet has not by this screening process become engaged as a "copier" of copyrighted works who can be held liable under §§ 501 and 106 of the Copyright Act.

To the extent that LoopNet's intervention in screening photographs goes further than the simple gatekeeping function described above, it is because of CoStar's complaints about copyright violations. Whenever CoStar has complained to LoopNet about a particular photograph, LoopNet has removed the photograph, and the property listing with which the photograph was associated has been marked. The next time the user tries to post a photograph to accompany that listing, LoopNet conducts a manual side-by-side review to make sure that the user is not reposting the infringing photograph. CoStar and other copyright holders benefit significantly from this type of response. If they find such conduct by an ISP too active, they can avoid it by adding a copyright notice to their photographs, which CoStar does not do. CoStar can hardly request LoopNet to prevent its users from infringing upon particular unmarked photographs and then subsequently seek to hold LoopNet liable as a direct infringer when LoopNet complies with CoStar's request.

In short, we do not conclude that LoopNet's perfunctory gatekeeping process, which furthers the goals of the Copyright Act, can be taken to create liability for LoopNet as a direct infringer when its conduct otherwise does not amount to direct infringement.

For the reasons given, we affirm the judgment of the district court.

*AFFIRMED*

GREGORY, Circuit Judge, dissenting:

While I largely agree with the majority's careful explication of the direct infringement doctrine within the cybersphere post-DMCA, I cannot join the majority's application of that law. First, I disagree with the majority's characterizations of LoopNet as "an analogue to the owner of a traditional copying machine whose customers pay a fixed amount per copy and operate the machine themselves to make copies," *ante* at 9, and its comparison of the company to "an owner of a copy machine who has stationed a guard by the door to turn away customers who are attempting to duplicate clearly copyrighted works," *id.* at 19. Specifically, these ill-fitting characterizations lead the majority to the erroneous conclusion that LoopNet is not liable for direct infringement despite its volitional screening process. Because I would hold that LoopNet engages in non-passive, volitional conduct with respect to the photographs on its website such that the *Netcom* defense does not apply, I respectfully dissent.

#### I

In examining whether LoopNet is a passive provider not subject to direct infringement liability, the majority conducts a comparison of LoopNet's posting processes as to text and images. The majority properly recognizes, and CoStar does not dispute, that when a subscriber posts text to LoopNet's website the process is completely passive. Indeed, whatever text the subscriber enters into LoopNet's form is automatically uploaded to, and immediately accessible on, LoopNet's website. By contrast, when a subscriber wishes to post a photograph on the site, such posting is not automatic or immediate. Instead, the photograph is transferred to LoopNet's computers where one of the company's employees can review the photo to ensure (1) it is an image of commercial real estate, and (2) it is not an obviously copyrighted image.

At this stage of the process the LoopNet employee has a choice, he or she can reject the photograph because it does not comply with the above-noted criteria, or he or she can "accept" the photograph, at which time it becomes accessible on the subscriber's web page to which the text was previously and automatically uploaded. The majority thus finds itself in a bind, namely how is this decision by the

LoopNet employee whether or not to "accept" an image akin to the automated posting of text such that it, too, does not constitute direct infringement. The majority attempts to resolve this paradox by first admitting, "LoopNet engages in *volitional conduct to block photographs*," *ante* at 18 (emphasis added), however, it reasons, "this conduct, which takes only seconds, does not amount to 'copying,' nor does it *add volition* to LoopNet's involvement in storing the copy. The employee's look is so cursory as to be insignificant . . . . In performing this gatekeeping function, LoopNet does not attempt to search out or select photographs for duplication; it merely *prevents* users from duplicating certain photographs." *Id.* (first emphasis added). In so determining that LoopNet's "gatekeeping function" does not expose it to direct infringement liability, I submit that the majority expands the non-volitional defense well beyond *Netcom* and subsequent holdings, and gives direct infringers in the commercial cybersphere far greater protections than they would be accorded in print and other more traditional media.

## II

In *Netcom*, the court recognized that traditional strict liability copyright principles were ill-suited to cyberspace. *See* 907 F. Supp. at 1369-73. Bulletin board operators and other ISPs provided a forum for content, a truly open communicative space over which they exercised no control; in a sense, they were publishers who did not — and could not, because of their automated processes — review their own "publications." In recognizing the realities of this new information domain, the *Netcom* court rejected copyright owners' claims against an ISP, reasoning that the ISP did not take any affirmative action that resulted in copying plaintiffs' works other than maintaining a system through which software automatically forwarded subscribers' messages onto Usenet. *See Netcom*, 907 F. Supp. at 1368. The court observed that the ISP did not "initiate[ ] the copying," and its system operated without any human interaction, thus "the mere fact that [the ISP's] system incidentally makes temporary copies of plaintiffs' works does not mean [the ISP] has caused the copying." *Id.* at 1368-69. The *Netcom* court concluded: "Although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking . . . ." *Id.* at 1370. Accordingly, the *Netcom* rule was fashioned to protect computer systems that *automatically* transfer

data with no realistic manner by which the operator can monitor content. *See id.* at 1369-70 (stating plaintiff's theory "would result in liability for every single Usenet server in the worldwide link of computers transmitting [the message] to every other computer. These parties, who are liable under plaintiffs' theory, do *no more than* operate or implement a system that is essential if Usenet messages are to be widely distributed." (emphasis added)); *see also Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146, 1167 (C.D. Cal. 2002) ("Computer technology, and in particular the Internet, has created a challenge to copyright's strict liability scheme. Because of the architecture of the web and the workings of computer technology, almost any business that utilizes computer hardware to create access to the Internet or to store content may find its hardware creating or displaying infringing material *as a result of decisions by third-parties (the system's users) without the business doing any truly volitional actions.*" (emphasis added)).

Since *Netcom*, courts have recognized that the non-volitional defense to direct infringement claims extends only to "passive" service providers, through which data flow is "automatic." In *ALS Scan*, we stated of *Netcom*, "when an Internet provider serves, *without human intervention*, as a *passive conduit* for copyrighted material, it is not liable as a direct infringer." 239 F.3d at 622 (Niemeyer, J.) (emphasis added); *see also Playboy Enters., Inc. v. Webbworld, Inc.*, 991 F. Supp. 543, 552 (N.D. Tex. 1997); *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503, 513 (N.D. Ohio 1997). In this case, however, the majority profoundly deviates from the passivity approach.

The difference between LoopNet's conduct in this case and the protection originally afforded by *Netcom* is illustrated by examining the *Netcom* court's aforementioned statement that "Netcom did not take any affirmative action that directly resulted in copying plaintiffs' works *other than* by installing and maintaining a system whereby software *automatically* forwards messages received from subscribers onto the Usenet, and temporarily stores copies on its system." 907 F. Supp. at 1368 (emphasis added). Here, however, LoopNet's conduct with regard to the photos is anything but automatic. In contrast to the real estate property descriptions which are *automatically* uploaded to

the website without any service provider input, the photos *cannot* appear on LoopNet's site *without* operator approval.

The majority tries to diminish the importance of this fact by arguing that the review is very brief and the reviewer presses a single button. At the heart of the review, however, is an inherently "volitional" action without which the subscriber's photos would not be accessible. For every photograph submitted, a LoopNet employee must determine: (1) is this real estate and (2) does the photo comply — on its face, at least — with our terms and conditions. These inquiries are the antitheses of passive, automatic actions. *See Russ Hardenburgh, Inc.*, 982 F. Supp. at 513 (denying *Netcom* immunity to BBS operator which (1) encouraged subscribers to upload files and (2) employed "*a screening procedure in which [the operator's] employees viewed all files in the upload file and moved them into the generally available files for subscribers*" (emphasis added)); *id.* (stating those facts "transform Defendants from passive providers of a space in which infringing activities happened to occur to active participants in the process of copyright infringement"); *cf. Webbworld, Inc.*, 991 F. Supp. 543, 552 (N.D. Tex. 1997) (refusing to apply *Netcom* immunity to defendant that "did not function as a mere provider of access," but provided content and functioned as a "commercial destination within the Internet"). As the district court in *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d at 1168, recently remarked "[t]he principle distilled from these [cyber direct infringement] cases is that defendants must *actively* engage in one of the activities recognized in the Copyright Act." Similarly, we emphasized in *ALS Scan*, 239 F.3d at 622, it was the lack of "human intervention" which rendered *Netcom* a passive service provider. Here, however, humans employed by LoopNet limited the content of postings and screened and sometimes edited photos to keep quality consistent, thus taking the case far outside the previously understood scope of coverage for *Netcom's* volitional defense.

The majority downplays LoopNet's volition, and the break from previous application of the volitional defense, by focusing on the fact that it is *the subscriber*, not LoopNet, who begins the volitional process, *i.e.*, the subscriber is the initial direct infringer.<sup>1</sup> This distinction,

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<sup>1</sup>The majority also seemingly attempts to garner support for its argument by implying that LoopNet is a "conduit[ ] from or to would-be cop-

however, is illusory, as I believe is demonstrated by analyzing LoopNet's actions through the hypothetical of a more traditional copyright context.

Consider the following example: *LoopNet Magazine* is a for-profit publication freely distributed in curbside boxes that displays commercial real estate listings. *LoopNet Magazine* solicits listings from its readership, but neither the reader who submits the listing, nor the reader accessing the listing pays for the service. Instead, *LoopNet Magazine* subsists on advertising revenue and other products it sells through the publication. Readers may electronically submit textual listings, or those with text and graphics. When *LoopNet Magazine* receives a text listing, its computers automatically transfer the content into the template for the next issue. However, when a reader submits a photograph, he or she must submit a digital image and sign a terms and conditions release stating that he or she has not infringed the copyright of the image submitted. *LoopNet Magazine* employees engage in a quick review of the images to determine that they are, in fact, pictures of real estate and that no obvious copyright has been violated.

Reader X sends *LoopNet Magazine* text describing commercial office space for rent in New York City's renowned Flatiron Building; the text describing the property is, of course, automatically inserted into the *LoopNet Magazine* template and is ready for publication. Reader X has also submitted a photograph of the Flatiron Building, and signs the terms and conditions form. Reader X knows, however, that she has not complied with the terms and conditions because the photo is not hers, rather it is Edward Steichen's 1905 photograph, *The Flatiron*. *LoopNet Magazine*'s Intern Y receives the photo of the Flat-

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iers [who] ha[s] no interest in the copy itself." *Ante* at 11 (citing *Doe v. GTE Corp.*, 347 F.3d 655, 659 (7th Cir. 2003)). However, unlike the web-host in *Doe v. GTE Corp.*, which was "an intermediary . . . indifferent to the content of what it transmits," 347 F.3d at 659, LoopNet has a deeply vested interest in its content. Its entire screening process takes place to further its commercial aims, ensuring that the photos which appear comply with the website's purpose, namely advertising commercial real estate.

iron Building, notes Reader X has signed the terms and conditions, and evaluates the photo for a few seconds. Intern Y finds the image to be a beautiful depiction of the building, precisely the type of material *LoopNet Magazine* seeks to display, and does not recognize it as the copyrighted Steichen image. However, Intern Y finds that the image was "uploaded in a format that's not correct," so he takes steps to remedy the image "so that it can appear [in the publication] without any technical problems." J.A. 175 (deposition testimony of Fed. R. Civ. P. Rule 30(b)(6) designee Dennis DeAndre, LoopNet's CEO, regarding formatting in which the company sometimes engages after the screening process). Once properly formatted, the image appears in the next issue of *LoopNet Magazine*, and Steichen's estate sues both Reader X and *LoopNet Magazine* for direct infringement. Is *LoopNet Magazine* relieved of direct infringement liability because its screening process was most brief, a simple "yes" or "no" inquiry conducted by an intern, followed by a formatting correction? Of course not,<sup>2</sup> but no different is the situation here.

That another person initiated the process which led to LoopNet's infringement is of no consequence. LoopNet remains the pivotal volitional *actor*, "but for" whose action, the images would never appear on the website. Indeed, "volition" is defined as "the act of willing or choosing[;] the act of deciding (as on a course of action or an end to be striven for)[;] the exercise of the will . . . [or] the termination of an act or exercise of choosing or willing[;] a state of decision or choice." *Webster's Third New International Dictionary of the English Language, unabridged* 2562 (1981). Under any analytical framework, LoopNet has engaged in active, volitional conduct; its employees make a conscious choice as to whether a given image will appear in its electronic publication, or whether the image will be deleted from the company's system.<sup>3</sup> Nothing in the brief nature of LoopNet's

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<sup>2</sup>See generally *Keeler Brass Co. v. Cont'l Brass Co.*, 862 F.2d 1063, 1065 (4th Cir. 1988) (discussing elements of a direct infringement claim); see also *Ortiz-Gonzalez v. Fonovisa*, 277 F.3d 59, 62 (1st Cir. 2002) (stating "if [defendant] distributed copies of [plaintiff's] copyrighted work, the act of distribution is a direct infringement itself, not an act of contributory or vicarious infringement").

<sup>3</sup>The majority also attempts to argue that LoopNet has not made a "copy" of the image. In doing so, it largely accepts LoopNet's argument

review makes the company akin to a copy machine owner or a security guard by the owner's door. LoopNet *is* the publisher of *LoopNet Magazine* in cyberform; a volitional copier of images to whom direct infringement liability applies. Because I believe that the *Netcom* volitional defense should focus on passivity and the automated nature of the act — *not* the fact that a user's initial volition somehow exterminates liability for later volitional acts — I would reverse the district court. Accordingly, I respectfully dissent.

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that rather than copying the images, the company simply "moves" an image already stored by modifying the computer's directory, thus transforming the image from one not accessible by users who "hit" the website to one that users can view. The majority states "downloading is a temporary, automatic response to the user's request, and the entire system functions solely to transmit the user's data to the Internet." *Ante* at 10; *see also id.* at 11. The majority's analysis, however, rests on a technicality that does not comport with reality. While LoopNet may not "copy" the images in a traditional sense, the fact is that without LoopNet's volitional action, the subscriber's image would *never* be uploaded to the subscriber's webspace on the LoopNet site no matter how much that subscriber might desire to have the image so appear. *See Advanced Computer Sys., Inc. v. Peak Computer Sys., inc.*, 991 F.2d 511, 519 (9th Cir. 1993) (holding loading of data to RAM "creates a 'copy' under the Copyright Act"). Thus, LoopNet is in every sense a publisher controlling content. In short, it is LoopNet, not the subscriber, who has the final say in selecting and determining photographic content on the website.

No. 03-1911

**IN THE  
UNITED STATES COURT OF APPEALS  
FOR THE FOURTH CIRCUIT**

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**COSTAR GROUP, INC. AND  
COSTAR REALTY INFORMATION, INC.,**

*Plaintiffs-Appellants*

v.

**LOOPNET INC.,**

*Defendant-Appellee.*

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On Appeal from the United States District Court  
for the District of Maryland  
No. DKC 99-2983, Hon. Deborah K. Chasanow

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**BRIEF OF *AMICI CURIAE*  
AMAZON.COM, INC., BELLSOUTH TELECOMMUNICATIONS, INC.,  
COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION,  
EBAY INC., GOOGLE INC., NETCOALITION,  
U.S. INTERNET INDUSTRY ASSOCIATION,  
UNITED STATES INTERNET SERVICE PROVIDER ASSOCIATION,  
VERIZON COMMUNICATIONS INC., AND YAHOO! INC.  
IN SUPPORT OF APPELLEE AND AFFIRMANCE**

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Bruce G. Joseph  
Scott E. Bain  
Wiley Rein & Fielding LLP  
1776 K Street, NW  
Washington, DC 20006  
202-719-7000  
Counsel for *Amici*

## **CORPORATE DISCLOSURES**

The entities submitting this brief each have filed or are filing a disclosure statement pursuant to Rule 26.1.

## **AUTHORITY TO FILE**

The parties to this appeal have consented to filing of this brief. Fed. R. App. P. 29(a).

## **DESCRIPTION AND INTEREST OF THE *AMICI***

Internet *Amici*, many of the leading Internet and e-commerce companies and trade associations in the United States, provide systems and facilities used for enormous social benefit. Their diverse businesses range from providing broadband and dial-up Internet access, to hosting third party content on web sites, to providing comprehensive search engines for the location of online material, to the online sale of merchandise, to the operation of the leading Internet auction sites. Despite this diversity, there is a common element—each of the Internet *Amici* provides technology-based systems that are used by countless third parties overwhelmingly for legitimate purposes, including business, communication and entertainment. Internet *Amici* have a fundamental interest in ensuring that copyright law is properly applied in the Internet environment and that they, and others who provide the systems that make the Internet and e-commerce possible, are not subject to *per se* liability for the conduct of third parties using their systems.

A number of the Internet *Amici* participated directly in the negotiations that led to the Digital Millennium Copyright Act (DMCA), which is the subject of this appeal. They have a first-hand knowledge of that carefully negotiated compromise

and the legal developments that led to its enactment. Thus, Internet *Amici* are well positioned to assist the Court in evaluating the issues presented in this appeal.

Among other things, for example, the availability of existing defenses to liability, including the continued availability and development of the *Netcom* doctrine, *Religious Tech. Ctr. v. Netcom On-Line Communications Serv., Inc.*, 907 F.Supp. 1361 (N.D. Cal. 1995), was and remains a fundamental part of the bargain struck by stakeholders, including the Internet *Amici*, in crafting the DMCA.

Finally, the screening of third-party content placed on the Internet is an important function that can prevent copyright infringement as well as numerous serious social ills, from fraud and identity theft to child pornography. Internet *Amici* have an interest in ensuring that the performance of this function, whether by human participation or by machine, is not deterred by the imposition of *per se* copyright liability when content is screened.

*Amicus* Amazon.com, Inc. is a Fortune 500 company offering various products through the Amazon.com website and related sites worldwide, and providing online services for third parties to offer their own products for sale through the Amazon.com website.

*Amicus* BellSouth Telecommunications, Inc., a wholly owned subsidiary of BellSouth Corporation, provides retail information services such as Internet access, personal web pages and newsgroups, and Internet portal services.

*Amicus* Computer & Communications Industry Association (CCIA)

([www.ccianet.org](http://www.ccianet.org)) is a nearly three decade-old nonprofit membership organization representing the vital interests of companies and senior executives from all sectors of the computer and communications industries, and promotes competitive and fair markets, and open systems and networks.

*Amicus* eBay Inc. provides an online “marketplace” for more than eighty-six million members to buy and sell virtually any product or service imaginable. At any given moment, more than 19 million items typically are available for sale on eBay, within thousands of different categories, and more than 2.8 million new listings are added daily.

*Amicus* Google Inc.’s mission is to organize the world’s information and make it universally accessible and useful. Google provides widely used Internet search and hosting services, indexing and retrieving information created by users all over the world.

*Amicus* NetCoalition ([www.netcoalition.org](http://www.netcoalition.org)) is a trade association serving as the public policy voice for some of the world’s most innovative Internet companies on key legislative and administrative proposals. NetCoalition is dedicated to ensuring the integrity, usefulness, and continued expansion of the Internet.

*Amicus* U.S. Internet Industry Association (USIIA) is a trade association with more than 200 members in Internet commerce, content, and connectivity. Its

mission includes advocating deployment of broadband and advanced services, and supporting the growth and viability of the Internet industry.

*Amicus* United States Internet Service Provider Association (US ISPA) is a trade association based in Washington, DC, representing ISPs on matters of common concern. Its membership includes the country's largest ISPs: AOL (which does not join this brief), Cable & Wireless, EarthLink, eBay, MCI, SBC and Verizon.

*Amicus* Verizon Communications Inc. provides diverse communications products and services to the public through its operating companies, which, among other things, serve as a major Internet service provider hosting and transporting information for more than one million subscribers.

*Amicus* Yahoo! Inc., a leading Internet consumer and business services company, provided the first online navigational guide to the Web. It now offers a comprehensive network of essential services for Web users around the globe, reaching over 237 million unique users in 25 countries.

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H.R. Rep. No. 105-551, pt. 2 (1998).....	8
S. Rep. No. 105-190 (1998) .....	7-8,14

## **INTRODUCTION AND SUMMARY OF ARGUMENT**

Appellant CoStar has voluntarily settled and dismissed all of its claims under the theories that properly measure the copyright liability of Internet service providers for the infringing acts of their users. Instead, it asks this court to resurrect a universally discredited rule that would hold service providers *per se* liable as infringers, regardless of their knowledge of, or involvement in, the wrongful act. CoStar's reasoning is contrary to the plain language of the DMCA, authoritative passages of legislative history, and the overwhelming weight of authority, including this Court's decision in *ALS Scan, Inc. v. RemarQ Communities*, 239 F.3d 619, 622 (4<sup>th</sup> Cir. 2001). One of this country's leading copyright scholars (who frequently has been relied upon in this circuit) specifically foresaw CoStar's argument in his definitive copyright treatise and concluded that the argument "must be rejected." MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §12B.06[B], 12B-76 (2003) ("Nimmer").

Copyright law recognizes that liability may be imposed, in appropriate circumstances, on parties that provide the means, facilities or equipment on which third parties actually perform (or in the words of copyright law "do," 17 U.S.C. §106) an act that violates a copyright owner's exclusive rights. *See, e.g., Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984). Those circumstances, however, have been carefully delineated and developed over

decades based upon concepts of secondary liability—vicarious liability and contributory infringement—which require knowledge, material contribution or inducement, and/or ability to supervise the infringement and direct financial benefit. *See infra* Part I.C.

The *Netcom* decision attacked by CoStar and its *amici* simply was another in a long line of cases applying these principles, albeit in a more modern setting. Its conclusion that direct liability for infringement requires a “volitional” infringing act beyond making a system or facilities available to others was neither remarkable nor new.

When it passed the DMCA, Congress did nothing to change these fundamental principles. Rather, it added an additional layer of protection, limiting monetary and equitable remedies available against service providers after they are found liable for copyright infringement (under any theory), as long as they meet certain procedural and substantive requirements. The statute and its legislative history are explicit—section 512 preserved and was to have no adverse effect on service providers’ ability to rely on the fact that they were not copyright infringers under existing theories of direct, vicarious and contributory infringement. *See infra* Part I.A.

Although it left evolving law “unchanged,” the Congressional committees considering the DMCA expressly approved the reasoning in *Netcom* and the

application of secondary liability principles—rather than direct infringement—to this underlying question of when service providers may be deemed to be infringers. This Court agreed in *ALS Scan*. Other courts and commentators also overwhelmingly have embraced the principles of *Netcom*. See *infra* Part I.B..

CoStar, however, has renounced any reliance on these traditional doctrines, and has brought this artificial appeal<sup>1</sup> with its *amici* in an effort to establish a new doctrine of *per se* service provider liability. Because the DMCA does not affect the underlying question of infringement, *vel non*, such a doctrine would mean that virtually every service provider was a copyright infringer as a result of third-party use of its system, subject at all times to burdensome litigation and to repeated entry

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<sup>1</sup> The posture of this case casts doubt on this Court’s jurisdiction. Pursuant to a confidential settlement agreement, CoStar, for good and valuable consideration, dismissed its claims of contributory infringement and vicarious infringement of its registered works. JA31-49, 129. Internet *Amici* do not have access to the agreement, but in its press release announcing the settlement, CoStar’s President and CEO announced, “We’re glad to bring this lawsuit to conclusion . . . [and] achieve a resolution that would provide the necessary protection of our copyrighted digital images without inconveniencing our respective customers.” See <http://www.loopnet.com/about.asp?LNSection=Press&Release=076>. As LoopNet correctly argues (at 12-13), the existence or non-existence of a cause of action for copyright infringement does not depend on the theory of liability. This Court should ensure that CoStar has not already received relief pursuant to the settlement agreement for the alleged acts of infringement that form the asserted basis of this appeal. See, e.g., *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1558 (Fed. Cir. 1995) (plaintiff cannot recover twice, under theories of both direct and contributory liability, for the same injury); *Avtec Sys., Inc. v. Pfeiffer*, 21 F.3d 568, 575 (4th Cir. 1994) (no double recovery for the same injury, even under different legal theories). Further, this Court should ensure that it is not being asked to render an advisory opinion, in violation of Article III of the Constitution, and that this appeal affects real rights and remedies beyond those already provided in the settlement agreement. See, e.g., *North Carolina v. Rice*, 404 U.S. 244, 246 (1971) (remanding for mootness determination pursuant to Article III even though neither party raised the issue, because “resolution of the question is essential if federal courts are to function within their constitutional sphere of authority.”).

of injunctive relief, without any proof of knowledge, benefit, contribution or other involvement in the infringement. Further, as appellants would have it, any service provider failing to meet any of the numerous complex, uncertain and technical DMCA requirements, such as failing to respond “expeditiously” to a “substantially compliant” notice, automatically would be subject to plenary and ruinous remedies for any and all infringement by its users. Such a rule contradicts decades of case law, is not what Congress intended or enacted, and would lead to absurd and socially harmful results.

Finally, as discussed in Part II, the screening of content provides enormous social benefit. This court should not adopt a rule that would inhibit such screening, or use the fact of such screening as an “act” triggering direct liability.

## **ARGUMENT**

### **I. ENACTMENT OF THE DMCA DID NOT ELIMINATE THE REQUIREMENT OF A VOLITIONAL ACT AS A PREREQUISITE TO DIRECT INFRINGEMENT LIABILITY.**

#### **A. The DMCA Is Clear on its Face and in its History: The Act Did Not Alter Prevailing Doctrines of Direct Copyright Liability, as Recited in *Netcom*.**

Title II of the DMCA, codified at 17 U.S.C. §512, limits the monetary and injunctive remedies available against an Internet service provider once that service provider is adjudged liable under existing law for infringement resulting from the conduct of users of the service provider’s system or network. Thus, section 512

necessitates a two-step analysis when evaluating service provider liability. First, the court must determine, under prevailing theories of direct, contributory and vicarious liability (and exceptions and limitations to copyright rights, such as fair use) whether the service provider is liable as an infringer for its user's acts of copyright infringement. Second, the court must determine whether the remedies available for that infringement are limited under any of the provisions of section 512.<sup>2</sup> These are distinct inquiries.

Section 512 expressly provides that it does “not bear adversely” upon any defenses to copyright infringement under existing law, including the defense that the service provider's conduct is not infringement:<sup>3</sup>

*Other defenses not affected.* – The failure of a service provider's conduct to qualify for limitation of liability under this section shall not bear adversely upon the consideration of a defense by the service provider that the service provider's conduct is not infringing under this title or any other defense.

17 U.S.C. §512(l) (emphasis added). Thus, as the district court in this case and other courts have correctly observed, the provisions of section 512 do not

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<sup>2</sup> Courts sometimes reverse the order of analysis and never reach a conclusion on the first issue, *see, e.g., Hendrickson v. eBay Inc.*, 165 F.Supp.2d 1082 (C.D. Cal. 2001), but this practice should not obfuscate the fact that (i) infringement liability and (ii) application of the section 512 limitations on remedies, involve different analyses.

<sup>3</sup> *See* Nimmer at 12B-76 n.17, 12B-77 n.24 (“To reiterate, the point is not limited to affirmative defenses. It applies equally to the defense that the plaintiff has failed to prove each element of the *prima facie* case.”).

come into play in determining the underlying question of infringement liability.

*See, e.g., CoStar Group, Inc. v. LoopNet, Inc.*, 164 F.Supp.2d 688, 699, 702-03, 705 (D. Md. 2001); *Hendrickson*, 165 F.Supp.2d at 1087-88; *Ellison v. Robertson*, 189 F.Supp.2d 1051, 1061 (C.D. Cal. 2002).

The plain language of section 512(l) is clear and therefore should be dispositive. *See Recording Indus. Ass'n of America, Inc. v. Verizon Internet Serv., Inc.*, \_\_\_ F.3d \_\_\_, 2003 WL 22970995 at \*7 (D.C. Cir. Dec. 19, 2003) (“We do not resort to legislative history to cloud a statutory text that is clear.”) (quoting *Ratzlaf v. United States*, 510 U.S. 135, 147-48 (1994)). But the legislative history also is filled with statements confirming that Congress did not intend the DMCA to disturb the evolving law of direct, contributory and vicarious liability.

Section 512 was the direct result of “3 months of negotiations supervised by [Senate Judiciary Committee staff and] Chairman Hatch and assisted by Senator Ashcroft among the major copyright owners and the major OSP’s and ISP’s [including several *amici* to this brief].” Report of the Senate Judiciary Committee, S. Rep. No. 105-190, at 9 (1998) (“Senate Report”). The bill (S. 2037) reported out of that committee essentially was the text of section 512 as enacted. Thus, consideration of the “legislative history” of section 512 should begin with that committee’s report.

The Senate Report explicitly rejects the theory of CoStar and its *amici*:

There have been several cases relevant to service provider liability for copyright infringement [citing *Netcom*, *Frena*, and *Marobie*, discussed in Part I.C., *infra*]. Most have approached the issue from the standpoint of contributory and vicarious liability. Rather than embarking upon a wholesale clarification of these doctrines, the Committee decided to leave current law in its evolving state and, instead, to create a series of “safe harbors,” for certain common activities of service providers.

*Id.* at 19 (emphasis added). The same report also states that “Section 512 is not intended to imply that a service provider is or is not liable as an infringer either for conduct that qualifies for a limitation of liability or for conduct that fails to so qualify. Rather, the limitations of liability apply if the provider is found to be liable under existing principles of law.” *Id.* at 19, 40 (emphasis added).

The Senate Report emphasizes that section 512 leaves the underlying question of liability “unchanged” and does not create *per se* liability if the service provider fails to meet the requirements of section 512:

Even if a service provider’s activities fall outside the limitations on liability specified in the bill, the service provider is not necessarily an infringer; liability in these circumstances would be adjudicated based on the doctrines of direct, vicarious or contributory liability for infringement as they are articulated in the Copyright Act and in the court decisions interpreting and applying that statute, which are unchanged by section 512.

*Id.* at 55 (emphasis added).

Subsequent committee reports include similar language. The House Commerce Committee Report on the revised H.R. 2281,<sup>4</sup> which included a title II that mirrored the negotiated provisions of S. 2037, states that “Section 512 is not intended to imply” whether the service provider is liable or not liable, and that “the limitations of liability apply if the provider is found to be liable under existing principles of law.” H.R. Rep. No. 105-551, pt. 2, at 50 (1998) (emphasis added); *id.* at 64 (doctrines of direct, vicarious, and contributory liability “unchanged” by H.R. 2281). The Conference Committee Report reiterated the above statements. *See* H.R. Conf. Rep. No. 105-796 at 73 (1998).

Thus, CoStar’s *amici* simply are wrong when they assert (at 13) that, in enacting Title II, Congress “expressly announced its intention to occupy the field” and “left no room” for continued development of the law of requirements of direct, vicarious and contributory infringement. Congress’ stated intent was precisely the opposite.<sup>5</sup>

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<sup>4</sup> As further discussed *infra*, the House Judiciary Committee report relied upon by CoStar was based on an earlier version of H.R. 2281, which differed dramatically in the relevant respects from the bill as negotiated and enacted.

<sup>5</sup> Similarly, in the face of this clear text and history, CoStar has it backwards when it argues (at 31) that “Nothing in . . . the text or history of the DMCA suggests that Congress intended to ‘codify’ *Netcom* as a super-immunity, over and above what Congress explicitly provided in the statutory safe harbor.” In fact, Congress codified a limitation of remedies “over and above” the underlying *Netcom* doctrine.

Indeed, Professor David Nimmer foresaw and rejected exactly the contentions raised by CoStar and its *amici* here.

[W]hen a service provider cannot qualify for one of the Section 512 exemptions crafted in 1998, some plaintiff will undoubtedly argue that the court should likewise construe the 1976 Act *ipso facto* to bar the subject conduct, and that any imputation to the contrary in *Netcom* should be ignored.

That argument must be rejected. The subject conduct must stand or fall on its own merits, based on how antecedent law would treat it; *Netcom* remains a valid touchstone in that regard. Section 512 makes explicit that its four bases of limiting liability only add to service providers' arsenal of defenses, rather than serving to diminish their rights.

Nimmer at 12B-76.<sup>6</sup>

It is particularly important to give effect to the plain language of section 512(l) and to the legislative history. The DMCA was negotiated by the principal copyright owner and service provider stakeholders against the backdrop of evolving law, with the expectation that the law would continue to evolve as it had. The copyright owners should be held to the bargain they negotiated; the DMCA should be construed strictly as written, not expanded to alter the development and application of the common law. *See United States v. Sisson*, 399 U.S. 267, 291 (1970) (the “compromise origins” of an act “justify the principle of strict

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<sup>6</sup> CoStar attempts (at 32) to discredit Professor Nimmer's conclusion by mischaracterizing his rationale. Contrary to CoStar, Professor Nimmer expressly disclaims reliance on “codification,” Nimmer at 12B-76 n.16, but instead relies on

construction”); *Rodriguez v. Compass Shipping Co.*, 451 U.S. 596, 617 (1981) (where a legislative compromise has occurred, “the wisest course is to adhere closely to what Congress has written”).

**B. The DMCA Did Not “Codify” *Netcom*, and Even if it Had, Enactment of a Statute Based Upon Common Law Does Not Abrogate the Underlying Law.**

CoStar’s primary argument in support of direct liability is that the DMCA “codified” *Netcom* and thus supposedly abrogated any aspect of *Netcom* and related cases not expressly captured in the DMCA. This argument is wrong on both counts. The DMCA did not “codify” *Netcom*, and even if it had, *Netcom*’s application of long-established principles of direct, contributory and vicarious infringement liability to the Internet would remain good law.

First, the DMCA did not “codify” *Netcom*. The DMCA established a limitation on monetary and certain injunctive relief, applicable once a determination is made that the service provider is liable as a copyright infringer. Underlying law, including the principles of *Netcom*, determines whether the service provider is an infringer, subject to suit and injunctive relief even if section 512 applies.

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the express language of Section 512(l) and the legislative history discussed in this Part I.A.

CoStar’s “codification” argument relies upon legislative history (and dictum in *ALS Scan* citing legislative history) for a bill very different from the one enacted. The House Judiciary Committee issued a report for an early version of H.R. 2281—one introduced before the copyright owners and service providers had conducted their negotiations under the auspices of the Senate Judiciary Committee. The text of that early version of H.R. 2281 specifically distinguished between direct and secondary liability, “treating each separately.” *See* H.R. Rep. No. 105-551, pt. 1 at 7-8, 11 (1998). Unlike section 512 as enacted, the original bill included total immunity from “direct infringement” due to user conduct and specified conditions under which a service provider would not be liable for “contributory infringement” or incur “vicarious liability.” *Id.* The House Judiciary Committee Report stated that its original bill “essentially codifies the result in the leading and most thoughtful judicial decision to date: *Religious Technology Center v. Netcom.*” *Id.* (emphasis added).

The compromise bill subsequently negotiated by the stakeholders, introduced in S. 2037, discussed in later reports and ultimately enacted, reflects a significantly different approach, eliminating separate treatment of direct and secondary liability and providing that Title II would be a “safe harbor” limiting remedies—not an amendment to the existing law of direct, contributory, or vicarious liability. *See supra* Part I.A. Thus, while the Internet *Amici* agree with

the House Judiciary Committee’s statement that, at the time, *Netcom* was the “leading and most thoughtful” decision regarding online liability, section 512 as actually enacted expressly left existing law unchanged and did not “codify” *Netcom*.

Notably, CoStar’s *amici* admit that the House Judiciary Committee Report is not viable legislative history on “codification.” *See Amicus* Brief of BMG, *et al.* at 14 n.6 (“the draft legislation on which the Committee was commenting at that time bears very little resemblance to Title II of the DMCA as it was enacted a number of months later.”). Thus, the *amici* rely on a very different theory than the party they support—the transparently erroneous ground rebutted in Part I.A., *supra*, that Congress “left no room” for the *Netcom* principle of direct liability. Moreover, in stark contrast to its position here, CoStar itself argued to the district court “that the version of the DMCA actually enacted was NOT the one described in the referenced House Report [cited in *ALS Scan*].” *CoStar*, 164 F.Supp.2d at 696 (emphasis in original). CoStar’s current position is wrong.

Second, even if the DMCA had “codified” *Netcom*, it would not have the effect of supplanting or abrogating aspects of that case that were not included in the statute. “[A] statute creating a new remedy or method of enforcing a right which existed [in the common law] before is regarded as cumulative rather than exclusive of the previous remedies.” *See* NORMAN SINGER, SUTHERLAND

STATUTORY CONSTR. §50.05 at 162 (6<sup>th</sup> Ed. 2000) (emphasis added) (citing *Moragne v. State Marine Lines, Inc.*, 398 U.S. 375, 392 (1970)). Moreover, where, as here, there is no “indication that the legislature intends a statute to supplant common law, the courts should not give it that effect.” *Fed. Sav. & Loan Ins. Corp. v. Quinlan*, 678 F.Supp. 174, 176 (E.D. Mich. 1988) (emphasis added); SINGER §50.01, 140; *see also Cont’l Mgmt., Inc. v. United States*, 527 F.2d 613, 620 (Ct. Cl. 1975) (“[a] statutory [provision] is not exclusive, and common law rights and remedies survive, unless Congress intended the legislative provision to be exclusive.”) (emphasis added). *See* Br. of Appellee at 27-29 (citing additional cases). Of course, as discussed above, the text and legislative history of section 512 indicate no intent to abrogate the common law, but rather an intent to preserve it.

**C. The *Netcom* Doctrine Is Consistent with Precedent and Preferred by Congress and the Overwhelming Majority of Courts and Commentators.**

CoStar and its *amici* urge the Court not to follow *Netcom* even if it finds that the DMCA did not abrogate existing common law on the issue of direct liability. Instead, CoStar and *amici* urge the Court to apply the scant direct infringement “analysis” in a single, early case, *Playboy Enters., Inc. v. Frena*, 839 F.Supp. 1552 (M.D. Fla. 1993), which departed from prior approaches to infringement liability, has not been followed since, and was disfavored by Congress and commentators. CoStar and its *amici* favor *Frena* because there effectively is no analysis—under

*Frena*, service providers are *per se* liable for infringing material on their systems or networks regardless of their involvement or knowledge. The *Netcom* requirement of a “volitional act” by the defendant is the correct and better approach.

The legislative history leaves no doubt that Congress believed that *Netcom*, not *Frena*, applied the proper standards for service provider liability. *See, e.g.*, S. Rep. No. 105-190, at 19; H.R. Rep. No. 105-551, pt. 1, at 11 (*Netcom* was “the leading and most thoughtful judicial decision to date”—an observation not affected by the subsequent amendment of H.R. 2281).

This Court in *ALS Scan* agreed with Congress’ observation and expressly approved *Netcom* as “more persuasive,” rejecting the copyright owner’s argument (repeated by appellants here) that *Frena* was the “better reasoned position.” *ALS Scan*, 239 F.3d at 622. *ALS Scan* indicated that contributory infringement, not direct infringement, was the proper rubric for analyzing a service provider’s liability for users’ content. *Id.* at 621 n.1.<sup>7</sup> After concluding that the service provider was not entitled to summary judgment under the DMCA safe harbors, the Court remanded for further consideration of infringement liability and defenses. *Id.* at 626. Contrary to CoStar’s argument (at 29), *ALS Scan* neither departed from

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<sup>7</sup> *ALS Scan* had asserted both direct infringement and contributory infringement in the district court. *See ALS Scan*, 239 F.3d at 621.

nor modified *Netcom*.

The weight of other authority supports *Netcom*. *Netcom*, particularly the requirement of a “volitional act” for direct liability, is the overwhelming majority rule on service provider liability, both before and after enactment of the DMCA. *See, e.g., Marobie-Fl, Inc. v. Nat’l Ass’n of Fire Equip. Distribs.*, 983 F.Supp. 1167, 1178 (N.D. Ill. 1997) (no service provider direct liability for users’ material under *Netcom*); *Ellison*, 189 F.Supp.2d 1051 (adopting *Netcom* post-DMCA to preclude direct liability against AOL for infringing material posted on its newsgroup servers by users); *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F.Supp. 503, 512-13 (N.D. Ohio 1997) (adopting *Netcom*, though finding defendant’s active solicitation of obviously-infringing files—more appropriately analyzed as relevant to contributory liability—and knowing and intentional copying and distribution of those infringing files, to be “volitional acts” supporting direct infringement); *Sega Enters. Ltd. v. Sabella*, No. C93-04260, 1996 WL 780560 at \*6 (N.D. Cal. Dec. 18, 1996) (pursuant to *Netcom*, bulletin board operator not liable for infringing posts of users). Even *Sega v. MAPHIA*—the only case cited by CoStar to support its statement that “other” courts followed *Frena*—actually undermines CoStar’s position. While the *Sega* court initially cited *Frena* in a cursory analysis denying defendant’s motion to dismiss, it reversed course on summary judgment, conducting a more thorough analysis and treating the service

provider's potential liability solely under the rubric of contributory infringement, citing and following *Netcom. Sega Enters. Ltd. v. MAPHIA*, 948 F.Supp. 923, 931-32 (N.D. Cal. 1996) (“[T]he Court finds *Netcom* persuasive. . . . [Defendant's] actions as a BBS operator and copier seller are more appropriately analyzed under contributory or vicarious liability theories,” notwithstanding defendant's knowledge, solicitation and other connections to the copying).

The leading copyright scholars also endorse the *Netcom* approach. See Nimmer at 12B-76 (*Netcom* “represents a subtle and correct construction of the 1976 Act”); PAUL GOLDSTEIN, COPYRIGHT §6.0, 6:4-6:4.1 n.9.3 (2d ed. 2004 Supp.) (*Netcom* has been “widely followed”).

*Netcom* was not, as CoStar and its *amici* assert, a radical change in the law, but was consistent with long-existing copyright principles and principles of liability applied in analogous intellectual property law. For decades, the liability of one who provides the means, facilities or equipment used by another to infringe has been based on theories of contributory infringement and vicarious liability—not direct liability. See, e.g., *Sony*, 464 U.S. at 436-41; *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (“[O]ne 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.”). Direct liability is reserved for the one who himself or herself performs

the infringing act—who violates the exclusive right “to do” one of the actions reserved for the copyright owner. 17 U.S.C. §106. It is no innovation to conclude that “do”ing an act requires volition, not merely making a system, network or facility available for use by others.

Thus, in the so-called “dance hall cases,” Courts developed and applied theories of secondary liability to determine whether the defendant proprietors of dance halls, theaters, restaurants and other establishments could be found liable for infringing performances on or using their premises. *See, e.g., Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7<sup>th</sup> Cir. 1929); *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963). A parallel line of secondary liability analysis developed for so-called “landlord-tenant” cases. *See, e.g., Deutsch v. Arnold*, 98 F.2d 686 (2d Cir. 1938) (Where [as usually is the case with Internet service providers] a property owner grants a right to use property for general purposes, it is not liable for infringement by its lessees.). Similarly, flea market and trade show operator liability for infringing acts by third parties who use their facilities is analyzed under the theories of secondary, not direct, liability. *See, e.g., Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261-64 (9<sup>th</sup> Cir. 1996) (direct infringement claims against swap meet operator properly dismissed, but operator could be secondarily liable for providing the “site and facilities” for infringing acts); *Adobe Sys., Inc. v. Canus Prods., Inc.*, 173

F.Supp.2d 1044, 1054-55 (C.D. Cal. 2001) (trade show operator liability analyzed under doctrines of secondary liability).

Courts also have long-applied the principles of vicarious and contributory liability where the defendant sells or provides the equipment used by another to commit infringement, such as a jukebox, record taping device, or VCR. In the landmark *Sony* decision, the Supreme Court held that a manufacturer was not contributorily (or vicariously) liable for infringement committed on VCRs it had sold, because they were staple articles of commerce capable of substantial noninfringing uses. *Sony*, 464 U.S. 417; *cf. Stewart v. Southern Music Distrib. Co.*, 503 F.Supp. 258 (M.D. Fla. 1980) (owner vicariously liable for infringing jukebox performances initiated by patrons); *Elektra Records Co. v. Gem Elec. Distribs., Inc.*, 360 F.Supp. 821 (E.D.N.Y. 1973) (commercial operation of sound recording facility, lending of copyrighted tapes, and sale of blank tapes collectively establishes contributory liability); *RCA Records v. All-Fast Sys., Inc.*, 594 F.Supp. 335 (S.D.N.Y. 1984) (contributory infringement based upon supplying recording equipment and facilities to customers, and assisting in running the equipment); *RCA/Ariola Intern., Inc. v. Thomas & Grayston Co.*, 845 F.2d 773, 781-82 (8<sup>th</sup> Cir.

1988) (manufacturer vicariously liable for infringement on tape-copying machines; resellers who actually copied the tape for the consumer are direct infringers).<sup>8</sup>

Internet service providers typically are analogous both to equipment manufacturers (offering systems capable of substantial noninfringing uses) and landlords (granting users rights to use their systems for general purposes over a certain time period). This Court, however, need not decide whether LoopNet might be subject to secondary liability for its acts in this case. CoStar has settled and dismissed its claims of vicarious liability and contributory infringement. The key point is simply that *Netcom* was not a departure, but a logical application of existing principles of law. In short, *Frena*, not *Netcom*, was the anomalous decision.<sup>9</sup>

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<sup>8</sup> Related doctrines of intellectual property law similarly apply secondary liability concepts absent a volitional act by defendant constituting active participation in the infringement. Patent law, for example, has statutorily-defined contributory infringement and inducing infringement, 35 U.S.C. §271(b), (c), and the *Sony* Court borrowed extensively from these concepts (including the “staple article of commerce” doctrine), citing the close historical relationship between copyright law and patent law. *Sony*, 464 U.S. at 439-42. Trademark law has judicially-developed contributory infringement to impose liability on manufacturers who indirectly participate in the infringement, either by “intentionally inducing” infringement or by “continuing to provide” trademarked goods to the direct infringer, knowing that he is using those particular goods to commit trademark infringement. *See, e.g., Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F.Supp. 949, 960-61 (C.D. Cal. 1997) (no liability “absent a showing that [defendant Internet domain name registrar] had unequivocal knowledge” of the infringement).

<sup>9</sup> The *Frena* court’s simplistic approach could well be explained by the novelty of the Internet in 1993, coupled with the “bad facts” of that case—the defendant was a bad actor that the Court believed deserved to be held liable, quickly and definitively on summary judgment, despite a sworn denial of knowledge that rang with the sincerity of Inspector Renault in *Casablanca*, declaring his shock to discover gambling in Rick’s café as he is handed his “winnings.”

**D. CoStar’s Position Would Lead to Irrational and Destructive Results.**

CoStar asks this Court to impose *per se* liability for all acts of infringement on a service provider’s system. Because the DMCA does not govern the underlying question of whether a service provider is an infringer, accepting CoStar’s position would mean that all service providers are infringers, regardless of compliance with the DMCA. Such a rule would subject all service providers to infringement lawsuits and to injunctive relief, since the DMCA does not prevent suit or the issuance of injunctions. *See, e.g.*, 17 U.S.C. §512(j).

Moreover, any failure to comply with the DMCA—such as failure to act in an “expeditious” manner or, as in *ALS Scan*, failure to respond to a takedown notice that meets the uncertain standard of “substantial compliance”—would automatically lead to destructive and enterprise-threatening liability for service providers (carrying or storing massive amounts of third party content), particularly in light of the Copyright Act’s statutory damage provisions. *See* 17 U.S.C. §504(c) (providing for statutory damages up to \$30,000 per infringed work for non-willful infringement, in lieu of actual damages and profits). These and many other DMCA requirements are complex, vague and uncertain, and have not been subject to judicial clarification. Indeed, even “technical” failures such as not properly appointing an agent for service of DMCA notices could result in enormous liability. Faced with such potential liability, service providers might well be forced

to eliminate or limit some or all of their services, and the viability of the Internet itself could be endangered.

Further, at the same time CoStar's *amici* tout the importance of the DMCA protections in this case, they, and other copyright owners, are litigating to chip away at those very protections. For example, before the Ninth Circuit in *Ellison v. Robertson*, No. 02-55797 (appealed from 189 F.Supp.2d 1051), these same *amici* have argued that the section 512(a) "conduit" liability limitation applies only to Internet backbone providers, not Internet access providers or other online service providers. *See Amici Curiae Br. of BMG Music, et al.*, Appeal No. 02-55797 (9<sup>th</sup> Cir. Aug. 30, 2002) at 10-12. While Internet *Amici* believe the copyright owners are advancing a strained and clearly erroneous construction of the DMCA in both cases, if the copyright owners have their way, the scores of service providers who are not part of the Internet backbone would have no protection under DMCA and no defense under traditional law for the third-party transmission of infringing material over their systems—they would automatically be directly liable for any such transmission! That result would be absurd.

Conversely, the service providers that supply Internet backbone services, transmitting millions upon millions of web pages, emails and other communications each day, may well have concluded that they do not need to comply with the details of the DMCA, as they have no dealings with the public in

the role of backbone, and no knowledge of or ability to control the content traversing the Internet. Thus, they could not be liable for contributory infringement or under a theory of vicarious liability. Nevertheless, the position taken by CoStar and its *amici* would hold them *per se* liable as a direct infringer for each and every transmission. Such a rule would shut down the Internet.

In sum, the *Netcom* rule requiring a volitional act for direct infringement, and generally applying contributory and vicarious analysis for service provider liability for users' material or conduct, is sound, has been approved by this Court, and should be applied here.

**II. SERVICE PROVIDER VOLUNTARY SCREENING OF MATERIAL PLACED BY THIRD PARTIES IS SOCIALLY BENEFICIAL AND SHOULD NOT BE INHIBITED BY IMPOSITION OF *PER SE* COPYRIGHT LIABILITY.**

CoStar argues that LoopNet should be liable as a direct infringer because it screened and filtered content placed on its system by others. Screening, filtering, and associated processing should not, of itself, give rise to *per se* liability.

In the DMCA and elsewhere, Congress has recognized the obvious social benefits of service providers screening content posted or transmitted by their users. Although the DMCA does not require service providers to screen, monitor, or filter content, 17 U.S.C. §512(m), the Conference Report states that “[t]his legislation is not intended to discourage the service provider from monitoring [voluntarily] its

service for infringing material.” H.R. Conf. Rep. No. 105-796 at 73. Similarly, in the recent Communications Decency Act, Congress provided specific liability “protection for Good Samaritan blocking and screening of offensive material.” 47 U.S.C. §230(c); *Zeran v. America Online*, 958 F.Supp. 1124 (E.D. Va. 1997), *aff’d* 129 F.3d 327 (4<sup>th</sup> Cir. 1997).

Internet *Amici* collectively screen or filter content on or passing through their systems for a variety of beneficial purposes, including, for example, combating fraud, preventing identity theft, limiting spam, preventing viruses or worms from entering the system, detecting crime, and assisting copyright holders in combating known and obvious infringement. Adoption of a rule under which screening would increase the likelihood of being found liable as a direct infringer would chill or completely halt many socially beneficial activities and functions, including:

- Registered rights holder programs that filter copyrighted materials and thus help combat online infringement, to the severe detriment of CoStar and its *amici*.

- Practices designed to check registration information against lists of known fraud artists and proactive review of certain types of content indicative of potential fraud. The result would be an increased number of users who are

defrauded, discontinuance of insurance programs offered by many providers, and an overall decrease in the sense of security amongst Internet users.

- Filtering mechanisms that prevent “spoofing” scams utilizing respected company trademarks (*e.g.*, pages that look exactly like a Yahoo! or eBay sign-in page) to fraudulently collect user IDs, passwords, bank account numbers, and other information. The result would be an increase in identity theft and overall lack of trust on the Internet at the very time the FTC and Department of Justice are emphasizing prevention of these kinds of spoofing scams.

- Filtering technologies utilized by almost all mail and communications platform providers to combat spam and malicious executables. The result would be a massive increase in spam and email-spread viruses at the very time Congress has enacted the CANSPAM Act to help alleviate the problem of unsolicited email.

These are just a few examples. It is therefore critical that this Court not adopt a rule or that would discourage screening or filtering of content by service providers. Screening and filtering alone should not be deemed a “volitional act” of infringement that can give rise to direct liability.

Nor would such a rule be effective. As the record in this case demonstrates, JA90, 96 (LoopNet had “116,000 commercial real estate listings [including text and, in many cases, photos] on its site”), service providers cannot possibly know,

on the basis of screening, what is “infringing.” Even if copyrightability is obvious, the ownership of rights, licenses, and permission typically cannot be known by the service provider.

Furthermore, human participation in the screening process should not constitute the requisite volitional act. Generally speaking, effective filtering systems utilize a hybrid of technology and human review, and will for the foreseeable future. While technology can parse millions of pieces of information in a few seconds, human review can discern other elements not detectable by the technology during the same timeframe, and vice versa. Humans have an important role in the beneficial process of screening.

While CoStar argues (at 42-43) that LoopNet also “moved” files posted by users as part of its screening process, some routine processing is a common and necessary part of many forms of screening, not a separate “volitional act” that should impose direct liability. In this case, the processing apparently consisted simply of a modification to “the directory/file list.” *See* JA103 (which CoStar does not appear to dispute). Processing that is incidental to the screening process should not impose liability.<sup>10</sup> Moreover, liability as a direct infringer requires some “do”ing of an infringing act, beyond the making available of equipment, facilities

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<sup>10</sup> CoStar further suggests (at 42-43) that a service provider’s advertising and solicitation of members should trigger direct liability, but such facts are relevant, if at all, to secondary, not direct liability analysis. *See supra* Part I.C.

and systems. *See supra* Part I.C. If LoopNet merely modified a file list and cleared photographs placed by its users, it should not be found to have engaged in an infringing act.

### **CONCLUSION**

Internet *Amici* urge this Court to affirm the District Court's decision that direct liability for copyright infringement requires a volitional act violating one of the exclusive rights of the copyright owner. This act should not include making available of the systems, facilities or equipment on which third parties engage in infringing activity. Nor should it include screening or monitoring of content communicated by third parties, which serves important socially beneficial functions, including benefits to CoStar and its copyright owner *amici*.

Respectfully Submitted,



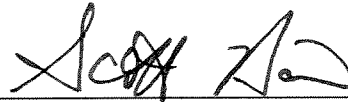
Bruce G. Joseph  
Scott E. Bain  
WILEY REIN & FIELDING LLP  
1776 K Street, NW  
Washington, DC 20006  
202-719-7000

December 30, 2003

Counsel for Internet *Amici*

**CERTIFICATE OF COMPLIANCE**

I hereby certify that the foregoing Brief of *Amici Curiae* Amazon.com, Inc., BellSouth Telecommunications, Inc., Computer & Communications Industry Association, eBay Inc., Google Inc., NetCoalition, U.S. Internet Industry Association, United States Internet Service Provider Association, Verizon Communications Inc., and Yahoo! Inc. in Support of Appellee and Affirmance complies with the type-volume limitations prescribed by Fed. R. App. P. 32(a)(7)(B)(i). The brief contains 6,986 words.



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Scott E. Bain


## CERTIFICATE OF SERVICE

I, the undersigned, certify that on December 30, 2003 I caused two copies of the foregoing Brief of Brief of *Amici Curiae* Amazon.com, Inc., BellSouth Telecommunications, Inc., eBay Inc., Google Inc., U.S. Internet Industry Association, United States Internet Service Provider Association, Verizon Communications Inc., and Yahoo! Inc. in Support of Appellee and Affirmance to be served by first-class mail, postage pre-paid, on the following:

Walter Dellinger  
Jonathan D. Hacker  
O'Melveny & Myers LLP  
1625 Eye St., NW  
Washington, DC 20006  
*Counsel for Appellants*

Kenneth Wilson  
Kurt B. Opsahl  
Perkins Coie LLP  
180 Townsend St.  
San Francisco, CA 94017  
*Counsel for Appellees*

Paul B. Gaffney  
Joseph M. Terry  
Manish K. Mital  
Williams & Connolly LLP  
725 Twelfth St., NW  
Washington, DC 20005  
*Counsel for Amici Curaie BMG Music, et al.*

  
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Scott E. Bain