

# Florida Historical Quarterly

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Volume 92  
Number 2 *Florida Historical Quarterly, Volume*  
*92, Number 2*

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Article 17

2013

## A Speedbump on the Information Superhighway: Pushing Copyright Law into the Online Era

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### Recommended Citation

Eisenberg, Benjamin H. (2013) "A Speedbump on the Information Superhighway: Pushing Copyright Law into the Online Era," *Florida Historical Quarterly*. Vol. 92: No. 2, Article 17.

Available at: <https://stars.library.ucf.edu/fhq/vol92/iss2/17>

## A Speedbump on the Information Superhighway: Pushing Copyright Law into the Online Era

*Playboy Enterprises, Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993).

by Benjamin H. Eisenberg

George Frena owned and operated a small-scale subscription bulletin board service ("BBS")<sup>1</sup> that was freely accessible to customers online via telephone modem.<sup>2</sup> The BBS functioned much like an online library, allowing customers who had either paid a fee or purchased a certain amount of products from Frena to connect via the Internet and "browse through different BBS directories to look at pictures" and "download . . . copies of the photographs . . . from Frena's computer onto their home computer."<sup>3</sup> In addition to general file-sharing, one of the BBS's more popular features was that subscribers could, among

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1 For a more in-depth description of how a BBS operates, see Timothy L. Skelton, *Internet Copyright Infringement and Service Providers: The Case for a Negotiated Rulemaking Alternative*, 35 SAN DIEGO L. REV. 219, 225-26 (1998).

2 *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1554 (M.D. Fla. 1993).

3 *Id.* Frena's actual fee for access was twenty-five dollars per month. *Id.* at 1558.

other things, upload and download "adult content matter" to and from Frena's BBS, and thus his computer.<sup>4</sup> Unbeknownst to Frena, however, users subsequently uploaded 170 copyrighted photographs taken from fifty separate issues of Playboy Enterprises, Inc.'s ("PEI") flagship magazine, *Playboy*.<sup>5</sup>

In 1993, PEI filed a complaint in the United States District Court for the Middle District of Florida, alleging that Frena, by virtue of owning and operating the website that contained the copyrighted images, committed copyright infringement, trademark infringement, and unfair competition.<sup>6</sup> In response to PEI's three motions for partial summary judgment, Frena admitted that the images were posted on the BBS, that the images were downloaded from the BBS by users, that he had not obtained authorization to display the images, and that the images were "substantially similar to copyrighted PEI photographs."<sup>7</sup> Frena argued, however,<sup>8</sup> that liability was nonetheless improper since he had not personally uploaded the copyrighted photographs to the BBS and that once he became aware of the situation through the summons, he immediately removed the images from the website.<sup>9</sup> Judge Harvey E. Schlesinger,<sup>10</sup> presiding for the District Court for the Middle District of Florida, rejected Frena's argument, granting PEI's three motions for partial summary judgment and holding Frena strictly liable for all copyrighted images found on his website, even though it was not shown that he personally uploaded the images, authorized their addition, or even knew of their presence.<sup>11</sup>

4 *Id.* at 1554.

5 *Id.*

6 *Id.*

7 *Id.*

8 As discussed later in this Comment, Frena's argument ultimately raised an issue of first impression for the federal courts. See David N. Weiskopf, *The Risks of Copyright Infringement on the Internet: A Practitioner's Guide*, 33 U.S.F. L. REV. 1, 20 (1998) ("The widely discussed *Playboy Enterprises, Inc. v. Frena* was the first case to consider liability for direct copyright infringement by a defendant conducting activity on the Internet."); see also *infra* note 47 and accompanying text.

9 *Frena*, 839 F. Supp. at 1554.

10 The Honorable Harvey E. Schlesinger was nominated to the United States District Court for the Middle District of Florida by President George H. W. Bush on May 23, 1991. Judge Schlesinger assumed senior status on June 5, 2006. *History of the Federal Judiciary*, FEDERAL JUDICIAL CENTER, <http://www.fjc.gov/servlet/nGetInfo?jid=2114&cid=53&ctype=dc&instat=fl> (last visited July 6, 2012).

11 See *Frena*, 839 F. Supp. at 1556 ("[T]here is no dispute that Defendant Frena supplied a product containing unauthorized copies of



The *Frena* decision, although a straightforward application of the traditional copyright law standard of strict liability, ignited an outpouring of debate concerning the ramifications that such an approach could have on the burgeoning modern "online society." Scholars argued that Judge Schlesinger's decision, while an application of proper precedent, was "innocent or naive as to the policy considerations concerning liability on the Internet,"<sup>12</sup> since instantaneous uploads and downloads made the online context, in their view, inherently "different" from the other means of publication from which copyright law was derived.<sup>13</sup> In this regard, Judge Schlesinger's holding proved to be an essential catalyst for initiating a much needed national debate on the issue, eventually resulting in the passage of the Digital Millennium Copyright Act in 1998, which in turn largely rejected *Frena's* line of reasoning and ushered copyright law into a new modern era.

### Copyright Law and the Application of Strict Liability

Copyright law in the United States originates from Article I, section 8 of the Constitution<sup>14</sup> and is primarily governed by the Copyright Act of 1976 (1976 Act), which establishes "an exclusive ownership right in a form of expression" through three means of liability: direct infringement, contributory infringement, and vicarious liability.<sup>15</sup> For direct infringement (and copyright infringement generally), the plaintiff must show "(1) ownership of a valid copyright, and (2) copying [by the defendant] of constituent

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a copyrighted work. It does not matter that Defendant *Frena* claims he did not make the copies himself."). While it is not the focus of this Comment, it should also be noted that the *Frena* court also found the defendant liable for trademark infringement and unfair practices. *Id.* at 1561-62.

12 Weiskopf, *supra* note 8, at 21.

13 See *infra* note 24 and accompanying text.

14 See U.S. CONST. art. I, § 8, cl. 8 ("The Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.").

15 Justin Williamson, *Online Service Provider Copyright Liability: Is the Digital Millennium Copyright Act the Answer?*, 88 Ky. L.J. 987, 989 (2000) (quoting Lewis C. Lee & J. Scott Davidson, *Intellectual Property and the Internet*, in INTELLECTUAL PROPERTY FOR THE INTERNET §§ 1.1, 1.7 (Lewis C. Lee & J. Scott Davidson eds., 1997)). See generally 17 U.S.C. (2006) (detailing the provisions of the 1976 Act).

elements of the work that are original.”<sup>16</sup> In this regard, direct infringement, in the traditional sense, is a strict liability offense and, thus, “does not require intent or any particular state of mind.”<sup>17</sup> Rather, knowledge is only instrumental in determining whether a damages award should be reduced.<sup>18</sup> By contrast, contributory liability expressly requires the plaintiff to show that the defendant had *knowledge* that another party was engaged in infringing activity and that the defendant “induce[d], cause[d] or materially contribute[d] to the infringing conduct.”<sup>19</sup> Somewhat similarly, vicarious liability focuses on whether the defendant had sufficient ability to control and authorize the direct infringer’s actions and thereby received gains derived from that authorization.<sup>20</sup>

Since “copying,” as is required in the second prong for copyright infringement, can rarely be shown through direct evidence, courts have found that it “may be inferentially proven by showing that [the defendant] had access to the allegedly infringed work, that the allegedly infringing work is substantially similar to the copyrighted work, . . . and that one of the [exclusive] rights statutorily guaranteed to copyright owners is implicated.”<sup>21</sup> These “exclusive rights,” as guaranteed to the copyright owners by the courts, are delineated in Section 106 of the 1976 Act and consist in part of “the right to reproduce the copyrighted work, the right to prepare derivative works, the right to distribute copies to the public, and the right to publicly display the work.”<sup>22</sup> As a

16 Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 361 (1991) (citing Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 548 (1985)); see also 17 U.S.C. § 501(a) (2006) (providing liability for “[a]nyone who violates any of the exclusive rights of the copyright owner”).

17 Religious Tech. Ctr. v. Netcom On-Line Commc’n Servs., Inc., 907 F. Supp. 1361, 1367 (N.D. Cal. 1995).

18 See 17 U.S.C. § 504(c)(2) (2006) (stating that a court may reduce statutory damages in certain situations in which the infringer “was not aware and had no reason to believe that his or her acts constituted an infringement of copyright”).

19 Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1162 (2d Cir. 1971); see also Noah Levine, Note, *Establishing Legal Accountability for Anonymous Communication in Cyberspace*, 96 COLUM. L. REV. 1526, 1544 (1996) (“The doctrine of contributory copyright infringement is not derived from the language of the Copyright Act and is therefore a distinct concept developed independently by courts.”).

20 Netcom, 907 F. Supp. at 1375.

21 Playboy Enters., Inc. v. Frena, 839 F. Supp. 1552, 1556 (M.D. Fla. 1993).

22 Netcom, 907 F. Supp. at 1367 (citing 17 U.S.C. §§ 106(1)-(3) & (5) (2006)).



result, it is well-established that "[e]ngaging in or authorizing any of these categories without the copyright owner's permission violates the exclusive rights of the copyright owner and constitutes infringement of that copyright."<sup>23</sup>

In a traditional setting, such as with a printing press<sup>24</sup> or a magazine publisher, courts routinely placed the onus on the publisher to monitor its product and thus have "held distributors and publishers strictly liable for any copyright infringement that appeared in their publications."<sup>25</sup> In *De Acosta v. Brown*,<sup>26</sup> for example, the defendant, a national magazine distributor, was held strictly liable for unintentionally publishing a copyrighted short story. The United States Court of Appeals for the Second Circuit, basing its decision primarily on the overwhelming precedent, recognized that it was "usual to hold an *innocent* publisher of a copyrighted book liable [for direct infringement]."<sup>27</sup> Thus, the court reasoned that it was best to put the responsibility on the publisher that "published [the copyrighted document] at its peril," regardless of the publisher's assertion of genuine ignorance.<sup>28</sup>

To critics, such "traditional" precedent seemed distant when applied to the budding spread of Internet usage, which theorists argued could result in "unreasonable and impractical results."<sup>29</sup> Even before *Frena*, courts began questioning this logic in Internet

23 *Frena*, 839 F.Supp. at 1555-56 (citing 17 U.S.C. § 501(a) (2006)).

24 The Statute of Anne, which was codified in 1710 in Britain, represented the origination of copyright law and "was an attempt to control the power of the printing press." Darrin Keith Henning, "The Big Chill": The Supreme Court Adopts an Inducement Standard for Third-Party Copyright Infringement Liability, Leaving Innovation in the Cold, 29 U. ARK. LITTLE ROCK L. REV. 165, 165 (2006) ("Technological innovation and copyrights are generally seen as being in conflict, with copyright pitted against progress.").

25 Elizabeth Schuerman, Note, *Internet Service Providers and Copyright Liability—Don't Touch! . . . Or at Least Not Too Much*, 30 S. ILL. U. L.J. 573, 575 (2006).

26 146 F.2d 408 (2d Cir. 1944), *cert denied*, 325 U.S. 862 (1945).

27 *Id.* at 411 (emphasis added).

28 *Id.* (quoting *Am. Press Ass'n v. Daily Story Publ'g. Co.*, 120 F. 766, 768 (7th Cir. 1902), *appeal dismissed*, 193 U.S. 675 (1904)).

29 Schuerman, *supra* note 25, at 576; see also Niva Elkin-Koren, *Copyright Law and Social Dialogue on the Information Superhighway: The Case Against Copyright Liability of Bulletin Board Operators*, 13 CARDOZO ARTS & ENT. L.J. 345, 349 (1995) ("Applying copyright law in a digitized environment creates both conceptual and substantive problems. The conceptual problems reflect the fact that copyright law tailors itself to address the special needs of the print technology—needs rendered invalid in a digitized environment.").

settings. In *Cubby, Inc. v. CompuServe, Inc.*,<sup>30</sup> for example, the United States District Court for the Southern District of New York held, in the context of defamation, that passive online BBS administrators are not liable when the infringing actions are performed by unaffiliated BBS members. In *CompuServe*, the plaintiff brought a defamation suit against the owner and administrator of a real-time chatroom when users anonymously posted defamatory statements about the plaintiff.<sup>31</sup> The plaintiff did not allege that the defendant made any of the statements, but rather that the defendant passively allowed the statements to be posted without taking steps to moderate effectively and police the website.<sup>32</sup> The defendant, on the other hand, argued "it was a distributor . . . , as opposed to a publisher of the . . . statements," and thus should not be held strictly liable for the actions of others.<sup>33</sup>

The *CompuServe* court declined the plaintiff's reasoning, citing practicality concerns since "CompuServe ha[d] no more editorial control over such a publication than does a public library, book store, or newsstand, and it would be no more feasible for CompuServe to examine every publication it carries for potentially defamatory statements than it would be for any other distributor to do so."<sup>34</sup> Specifically, the court noted that, "[o]bviously, the national distributor of hundreds of periodicals has no duty to monitor each issue of every periodical it distributes."<sup>35</sup> Since the defendant

30 776 F. Supp. 135 (S.D.N.Y. 1991).

31 *Id.* at 137-38. Specifically, the plaintiff asserted libel, business disparagement, and unfair competition. *Id.* The defendant's website was similar to the BBS in *Frena* in that it was an "electronic library" that subscribers [could] access from a personal computer or terminal. . . . Subscribers [could] also obtain access to over 150 special interest 'forums.'" *Id.* at 137.

32 *Id.* at 138. The defendant in *CompuServe* did not have a contract to review the actions of users nor did the defendant have the "opportunity to review [the] contents before [they were uploaded] into CompuServe's computer banks, from which it [was made] immediately available to approved . . . subscribers." *Id.* at 137.

33 *Id.* at 139. In the context of defamation, one who "republishes defamatory matter is subject to liability as if he originally published it." *Id.* (quoting *Cianci v. New York Times Publ'g Co.*, 639 F.2d 54, 61 (2d Cir. 1980)). On the other hand, "distributors of defamatory publications are not liable if they neither know nor have reason to know of the defamation." *Id.* (quoting *Lerman v. Chuckleberry Publ'g, Inc.*, 521 F. Supp. 228, 235 (S.D.N.Y. 1981)).

34 *Id.* at 140.

35 *Id.* (quoting *Lerman v. Flynt Distributing Co.*, 745 F.2d 123, 139 (2d Cir. 1984), *cert denied*, 471 U.S. 1054 (1985)). The court further stated that "[a] computerized database is the functional equivalent of a more traditional news vender." *Id.*



did not have knowledge of the postings, the court reasoned that applying a strict liability standard would be "an undue burden on the free flow of information."<sup>36</sup>

**The *Frena* Decision: Initiating the Debate**

By contrast, the United States District Court for the Middle District of Florida in *Frena* declined to follow this "practical" reasoning in the context of copyright law, relying instead on a literal interpretation of the 1976 Act to find strict liability as the appropriate standard.<sup>37</sup> In *Frena*, it was not disputed that PEI had copyrights for the photographs in question, that the photographs had been uploaded to and downloaded from Frena's website, and that the images were substantially similar to PEI's copyrighted photographs. Thus, the accessibility and substantial similarity elements of "copying," as are required for direct copyright infringement, were effectively satisfied.<sup>38</sup>

As to the third element, an implication of PEI's "exclusive rights," the court found that, by virtue of having the photographs on his website, Frena violated PEI's display and distribution rights.<sup>39</sup> In this context, the court defined the applicable distribution right as "the exclusive right to sell, give away, rent or lend any material embodiment of his work."<sup>40</sup> Since Frena had stored and shared the images on the Internet, he had "supplied a product containing unauthorized copies of a copyrighted work."<sup>41</sup> In the same vein, the court also held that Frena violated PEI's display rights, which the court defined as the "unauthorized transmission of the display from one place to another, for example, a computer screen."<sup>42</sup>

36 *Id.* As such, the *Compuserve* court held that, in the context of defamation, courts must determine whether the defendant "knew or had reason to know of the allegedly defamatory . . . statements." *Id.* at 141. The court also found that the defendant was not liable under a theory of contributory or vicarious liability because the plaintiffs did not present any facts to show that the defendant had reason to know of the defamatory statements. *Id.*

37 *See* Playboy Enters., Inc. v. Frena, 839 F. Supp. 1552 (M.D. Fla. 1993).

38 *See id.* at 1556 ("There is no dispute that PEI owns the copyrights on the photographs in question. . . . Access to the copyrighted work is not at issue. . . . Substantial similarity is also a non-issue in this case.").

39 *See id.* at 1556-57.

40 *Id.* at 1556 (quoting 2 MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 8.11 [A], at 8-124.1 (1993)).

41 *Id.*

42 *Id.* at 1557.



Once again, since the images were available on the Internet, the court held that the BBS was "open to the public" and accessible in a medium where "a substantial number of persons outside of a normal circle of family and its acquaintances [are] gathered,"<sup>43</sup> thereby satisfying the requirements for a display rights violation.

Despite the fact that PEI satisfied the necessary prongs to prove direct infringement, and the case law distinctly demonstrated that knowledge or volition is not an element of the offense, *Frena* argued that his actions should be excused due to the passive nature of his conduct.<sup>44</sup> The court rejected this argument, instead invoking the traditional view that "[i]ntent or knowledge is not an element of infringement, and thus even an *innocent infringer* is liable."<sup>45</sup> Furthermore, the court stated that, even in the context presented in *Frena*, the element of knowledge was *only* of importance "when it fixes statutory damages."<sup>46</sup> Thus, given the definitions of distribution and display rights, the perceived realization from *Frena* was that any defendant owning a website could be held strictly liable for any copyrighted items uploaded by an outside user—a realization that many believed could result in massive national litigation.

### The Movement Away from *Frena*

When *Frena* was decided in 1993, the Internet was in its infancy, as is illustrated by the fact that *Frena* was a case of first impression for the federal courts.<sup>47</sup> Therefore, relying on a literal reading of the 1976 Act and a straightforward application of related precedent, the *Frena* court's decision was not only the most logical outcome

43 *Id.* (quoting 2 NIMMER, *supra* note 40, § 8.14[C], at 8-169).

44 *Id.* at 1559.

45 *Id.* (emphasis added).

46 *Id.* (citing *D.C. Comics, Inc. v. Mini Gift Shop*, 912 F.2d 29 (2d Cir. 1990)). It should be noted that the *Frena* court also rejected the defendant's argument that the display of the images was a "fair use" because (1) *Frena* used the website for a commercial purpose, to make money; (2) the images were exact factual replications, rather than fantasy or fiction; (3) the photographs were an essential part of the copyrighted work, *Playboy* magazine; and (4) the conduct would greatly effect PEI's potential market. *Id.* at 1557-59.

47 See Kristin Ashurst Hughes, *Copyright in Cyberspace: A Survey of National Policy Proposals for On-Line Service Provider Copyright Liability and an Argument for International Harmonization*, 11 AM. U. J. INT'L L. & POL'Y 1027, 1033 (1996) (stating that, in the context of copyright law, "[r]eevaluation [wa]s necessary to adjust the laws to this new mode of communication")

but also was seemingly required under the law.<sup>48</sup> Legal theorists and jurists, however, immediately contested this view, calling for a change in policy based on the realization of the potential effects the holding might cause during the rise of the new online age.<sup>49</sup> Distinctly, many recognized that distribution via the Internet presents a separate problem from traditional, physical distribution in that the Internet provides "prompt, accurate, and inexpensive distribution of digital information means that practically anyone can receive or disseminate" through remote personal computers at any given time.<sup>50</sup> Most importantly, as was illustrated in *Frena*, the Internet is distinct in that, unlike a hardcopy periodical distributor, it allows outside users to easily and instantly upload (and download) copyrighted information to a website on a massive basis without the administrator's knowledge or authorization.

As a result, while several state and federal courts followed the Middle District's lead,<sup>51</sup> the majority of courts quickly declined to

48 See *supra* notes 14-28 and accompanying text; see also Weiskopf, *supra* note 8, at 21 ("[*Frena*] might objectively be viewed as the most literal application of the strict liability nature of the Copyright Act to Internet activity.").

49 See, e.g., Dexter M. Campbell, III, *Internet Law—Surfing Without a Board? A Look at Copyright Infringement on the Internet and Article I of the Digital Millennium Act*, 24 CAMPBELL L. REV. 279, 284-85 (2002) (discussing the "ridiculous" repercussions that the *Frena* holding would hold for webpage owners); Bruce W. Sanford & Michael J. Lorenger, *Teaching an Old Dog New Tricks: The First Amendment in an Online World*, 28 CONN. L. REV. 1137, 1160 (1996) ("After all, if a marketplace of ideas has ever really existed, the Internet is it, and strict prohibitions against transferring ideas from one person to another may gut the very promise the Internet offers."); Alfred C. Yen, *Internet Service Provider Liability for Subscriber Copyright Infringement, Enterprise Liability, and the First Amendment*, 88 GEO. L.J. 1833, 1834 (2000) (noting that on the Internet "practically anyone with access to a copyrighted work can duplicate it, adapt it, or disseminate it").

50 Yen, *supra* note 49, at 1834; see also Sanford & Lorenger, *supra* note 49, at 1160 (arguing that extensive copyright protection "will only diminish the Internet's value").

51 See, e.g., *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 939 F. Supp. 1032, 1039 (S.D.N.Y. 1996) (finding a BBS owner was strictly liable when the owner solicited customers and distributed the copyrighted product); *Sega Enters. Ltd. v. Maphia*, 857 F. Supp. 679 (N.D. Cal. 1994) (holding that a BBS operator was liable after encouraging users to upload and download video games from the website); *State v. Perry*, 697 N.E.2d 624, 628 (Ohio 1998) (citing *Frena* for the proposition that exclusive rights were implicated because "[p]osting software on a bulletin board where others can access and download it is distribution" and "[p]osting also implicates the display rights of copyright owners").



follow *Frena*'s holding due to practicality concerns.<sup>52</sup> Most significantly, the United States District Court for the Northern District of California held in *Religious Technology Center v. Netcom On-Line Communications Services, Inc.*<sup>53</sup> that passive Internet service providers ("ISPs") should not be held strictly liable for the actions performed by outside users on the Internet service they provide. In *Netcom*, the plaintiffs, two non-profit corporations, alleged that a former Church of Scientology minister committed copyright infringement by posting copyrighted texts from L. Ron Hubbard<sup>54</sup> on a BBS.<sup>55</sup> The plaintiffs subsequently joined the BBS administrator and the ISP, Netcom, when both refused to forcibly remove the copyrighted items from the website after being asked to do so.<sup>56</sup> Much like the reasoning in *Frena*, the plaintiffs stated that Netcom had not voluntarily added the copyrighted material on the website, but should nonetheless be held strictly liable because Netcom had stored, and thus copied, the copyrighted materials onto their own database.<sup>57</sup>

The plaintiffs were able to show that they had valid copyrights for the materials,<sup>58</sup> and, relying on *MAI Systems Corp. v. Peak Computer, Inc.*,<sup>59</sup> that the defendant had "copied" the materials.<sup>60</sup> Nonetheless, the *Netcom* court recognized the importance that Netcom did not initiate the copying of the materials onto the database.<sup>61</sup> And while Netcom had the theoretical power to monitor the website for copyright infringement, it had chosen not to do so, instead opting

52 See, e.g., *ALS Scan, Inc. v. RemarQ Cmty., Inc.*, 239 F.3d 619, 622 (4th Cir. 2001) (requiring that the defendant know of the infringement even though the plaintiff argued that *Frena* should apply); *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503, 512-15 (N.D. Ohio 1997) (holding that a volitional act on behalf of the ISP is required for direct infringement).

53 907 F. Supp. 1361 (N.D. Cal. 1995).

54 L. Ron Hubbard controversially founded and developed the Church of Scientology through a series of writings particularly focused on a self-help system entitled Dianetics. See *An Introduction to L. Ron Hubbard*, LRONHUBBARD.ORG, <http://www.lronhubbard.org/ronseries/profile/introduction.html> (last visited July 6, 2012).

55 *Netcom*, 907 F. Supp. at 1365-66.

56 *Id.* at 1366.

57 *Id.* at 1366, 1372.

58 *Id.* at 1367.

59 991 F.2d 511, 518 (9th Cir. 1993) (holding that saving data from storage to random access memory (RAM) was copying).

60 *Netcom*, 907 F. Supp. at 1368.

61 *Id.* at 1368-69 ("[T]he mere fact that Netcom's system incidentally makes temporary copies of plaintiffs' works does not mean Netcom has caused the copying.").

to supply merely an Internet connection.<sup>62</sup> As a result, the *Netcom* court refused to accept that there was a violation of an "exclusive right" that triggered strict liability; rather, the court, much like *CompuServe*, compared a service provider to a more traditional means of distribution, finding that Netcom's relationship with the offender was "not unlike that of the owner of a copying machine who lets the public make copies with it."<sup>63</sup> Given the inherent uncertainty and litigation costs of monitoring online databases,<sup>64</sup> the court recognized that "courts [should] analyze the machine owner's liability under the rubric of contributory infringement, not direct infringement," thereby requiring an element of knowledge.<sup>65</sup>

The *Netcom* court distinguished *Frena*, concluding that "the [*Frena*] court was looking only at the exclusive right to *distribute* [and *display*] copies to the public, where liability exists regardless of whether the defendant makes copies."<sup>66</sup> The plaintiffs in *Netcom*, on the other hand, focused their claim on the fact that Netcom stored copies of the material on their database.<sup>67</sup> While the court left the reasoning for the distinction between distribution and display as against storage relatively unclear, the overarching effect was that *Netcom* greatly retracted *Frena's* potential reach.

In *Playboy Enterprises, Inc. v. Hardenburg, Inc.*,<sup>68</sup> the United States District Court for the Northern District of Ohio furthered *Netcom's* approach by holding that for ISPs to be held strictly liable for copyright infringement, they must take affirmative steps to manage their databases. In *Hardenburg*, the court found the defendant ISPs strictly liable only after the defendants (1) *encouraged* outside users to upload items to the website and (2) *had a screening procedure* in which the defendants' employees viewed all of the files and manually moved them onto the website.<sup>69</sup> The court found that "[t]

62 *Id.* at 1368.

63 *Id.* at 1369.

64 *See id.* ("Plaintiffs' theory would create many separate acts of infringement and, carried to its natural extreme, would lead to unreasonable liability."); *id.* at 1372 ("[I]t does not make sense to adopt a rule that could lead to the liability of countless parties.").

65 *Id.* at 1369. Thus, the court held "there should . . . be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party." *Id.* at 1370.

66 *Id.* at 1370 (emphasis added).

67 *Id.*

68 982 F. Supp. 503 (N.D. Ohio 1997).

69 *Id.* at 513.



hese two facts transform[ed the] Defendants from passive providers of a space in which infringing activities happened to occur to active participants in the process of copyright infringement."<sup>70</sup> As a result, a distinction was made between a passive operator and one that encourages, in effect finding that ISPs that have policies to monitor such behavior should be held accountable for their failings.<sup>71</sup>

### The Digital Millennium Copyright Act

Given the uncertainty created by the case law spawned from *Frena*, interested parties lobbied for a firm national consensus that resolved these divergent policy perspectives.<sup>72</sup> In 1998, Congress reached a compromise in the form of the Digital Millennium Copyright Act ("DMCA"), which remains in effect today and leaves the "current law in its evolving state" by creating a series of "safe harbors," in the form of limited liability, for certain common activities of service providers.<sup>73</sup> Specifically, Title II of the DMCA, entitled the "Online Copyright Infringement Liability Limitation Act," directly seeks to "clarif[y] the liability faced by service providers who transmit potentially infringing materials over their networks."<sup>74</sup>

The DMCA states that service providers are given limited liability in four distinct scenarios: "(1) transitory communications,

<sup>70</sup> *Id.*

<sup>71</sup> The court held that the defendants were liable because of "policies of active participation in the infringing activities." *Id.* Subsequent cases have held that there were specific circumstances in which a somewhat passive ISP could be held liable for direct infringement. *See, e.g., Playboy Enters., Inc. v. Webbworld*, 968 F. Supp. 1171 (N.D. Tex. 1997) (holding that a website owner was liable for images posted by customers because, unlike Netcom, the website owner was being paid for selling the images, not for providing internet); *Playboy Enters., Inc. v. Webbworld*, 991 F. Supp. 543 (N.D. Tex. 1997), *aff'd* 163 F.3d 486 (5th Cir. 1999) (same); *Playboy Enters., Inc. v. Sanfilippo*, 46 U.S.P.Q.2d (BNA) 1350 (S.D. Cal. 1998) (finding liability where the owner gave the third party authorization).

<sup>72</sup> As could be expected, the national debate pitted copyright owners and ISPs against one another. Copyright owners embraced the ruling from *Frena*, which would force service providers to actively police all of their websites for possible infringement. Service providers, on the other hand, proffered a "notice and take down" approach, whereby service providers could only be found liable if the copyright infringement had been recognized and brought to their attention. 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12B.01[B][2] (Mathew Bender, Rev. Ed. 2011).

<sup>73</sup> *Id.* § 12B.01[B][3] (quoting S. REP. NO. 105-190, at 19 (1998)).

<sup>74</sup> S. REP. NO. 105-190, at 2 (1998).

(2) system caching, (3) *information stored on systems or networks at the direction of users*, and (4) information location tools.”<sup>75</sup> First, to be privy to such liability protection, the defendant must be a “service provider” as defined by the statute.<sup>76</sup> Thereafter, the service provider must (1) implement “a policy that provides for the termination in appropriate circumstances of . . . repeat infringers”<sup>77</sup> and (2) “accommodates and does not interfere with standard technical measures.”<sup>78</sup>

More important, as related to *Frena* situations, Section 512(c) of the DMCA “protects service providers for information stored on its system at the direction of users”<sup>79</sup> so long as the service provider “(1) does not have actual knowledge that the material is infringing, (2) does not receive a financial benefit from the infringing activity, and (3) removed the infringing material expeditiously upon notification.”<sup>80</sup> Thus, the DMCA can be seen as a relative adoption of the reasoning of *CompuServe* and *Netcom* in that purely passive service providers are only liable when it is known that the service provider had specific knowledge of the infringement.

While the reasoning of *Playboy Enterprises, Inc. v. Frena* was ultimately severely narrowed by United States copyright law, the case’s relative importance is not in question. Through the passage of the DMCA, purely passive BBS owners such as *Frena* are now shielded from copyright liability so long as they act prudently to remove copyrighted information when notified and are not benefiting financially from the infringement. The effect, therefore, is a compromise of sorts such that only those with a culpable mind may be liable, thereby forcing “traditional” notions of copyright law to give way to the information superhighway’s seemingly iconic free flow of information. Thus, as can be seen from the resulting law, *Frena*, while at times heavily criticized, represented a crucial first step towards conforming the law to the online conglomerate

75 Schuerman, *supra* note 25, at 580 (citing 17 U.S.C. §§ 512(a)-(d) (2006) (emphasis added)).

76 As applicable to database owners such as *Frena*, a service provider is defined as “a provider of online services or network access, or the operator of facilities therefore.” 17 U.S.C. § 512(k)(1)(B) (2006).

77 *Id.* § 512(i)(1)(A).

78 *Id.* § 512(i)(1)(B).

79 Schuerman, *supra* note 25, at 580 (citing 17 U.S.C. § 512(c) (2006)).

80 *Id.* (citing 17 U.S.C. § 512(c)(1)(A)(i-iii) (2006)).



that society has become, fusing the old policy with new concerns, and bringing legitimate copyright issues to the national forefront. And, in many ways, such is representative of the natural method of copyright law, a never-ending battle where innovation leads the way, leaving the law to later react and adapt.<sup>81</sup> As such, *Frena* can be remembered as the bridge between these two phases, ushering copyright law into the modern online era.

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81 Determinations as to the requisite knowledge for the DMCA "safe harbors," for example, still remain a hotly litigated issue for major Internet websites, such as YouTube and Google. See, e.g., *Viacom Int'l, Inc. v. YouTube, Inc.*, Nos. 10-3270-cv, 10-3342-cv, 2012 WL 1130851, at \*34 (2d Cir. Apr. 5, 2012) (holding that the DMCA "requires knowledge or awareness of facts or circumstances that indicate specific and identifiable instances of infringement").