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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

HARLAN ELLISON, an individual

Plaintiff(s),

vs.

STEPHEN ROBERTSON, an individual; AMERICA ONLINE, INC., a corporation; REMARQ COMMUNITIES, INC., a corporation; CRITICAL PATH, INC., a corporation; "CITIZEN 513," an individual; and DOES 1 through 10,

Defendant(s).

CV 00 - 04321 FMC (RCx)

ORDER GRANTING DEFENDANT AOL'S MOTION FOR SUMMARY JUDGMENT

Introduction

When an overenthusiastic fan uploads his favorite author's novels to a newsgroup on the internet, what is the liability of an internet service provider, such as AOL, for allowing the books to reside for two weeks on their USENETserver? The impact of the Digital Millenium Copyright Act on this issue presents a question of first impression in the Ninth Circuit

I. Procedural Posture

This matter is before the Court on (1) Defendant AOL's Motion for Summary Adjudication, filed June 4, 2001; (2) Defendant AOL's Motion for Summary Judgment, filed November 26, 2001; and (3) Plaintiff's Motion for Summary Adjudication, filed November 27, 2001. This matter came on for

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1 hearing on February 4, 2002. The parties were in possession of the Court's
2 tentative decision to grant Summary Judgment to Defendant AOL. Following
3 oral argument, the matter was taken under submission. For the reasons set
4 forth below, the Court hereby **GRANTS** summary judgment in favor of AOL.¹

5 6 II. Background

7 8 A. Factual History

9 Plaintiff Harlan Ellison is the author of many works of fact and fiction,
10 particularly science fiction. He is the owner of the valid copyrights to most
11 if not all of those works and has registered his copyrights in accordance with
12 all applicable laws. Some of his fictional works, however, have been copied
13 and distributed on the internet without his permission.

14 Some time in late March or early April 2000, Stephen Robertson
15 scanned a number of Ellison's fictional works in order to convert them to
16 digital files. Thereafter, Robertson uploaded and copied the files onto the
17 USENET newsgroup "alt.binaries.e-book." Robertson accessed the internet
18 through his local internet services provider, Tehama County Online
19 ("TCO"); his USENET service was provided by RemarQ Communities, Inc.
20 ("RemarQ"). The USENET, an abbreviation of "User Network," is an
21 international collection of organizations and individuals (known as 'peers')
22 whose computers connect to each other and exchange messages posted by

23
24 ¹AOL also filed a fourth Motion for summary judgment or adjudication focusing on the
25 extent of damages that would be available to Ellison if he were to prevail on his copyright
26 infringement claims against AOL. Because the Court grants AOL's Motion for summary judgment
27 on the merits, we need not reach the issue of damages.
28

1 USENET users.² Messages are organized into “newsgroups,” which are
2 topic-based discussion forums where individuals exchange ideas and
3 information.³ Users’ messages may contain the users’ analyses and opinions,
4 copies of newspaper or magazine articles, and even binary files containing
5 binary copies of musical and literary works. “Alt.binaries.e-book”, the
6 newsgroup at issue in this case, seems to have been used primarily to
7 exchange pirated and unauthorized digital copies of text material, primarily
8 works of fiction by famous authors, including Ellison.

9 Peers in USENET enter into peer agreements, whereby one peer’s
10 servers automatically transmit and receive newsgroup messages from another
11 peer’s servers. As most peers are parties to a large number of peer
12 agreements, messages posted on one USENET peer’s server are quickly
13 transmitted around the world. The result is a huge informational exchange
14 system whereby millions of users can exchange millions of messages every
15 day.

16 AOL has been a USENET peer since 1994, and its USENET servers
17 automatically transmit and receive newsgroup messages from at least 41
18 other peers. AOL estimates that its peer servers receive 4.5 terabytes of data
19 in more than twenty-four million messages each week from AOL’s peers.
20 This data is automatically transmitted to and received by AOL’s USENET
21 servers, which are computers that are accessed by AOL’s users when they
22

23 ² Although the USENET is closely affiliated to the internet, the two are distinct. There is no
24 specific network that is the USENET. Instead, Usenet traffic flows over a wide range of networks,
25 including the internet.
26

27 ³There are newsgroups devoted to such diverse topics as “science fiction writers” and “New
28 York Mets baseball.”

1 reach the USENET system through AOL's newsgroup service. In late
2 March and early April 2000, when Robertson posted the infringing copies of
3 Ellison's works, AOL's retention policy provided for USENET messages
4 containing binary files to remain on the company's servers for fourteen days.

5 After Robertson uploaded the infringing copies of Ellison's works to
6 the alt.binaries.e-book newsgroup, they were then forwarded and copied
7 throughout USENET onto servers all over the world, including those
8 belonging to AOL. As a result, AOL users had access to the alt.binaries.e-
9 book newsgroup containing the infringing copies of Ellison's works. As
10 these infringing copies were in binary file form, they would have remained
11 on AOL's servers for approximately fourteen days.

12 On or about April 13, 2000, Plaintiff learned of the infringing activity
13 and contacted counsel. After researching the notification procedures of 17
14 U.S.C. §512, the Digital Millennium Copyright Act ("DMCA"), Plaintiff's
15 counsel sent an e-mail on April 17, 2000, to TCO's and AOL's agents for
16 notice of copyright infringement. Plaintiff received an acknowledgment of
17 receipt from TCO, but no response from AOL, which claims never to have
18 received that e-mail.

19 On April 24, 2000, Plaintiff filed suit against AOL and other
20 Defendants. After having been served by Plaintiff on April 26, 2000, AOL
21 blocked its users' access to alt.binaries.e-book.

22
23 B. Procedural History

24 On April 24, 2000, Plaintiff filed his original complaint with this
25 Court. Shortly thereafter, on May 30, 2000, Plaintiff filed a First Amended
26 Complaint. On June 1, 2000, a consent judgment was entered in which one
27 of the Defendants, Stephen Robertson, agreed to pay Plaintiff the sum of
28 \$3,648.96. Plaintiff in turn dismissed Robertson from the lawsuit. On July

1 27, 2000, the Court issued an Order granting in part and denying in part
2 Defendant AOL's Motion to dismiss.

3 On September 26, 2000, Plaintiff filed a second amended complaint,
4 ("SAC") against America Online, Inc. ("AOL"), RemarQ Communities, Inc.
5 (RemarQ), Critical Path, Inc. ("CP") (RemarQ's parent company), Citizen
6 513, and Does on October 27, 2000, alleging the following causes of action:

- 7 (1) Direct Copyright Infringement against all Defendants;
- 8 (2) Contributory Infringement against all Defendants;
- 9 (3) Vicarious Infringement against RemarQ, CP, and AOL;
- 10 (4) Unfair Competition in Violation of Section 43(a) of the Lanham
11 Act against all Defendants; and
- 12 (5) Trademark Dilution under Section 43(c) of the Lanham Act against
13 all Defendants except Robertson and AOL.

14 On November 28, 2001, Plaintiff dismissed his Lanham Act claims as
15 against AOL. On January 18, 2002, Plaintiff dismissed Defendant RemarQ
16 from the case, the two parties having reached a settlement agreement. And
17 on January 25, 2002, Plaintiff similarly dismissed his action against
18 Defendant Critical Path.

19 On November 26, 2001, AOL filed a Motion for summary judgment,
20 alleging that Plaintiff had failed to set forth prima facie cases of copyright
21 infringement, and also claiming various defenses under the DMCA. On
22 November 27, 2001, Plaintiff filed his own Motion for summary adjudication
23 of his contributory and vicarious copyright infringement claims against
24 AOL. This Order addresses all three of those Motions.⁴

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27 ⁴Plaintiff claims that AOL's Motion for summary judgment is improper because its
28 arguments regarding its compliance with subsections 512(a) and (i) were raised for the first time in

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III. Standard

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Summary judgment is proper only where “the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.” Fed. Rule Civ. Pro. 56(c); *see also Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986).

The moving party bears the initial burden of demonstrating the absence of a genuine issue of material fact. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). Whether a fact is material is determined by looking to the governing substantive law; if the

its first summary judgment Motion’s Reply brief, which was filed on September 5, 2001. Even assuming *arguendo* that AOL raised certain issues for the first time in its Reply brief, Plaintiff cannot claim that he was prejudiced in any way. First, Plaintiff had ample opportunity to respond in connection with AOL’s second Motion for summary judgment (filed November 26, 2001) and with Plaintiff’s own Motion for summary adjudication (filed November 27, 2001). And second, the Court granted Plaintiff permission to file a supplemental brief specifically in response to AOL’s September 5, 2001 Reply, and Plaintiff did so, filing its supplemental brief on December 10, 2001. At this point, all the issues before the Court have been fully briefed, and no party can claim surprise, prejudice, or unfair treatment. Moreover, if the Court were to reject AOL’s Motion for summary judgment on the grounds that certain matters were raised for the first time in its September 5, 2001, Reply brief, that would merely delay the inevitable and force the parties to file the same boxes of papers with the Court yet again.

1 fact may affect the outcome, it is material. *Id.* at 248, 106 S.Ct. 2505.

2 If the moving party meets its initial burden, the “adverse party may
3 not rest upon the mere allegations or denials of the adverse party's pleading,
4 but the adverse party's response, by affidavits or as otherwise provided in this
5 rule, must set forth specific facts showing that there is a genuine issue for
6 trial.” Fed.R.Civ.P. 56(e). Mere disagreement or the bald assertion that a
7 genuine issue of material fact exists does not preclude the use of summary
8 judgment. *Harper v. Wallingford*, 877 F.2d 728 (9th Cir. 1989).

9 The Court construes all evidence and reasonable inferences drawn
10 therefrom in favor of the non-moving party. *Anderson*, 477 U.S. at 255;
11 *Brookside Assocs. v. Rifkin*, 49 F.3d 490, 492-93 (9th Cir. 1995).

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IV. Discussion

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18 A. Plaintiff's case against AOL for copyright infringement

19 AOL contends that Plaintiff cannot establish the prima facie elements
20 of his direct, contributory, and vicarious copyright infringement claims
21 against it, and therefore summary adjudication is appropriate. Plaintiff
22 disputes AOL's contentions and asserts that he is entitled to summary
23 adjudication of his contributory and vicarious copyright infringement
24 claims.

25

26 *1. Direct copyright infringement*

27 “Plaintiffs must satisfy two requirements to present a prima facie case
28 of direct infringement: (1) they must show ownership of the allegedly

1 infringed material and (2) they must demonstrate that the alleged infringers
2 violated at least one exclusive right granted to copyright holders under 17
3 U.S.C. §106.” *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 (2001).

4 It is undisputed that Plaintiff owns valid copyrights for most, if not all,
5 of the allegedly infringed works identified in his Complaint.⁵ And if AOL
6 were found to have copied any of Ellison’s works then it might have violated,
7 for example, his exclusive rights to reproduction and distribution. *See* 17
8 U.S.C. §106(1), (3). AOL contends, however, that it has not in any way
9 copied Ellison’s works. In his second amended complaint Plaintiff alleges
10 that AOL made copies of his works on its USENET servers after receiving
11 the USENET messages posted by Robertson, and that one binary file
12 containing a copied work remained on AOL’s servers for ten days after
13 Plaintiff’s counsel sent the company a Notification of Infringement e-mail.⁶

14
15 ⁵AOL claims that Ellison does not own a valid registered copyright for the audiowork “The
16 Voice From the Edge,” and that Ellison only registered his copyright for “Count the Clock That Tells
17 the Time” two months after AOL blocked access to the alt.binaries.e-book site in late April 2000,
18 but makes no similar allegations relating to any of the other works cited by Plaintiff.

19
20 ⁶In its Opposition to Ellison’s Motion for summary judgment and its Reply brief to its own
21 Motion for summary judgment, AOL for the first time contends that Ellison has produced no
22 evidence indicating that infringing copies of his works were located on AOL’s USENET servers.
23 In particular, AOL argues that the consent decree entered into by Ellison and co-Defendant
24 Robertson cannot be asserted against AOL as evidence of Robertson’s placing of infringing materials
25 onto the alt.binaries.e-book newsgroup where, per AOL’s USENET peer agreements’ protocol, they
26 were transferred and copied onto AOL’s servers. Even assuming *arguendo* that the consent decree
27 does not have any preclusive effect as against AOL, it does constitute evidence that a reasonable trier
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1 In his Opposition to AOL's Motion for summary judgment, however,
2 Ellison does not respond to AOL's argument that there was no direct
3 copyright infringement. Accordingly, it appears that he has abandoned his
4 direct infringement claim against AOL. Regardless, AOL's role in the
5 infringement as a passive provider of USENET access to AOL users cannot
6 support direct copyright infringement liability. *See Religious Technology*
7 *Center v. Netcom On-Line Communications Services, Inc.*, 907 F.Supp. 1361,
8 1372-73 (N.D. Cal. 1995). In *Netcom*, the court held that the defendant, an
9 internet services provider like AOL, could not be found guilty of direct
10 copyright infringement based on copies of works that were made and stored
11 on its USENET servers. *See id.*; accord *ALS Scan, Inc. V. Remark*
12 *Communities, Inc.*, 239 F.3d 619, 622 (4th Cir. 2001); *Costar Group, Inc. v.*
13 *Loopnet, Inc.*, 164 F.Supp.2d 688, 696 (D. Md. 2001). The *Netcom* Court
14 stated that assigning direct copyright infringement liability to ISPs would be
15 pointless:

16 These parties [the ISPs], who are liable under plaintiff's theory, do no
17 more than operate or implement a system that is essential if Usenet
18 messages are to be widely distributed. There is no need to construe the
19 [Copyright] Act to make all of these parties infringers.

20 *Id.* at 1369-70. The court based this decision on its conclusion that "[t]he

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22 of fact could rely on. And although AOL labels the consent decree inadmissible hearsay, it is an
23 order entered and signed by the Court, and therefore qualifies as a hearsay exception under, at least,
24 Fed. R. Evid. Rule 803(8).

25 In addition,
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27 evidence that infringing copies of works (including some of Ellison's works) were, in fact, posted
28 on and downloaded from the alt.binaries.e-book newsgroup.

1 court does not find workable a theory of direct infringement that would hold
2 the entire Internet liable for activities that cannot reasonably be deterred.”
3 *Id.* at 1372. While the *Netcom* court left open the possibility that an ISP with
4 USENET messages on its servers might be guilty of contributory
5 infringement under certain circumstances, it held that direct infringement
6 liability should be limited to those users, like Robertson, who are responsible
7 for the actual copying. *See id.* at 1372-73;

8 The Court agrees with the analysis of the court in *Netcom*.
9 Accordingly, summary adjudication of Plaintiff’s direct copyright
10 infringement claim against AOL is granted.

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13 *2. Contributory copyright infringement*

14 “[O]ne who, with knowledge of the infringing activity, induces, causes
15 or materially contributes to the infringing conduct of another, may be liable
16 as a ‘contributory’ infringer ... Put differently, liability exists if the defendant
17 engages in personal conduct that encourages or assists the infringement.”
18 *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1019 (2001) (internal
19 quotations and citations omitted). “The absence of such language in the
20 copyright statute does not preclude the imposition of liability for copyright
21 infringement on certain parties who have not themselves engaged in the
22 infringing activity. For vicarious liability is imposed in virtually all areas of
23 the law, and the concept of contributory infringement is merely a species of
24 the broader problem of identifying the circumstances in which it is just to
25 hold one individual accountable for the actions of another.” *Sony Corp. v.*
26 *Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984).

1 (i) *Knowledge*

2 The knowledge requirement means that the contributory infringer
3 must “know or have reason to know of direct infringement.” *Id.* at 1020
4 (internal quotations omitted). Plaintiff argues that AOL actually knew
5 about the infringing copies of his works on their USENET servers based on
6 the email that his attorney sent to AOL on April 17, 2000. But AOL claims
7 never to have received that e-mail and asserts that it was first put on notice of
8 infringement when it was served with a copy of Plaintiff’s initial complaint.
9 The Court accepts AOL employees’ assurances that they never received the
10 e-mail,⁷ and finds Plaintiff’s argument somewhat puzzling given his
11 professed belief, supported in detail in his briefs, that his attorney’s e-mail
12 was not received because AOL had provided the Copyright Office with an
13 incorrect e-mail contact address, and his attorney had relied on that address
14 when trying to contact AOL. Accordingly, the Court finds that AOL did not
15 have actual knowledge of the infringement before being served by Ellison.

16 On the other hand, Ellison presents substantial evidence suggesting
17 that AOL should have known about the infringement prior to being served.
18 First, AOL’s failure to receive the April 17, 2000, e-mail is its own fault.
19 Inexplicably, AOL had changed its contact e-mail address from
20 “copyright@aol.com” to “aolcopyright@aol.com” in fall 1999, but waited
21 until April 2000 to notify the Copyright Office of this change. As a result,
22 the complaints of individuals such as Ellison’s attorney, who obtained
23 AOL’s e-mail address from the Copyright Office and attempted to notify
24 AOL of infringement occurring on its servers were routed to the defunct

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26 ⁷Plaintiff has provided no evidence that AOL actually did receive the email. To the contrary,
27 Plaintiff’s former counsel states that while she received an acknowledgment of receipt for her April
28 17, 2000, email from TCO, no such acknowledgment came from AOL.

1 account. Nor did AOL make provision for forwarding to the new address e-
2 mails sent to the defunct account. AOL has declined to explain why it
3 delayed months before notifying the Copyright Office of its change in e-mail
4 addresses. If AOL could avoid the knowledge requirement through this
5 oversight or deliberate action, then it would encourage other ISPs to remain
6 willfully ignorant in order to avoid contributory copyright infringement
7 liability. Based upon the record before the Court, a reasonable trier of fact
8 could certainly find that AOL had reason to know that infringing copies of
9 Ellison's works were stored on their Usenet servers.

10 In addition, AOL received further information about the infringement
11 occurring on the USENET newsgroup accessible to AOL users from John J.
12 Miller. Miller noticed a number of apparently unauthorized copies of
13 various authors' works on the newsgroup and called AOL to report the
14 suspicious activity, although he probably mentioned only works by authors
15 other than Ellison. Even though it is not clear that Miller's phone call can
16 be fairly said to have put AOL on notice of the infringing activity (he spoke
17 only with low-level customer service representatives, it's not clear whether
18 he expressly mentioned the alt.binaries.e-book newsgroup, and he did not
19 follow up on the customer service representative's advice by sending AOL an
20 e-mail setting forth the details of his complaint), it is another piece of
21 evidence which might lead a reasonable trier of fact to conclude that AOL
22 should have known about the infringement of Ellison's copyrights occurring
23 in its newsgroup. For example, a reasonable trier of fact might conclude that
24 AOL should have transferred Miller to speak with an employee with
25 knowledge of AOL's copyright infringement policies instead of directing
26 him to an e-mail address.⁸

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28 ⁸It is not clear if Miller was directed by AOL customer service representatives to the correct

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3 (ii) *Material contribution to the infringement*

4 AOL correctly points out that it did not induce or encourage
5 Robertson to directly infringe Ellison's copyrights. Plaintiff, however,
6 maintains that AOL materially contributed to infringement by participating
7 in USENET peering agreements which resulted in making the infringing
8 copies of Ellison's works available to millions of AOL users. Plaintiff
9 analogizes AOL's conduct to that of Napster, which was held to constitute a
10 material contribution to infringement. *See Napster*, 239 F.3d at 1022. The
11 Court of Appeals in *Napster* based its holding on the district court's finding
12 that "[w]ithout the support services defendant provides, Napster users could
13 not find and download the music they want with the ease of which defendant
14 boasts." *Id.* (quoting *A&M Records, Inc. v. Napster, Inc.*, 114 F.Supp.2d 896,
15 919-920 (N.D. Cal. 2000)). As such, Napster was providing the "site and
16 facilities' for direct infringement." *Napster*, 239 F.3d at 1022. By analogy,
17 Plaintiff alleges that AOL provided the site and facilities for direct
18 infringement by storing infringing copies of Ellison's works on its USENET
19 servers and providing its users with access to those copies.

20 In response, AOL contends that its mere provision of USENET access
21 to its users, as a matter of law, is far too attenuated from the actual infringing
22 activity to constitute a material contribution. In support it points to section
23 512(m) of the DMCA, which provides that an ISP does not have to monitor
24 its service or affirmatively search for infringing activity on its network in
25 order to qualify for any of the limitation-on-liability safe harbors.

26 The Court agrees with the findings of the court in *Netcom* that

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28 e-mail address or the same defunct address where Ellison's attorney sent her e-mail.

1 “[p]roviding a service that allows for the automatic distribution of all Usenet
2 postings, infringing and noninfringing” can constitute a material
3 contribution when the ISP knows or should know of infringing activity on
4 its system “yet continues to aid in the accomplishment of Erlich’s [the direct
5 infringer’s] purpose of publicly distributing the postings.” *Netcom*, 907
6 F.Supp. at 1375. The court noted that “Netcom allows Erlich’s infringing
7 messages to remain on its system and be further distributed to other Usenet
8 servers worldwide.” *Id.*; see also *Napster*, 239 F.3d at 1021 (approving the
9 *Netcom* Court’s conclusion regarding Netcom’s potential liability for
10 contributory infringement); 3 NIMMER ON COPYRIGHT §12B.01[A], at
11 12B-9 n.50 (“Given that Netcom declined to cancel Erlich’s messages, if
12 plaintiffs could show that it had knowledge of their infringing character, it
13 would make a strong showing for contributory infringement.”).

14 In *Netcom* the court dealt with a situation in which the ISP had actual
15 knowledge of the presence of infringing material on its USENET servers.
16 Here, by contrast, there is a triable issue of fact as to whether AOL should
17 have known of the infringing material on the alt.binaries.e-books newsgroup
18 based on the e-mail sent to it by Plaintiff’s counsel and the Miller phone call.
19 Although there is some difference between an ISP actually knowing of
20 infringement and ignoring requests to remedy the situation and an ISP
21 remaining ignorant of infringement through its own fault and taking no
22 action, the *Netcom* decision cannot be distinguished on that basis. To do so
23 would invite ISPs to remain willfully ignorant of infringement on their
24 servers (through the creation of unchecked notification e-mail addresses
25 and other means), and would frustrate the careful balance struck by Congress
26 when it enacted the DMCA.

27 In addition, *Netcom* is not legally distinguishable on the basis that
28 AOL had no real connection with Robertson, whereas Netcom played a

1 significant role in connecting Erlich, the direct infringer, to the Internet.
2 Although a trier of fact might consider this difference in reaching the
3 conclusion that AOL did not make a material contribution to Robertson's
4 underlying infringement, that difference cannot alone transform a triable
5 issue of fact into a determination suitable for summary adjudication. *Netcom*
6 analyzed the ISP's behavior after the infringement had already occurred, and
7 with regard to contributory infringement, the court's central concern was the
8 ISP's decision to leave the infringing messages on its system even after
9 receiving the plaintiff's infringement complaint. Similar concerns provide
10 the basis for plaintiff's contributory infringement claim against AOL.

11 Accordingly, the Court finds that Plaintiff has demonstrated a triable
12 issue of fact as to whether AOL materially contributed to the direct
13 infringement of Ellison's copyrights by others.

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17 *3. Vicarious copyright infringement*

18 "In the context of copyright law, vicarious liability extends beyond an
19 employer/employee relationship to cases in which a defendant 'has the right
20 and ability to supervise the infringing activity and also has a direct financial
21 interest in such activities.'" *Napster*, 239 F.3d at 1022 (quoting *Gershwin*
22 *Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d. Cir.
23 1971)). "Unlike contributory infringement, knowledge is not an element of
24 vicarious liability." *Netcom*, 907 F.Supp. at 1375 (citing to 3 NIMMER ON
25 COPYRIGHT § 12.04[A][1], at 12-70).

26
27 *1. Right and ability to supervise the infringing activity*

28 AOL maintains that it did not possess the right or ability to supervise

1 Robertson's infringing acts because of the automated nature of its
2 participation in the USENET system. Robertson never used the AOL
3 system to upload the infringing copies of Plaintiff's works, and his posting
4 was just one of millions of USENET postings that AOL servers
5 automatically receive from peers each week.

6 Plaintiff, on the other hand, contends that the Ninth Circuit's recent
7 decision in *Napster* defeats AOL's position. In *Napster*, the Court found that
8 Napster's "ability to block infringers' access to a particular environment for
9 any reason whatsoever is evidence of the right and ability to supervise." *Id.*
10 at 1023. AOL had the same capacity to block infringers' access to its
11 USENET servers, Plaintiff argues, as demonstrated by AOL's successful
12 blocking of the alt.binaries.e-book newsgroup from access by AOL users
13 upon receiving notice of Plaintiff's lawsuit. Further support comes from
14 *Netcom*. In *Netcom*, the court found there was a triable issue of fact as to an
15 ISP's right and ability to control and supervise infringement on its system.
16 The court also stated that whether the ISP's ability to terminate the accounts
17 of infringers and to block access to or delete infringing material "occurred
18 before or after the abusive conduct is not material to whether Netcom can
19 exercise control." *Id.* at 1376.

20 AOL disputes the *Napster* analogy. The *Napster* system, AOL argues,
21 was closed and afforded Napster the right and ability to control infringing
22 parties because only Napster members could access and commit
23 infringement on the system. By contrast, AOL's after-the-fact ability to
24 remove or block access to infringing activities by non-AOL users such as
25 Robertson does not constitute an ability to control or supervise. Robertson
26 accessed USENET from outside of AOL, and AOL had no ability to
27 effectively control his infringement.

28 AOL also points to the recent decision in *Hendrickson v. eBay* in

1 support of its contention that it did not possess the right and ability to
2 control the infringing activity. *See Hendrickson v. eBay*, 165 F.Supp.2d 1082
3 (C.D. Cal. 2001). In *eBay*, the district court held that “the ‘right and ability
4 to control’ the infringing activity, as the concept is used in the DMCA,
5 cannot simply mean the ability of a service provider to remove or block
6 access to materials posted on its website or stored on its system.” *Id.* at 1093.
7 The court reasoned that because the DMCA specifically requires ISPs to
8 remove or block access to infringing materials in order to avail themselves of
9 the limitation on liability found in subsection 512(c), the “right and ability
10 to control” must mean something more than the ability to delete or block
11 access to infringing materials after the fact. *See id.* Otherwise, “a service
12 provider loses immunity under the safe-harbor provision of the DMCA
13 because it engages in acts that are specifically required by the DMCA.” *Id.*
14 at 1094.

15 The *eBay* court’s analysis somewhat overstates the predicament (ISPs
16 not receiving a financial benefit directly attributable to the infringing
17 activity would not face this “catch-22”), but it does raise an interesting point,
18 namely: ISPs that do receive a financial benefit directly attributable to the
19 infringing activity and that wish to avail themselves of subsection (c)’s safe
20 harbor are required by 512(c)(1)(C) to delete or block access to infringing
21 material. Yet in taking such action they would, in Plaintiff’s analysis, be
22 admitting that they have the “right and ability to control” infringing
23 activity, which under 512(c)(1)(B) would prevent them from qualifying for
24 the subsection (c) safe harbor. It is conceivable that Congress intended that
25 ISPs which receive a financial benefit directly attributable to the infringing
26 activity would not, under any circumstances, be able to qualify for the
27 subsection (c) safe harbor. But if that was indeed their intention, it would
28 have been far simpler and much more straightforward to simply say as much.

1 The Court does not accept that Congress would express its desire to do so by
2 creating a confusing, self-contradictory catch-22 situation that pits
3 512(c)(1)(B) and 512(c)(1)(C) directly at odds with one another, particularly
4 when there is a much simpler explanation: the DMCA requires more than
5 the mere ability to delete and block access to infringing material after that
6 material has been posted in order for the ISP to be said to have “the right
7 and ability to control such activity.”

8 The DMCA did not simply rewrite copyright law for the on-line
9 world. Rather it crafted a number of safe harbors which insulate ISPs from
10 most liability should they be accused of violating traditional copyright law.⁹
11 And the legislative history expressly states that “new Section 512 does not
12 define what is actionable copyright infringement in the on-line environment
13 ... [t]he rest of the Copyright Act sets those rules.” H.R. Rep. 105-551(II), at
14 p. 64 (July 22, 1998). Nonetheless, there is much to be gained from defining
15 and analyzing certain terms and concepts consistently throughout copyright
16 law, including the DMCA. And when Congress chooses to utilize exact
17 phrases that have a specialized legal meaning under copyright law (i.e. “the
18 right and ability to control infringing activity”),¹⁰ and gives those phrases a
19 certain meaning in one context (i.e. under the DMCA, the ability to delete or
20

21 ⁹The DMCA provides that “[t]he failure of a service provider’s conduct to qualify for
22 limitation of liability under this section shall not bear adversely upon the consideration of a defense
23 by the service provider that the service provider’s conduct is not infringing under this title or any
24 other defense.” 17 U.S.C. §512(l); *see also* 3 NIMMER ON COPYRIGHT §12B.06[B].

25
26 ¹⁰*See* 3 NIMMER ON COPYRIGHT §12B.04[A][2] (“The combination of each of these twin
27 factors of financial benefit and ability to control [found in section 512(c)(1)(B) codifies both
28 elements of vicarious liability”).

1 block access to infringing materials after the infringement has occurred is
2 not enough to constitute “the right and ability to control”), Congress’s
3 choice provides at least persuasive support in favor of giving that phrase a
4 similar meaning when used elsewhere in copyright law.

5 Moreover, the right and ability to control the infringing behavior in
6 AOL’s case was substantially less than that enjoyed by the ISP in *Netcom*.
7 There, the ISP was one of two entities responsible for providing the direct
8 infringer with access to the Internet. *See Netcom*, 907 F.Supp. at 1365-66. As
9 a result, by taking affirmative steps against the other entity involved, the ISP
10 had the ability to target the infringer himself and deny him access to the
11 Internet. By contrast, AOL had no such ability to go after Robertson
12 personally here. Rather, it found itself in the same situation as every other
13 ISP in the world that had entered into peer agreements which included the
14 alt.binaries.e-book newsgroup. It could delete or block users’ access to the
15 infringing postings, but it could not do anything to restrict the infringing
16 activity at the root level.

17 The Court holds that AOL’s ability to delete or block access to
18 Robertson’s postings of infringing material after those postings had already
19 found their way onto AOL’s USENET servers was insufficient to constitute
20 “the right and ability to control the infringing activity” as that term is used
21 in the context of vicarious copyright infringement.

22 23 24 *2. Direct financial benefit*

25 Even if AOL had the right and ability to control Robertson’s
26 infringing activity, it would not be liable for vicarious copyright
27 infringement because it did not derive a direct financial benefit from that
28 activity. “Financial benefit exists where the availability of infringing

1 material 'acts as a "draw" for customers.'" *Napster*, 239 F.3d at 1023 (quoting
2 *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996)).

3 Ellison maintains that AOL's provision of access to USENET
4 newsgroups does act as a draw for customers. Like e-mail or instant
5 messaging, USENET access is one of the many services AOL provides in
6 order to lure new customers and retain old ones, Ellison urges. According to
7 Plaintiff, AOL's situation is indistinguishable from that in *Napster*, where
8 the Court of Appeals held that "[a]mple evidence supports the district court's
9 finding that Napster's future revenue is directly dependent upon 'increases
10 in userbase.'" *Id.* at 1023.

11 Plaintiff's argument ignores the requirement that any alleged financial
12 benefit must be direct. AOL did not receive any financial compensation
13 from its peering agreements and participation in USENET. And USENET
14 usage constitutes a very small percentage, 0.25%, of AOL's total member
15 usage; any "draw" to one particular newsgroup, such as alt.binaries.e-book,
16 is minuscule and remote, as the pro rata "draw" of any single newsgroup
17 (AOL carries more than 43,000 total) constitutes approximately 0.00000596%
18 of AOL's total usage. Moreover, the relevant subset of activity is not simply
19 USENET newsgroup usage, but that portion of USENET usage which is
20 related to copyright infringement. By way of example, only ten of AOL's
21 more than 20 million users inquired when AOL blocked all access to
22 alt.binaries.e-book on April 28, 2000.

23 USENET postings containing infringing copies of copyrighted works
24 cannot be characterized as a significant "draw" for customers. USENET
25 usage constitutes a very small percentage of total AOL usage, and Plaintiff
26 has failed to produce any evidence suggesting that a significant portion of
27 even that minimal usage entails the illegal exchange of files containing
28 copyrighted material. In this way AOL's situation is radically different from

1 that of Napster, whose service was devoted to the exchange of mp.3 music
2 files which usually contained unauthorized copies of copyrighted material.
3 Making it easier to exchange infringing copies of music files was Napster's
4 main draw:

5 And here the evidence establishes that a majority of Napster users use
6 the service to download and upload copyrighted music. This, in fact,
7 should come as no surprise to Napster since that really, it's clear from
8 the evidence in this case and the early records that were divulged in
9 discovery, was the purpose of it.

10 *A&M Records, Inc. v. Napster, Inc.*, 2000 WL 1009483, at *1 (N.D. Cal. July
11 26, 2000) (transcript of the proceedings). By contrast, only a tiny fraction of
12 AOL usage has anything to do with USENET, and only a substantially
13 smaller subset of that usage appears to have anything to do with infringing
14 copyrights.

15 *Fonovisa* presents another case in which courts have required that the
16 sale or distribution of infringing materials must be a significant draw to
17 customers in order for vicarious copyright liability to apply. In *Fonovisa*, the
18 defendant operated a swap meet at which third-party vendors routinely sold
19 counterfeit recordings that infringed on the plaintiff's copyrights. *Id.* at 260.
20 For example, a single 1991 Sheriff's department raid had netted more than
21 38,000 pirated recordings. "The facts alleged by Fonovisa ... reflect that the
22 defendants reap substantial financial benefits from admission fees,
23 concession stand sales and parking fees, all of which flow directly from
24 customers who want to buy the counterfeit recordings at bargain basement
25 prices." *Id.* at 263. "In short, in *Fonovisa*, a symbiotic relationship existed
26 between the infringing vendors and the landlord." *Adobe Systems Incorporated*
27 *v. Canus Productions, Inc.*, 173 F.Supp.2d 1044 (C.D. Cal. 2001) (discussing
28

1 *Fonovisa*).¹¹

2 By contrast, the record before the Court demonstrates that USENET
3 usage related to copyright infringement constitutes a minuscule portion of
4 AOL usage. The financial benefit accruing to AOL from such infringing
5 usage, if any benefit exists at all, is too indirect and constitutes far too small a
6 “draw” to fairly support the imposition of vicarious copyright liability on
7 AOL. Moreover, as with the discussion of AOL’s “right and ability to
8 control,” the DMCA provides at least persuasive support for interpreting
9 “direct financial benefit” to require something more than the indirect,
10 insignificant financial benefits that may have accrued to AOL as a result of
11 copyright infringement on its USENET servers. The legislative history of
12 the DMCA provides:

13 In determining whether the financial benefit criterion [of section
14 _____

15 ¹¹In *Adobe*, the district court reasoned that although some of the language in *Fonovisa* is quite
16 broad, the Ninth Circuit had implicitly recognized that vicarious copyright liability was only
17 appropriate where the infringing activity was a *substantial* draw, i.e. “substantial numbers of
18 customers are drawn to a venue with the explicit purpose of [obtaining] counterfeit goods.” *Adobe*,
19 173 F.Supp.2d at 1050. The *Adobe* Court noted that unless the counterfeit goods constituted “the
20 main customer ‘draw’ to the venue, *Fonovisa* would provide essentially for the limitless expansion
21 of vicarious liability into spheres wholly unintended by the court.” *Id.* at 1051. While the provision
22 of unauthorized copies of copyrighted material need not necessarily be *the main* customer draw, the
23 infringing activity must be at least a *substantial* draw. As the *Adobe* decision points out, to hold
24 otherwise would provide essentially for the limitless expansion of vicarious liability. For ISPs, the
25 vicarious copyright infringement doctrine might start to resemble strict liability for any material that
26 somehow finds its way onto the ISP’s servers.
27
28

1 512(c)(1)(B)] is satisfied, courts should take a common-sense, fact-
2 based approach, not a formalistic one. In general, a service provider
3 conducting a legitimate business would not be considered to receive a
4 'financial benefit directly attributable to the infringing activity' where
5 the infringer makes the same kind of payment as non-infringing users
6 of the provider's service.

7 H.R. Rep. 105-51(II), at p. 54 (July 22, 1998). Accordingly, summary
8 adjudication for AOL of Plaintiff's claim for vicarious copyright
9 infringement is granted.

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16 B. DMCA Limitations on Liability

17 AOL claims to qualify for two of the DMCA's "safe-harbor"
18 provisions, subsection (a), Transitory digital network communications, and
19 subsection (c), Information residing on systems or networks at direction of
20 users. *See* 17 U.S.C. §512(a), (c). These safe harbors do not confer absolute
21 immunity upon ISPs, but do drastically limit their potential liability based
22 on specific functions they perform (e.g. user-directed information storage).
23 *See generally* 17 U.S.C. §512. A party satisfying the requirements for one of
24 the safe harbors cannot be liable for monetary relief, or, with the exception of
25 the rather narrow relief available under subsection (j), for injunctive or other
26 equitable relief for copyright infringement. *See id.*

1 *I. Section 512(i)*

2 In order to avail itself of any of section 512's limitation-on- liability
3 safe harbors, AOL must also satisfy the two requirements laid out in section
4 512(i). Section 512(i) provides that all safe-harbor provisions established by
5 the DMCA shall apply to a service provider only if the service provider:

6 (A) has adopted and reasonably implemented, and informs subscribers
7 and account holders of the service provider's system or network of, a
8 policy that provides for the termination in appropriate circumstances
9 of subscribers and account holders of the service provider's system or
10 network who are repeat infringers; and

11 (B) accommodates and does not interfere with standard technical
12 measures.

13 17 U.S.C. §512(i)(1).

14 Furthermore, in order for an ISP to comply with subsection (i) and
15 avail itself of one of the DMCA's safe harbors, the ISP must have adopted,
16 reasonably implemented, and notified its members of the repeat infringer
17 termination policy at the time the allegedly infringing activity occurred.
18 Doing so after the infringing activity has already occurred is insufficient if
19 the ISP seeks a limitation of liability in connection with that infringing
20 activity. As explained by the district court in *Napster*, to hold otherwise
21 would be defeat the whole purpose of subsection (i):

22 Napster attempts to refute plaintiffs' argument by noting that
23 subsection (i) does not specify when the copyright compliance policy
24 must be in place. Although this characterization of subsection (i) is
25 factually accurate, it defies the logic of making formal notification to
26 users or subscribers a prerequisite to exemption from monetary
27 liability. The fact that Napster developed and notified its users of a
28 formal policy *after* the onset of this action should not moot plaintiffs'

1 claim to monetary relief for past harms.

2 *Napster*, 2000 WL 573136 at * 9 (original emphasis).

3 On its face, subsection (i) is only concerned with repeat-infringer
4 termination policies, and not with copyright infringement in general.
5 Nonetheless, Plaintiff urges that any reasonable policy whose goal is to put
6 repeat infringers on notice that they face possible termination must
7 necessarily include some procedures for actually identifying such individuals
8 in the first place, such as a mechanism whereby the public can notify an ISP
9 of copyright infringement occurring on its system. A termination policy
10 could not be considered “reasonably implemented” if the ISP remained
11 willfully ignorant of users on its system who infringe copyrights repeatedly.
12 Although the text of section 512(i) could conceivably support such an
13 interpretation, the legislative history demonstrates that Congress’s intent
14 was far more limited regarding subsection (i)¹²:

15 the Committee does not intend this provision to undermine the
16 principles of new subsection (l)¹³ or the knowledge standard of new
17 subsection (c) by suggesting that a provider *must investigate possible*
18 *infringements, monitor its service, or make difficult judgments as to whether*

19
20 ¹²The House Report was analyzing a version of the DMCA that was slightly different from
21 the version finally enacted by Congress and signed by President Clinton in late 1998. Accordingly,
22 what is now subsection (i) was then subsection (h). However, subsection (i) is not substantively
23 different from subsection (h), and both contain the same requirement that ISPs adopt, implement,
24 and inform subscribers of a termination policy for repeat infringers. Therefore, the legislative history
25 analyzing subsection (h) is equally relevant to subsection (i).
26

27 ¹³In the version of the DMCA actually enacted, subsection (l)’s equivalent is now found at
28 subsection (m).

1 *conduct is or is not infringing*. However, those who repeatedly or
2 flagrantly abuse their access to the Internet through disrespect for the
3 intellectual property rights of others should know that there is a
4 realistic threat of losing that access.

5 H.R. Rep. 105-551(II), at p. 61 (July 22, 1998) (emphasis added); *see also*
6 S.Rep. 105-190, at p. 51-52 (May 11, 1998) (providing *verbatim* the same
7 explanation of subsection(i)). In the face of such clear guidance from the
8 legislative history of the DMCA, subsection (i) cannot be interpreted to
9 require ISPs to take affirmative steps to investigate potential infringement
10 and set up notification procedures in an attempt to identify the responsible
11 individuals. Accordingly, many of Plaintiff's argument regarding
12 subsection (i) are irrelevant to determining whether AOL had reasonably
13 implemented a policy for termination of repeat infringers.¹⁴

14 It is undisputed that AOL satisfies prong (B) based on its
15 accommodation and non-interference with standard technical measures.
16 And AOL presents evidence to support the conclusion that it has also met
17 the requirements of prong (A). AOL's Terms of Service, to which every
18 AOL member must agree before becoming a member, includes a notice that
19 AOL members may not make unauthorized copies of content protected by
20 copyrights, trademarks, or any other intellectual property rights. They also
21 notify members that their AOL accounts could be terminated for making
22 such unauthorized copies.

23 Plaintiff contends, however, that AOL cannot satisfy prong (A) of
24 subsection 512(i)(1) because although the ISP has presented substantial
25 evidence of compliance, most of that evidence comes from March 2001,

26
27 ¹⁴These arguments are, however, relevant to determining whether AOL complied with the
28 requirements of subsection (c).

1 nearly a year after the infringing conduct occurred. AOL's percipient
2 witness, Elizabeth Compton, testified that AOL's procedures for notifying its
3 users that their access could be terminated if they were to infringe others'
4 copyrights has not changed substantively since April 2000. However,
5 Plaintiff challenges the credibility and competency of Ms. Compton, whose
6 grasp of the technical side of AOL's copyright infringement procedures was
7 decidedly less than expert.

8 In addition, Plaintiff notes that although AOL claims to have
9 complied with subsection (i) and adopted and reasonably implemented
10 policies aimed at terminating repeat infringers, Compton testified that no
11 individual has ever been terminated for being a repeat infringer. Given the
12 millions of AOL users, Plaintiff argues, this lack of even a single termination
13 for repeat infringement is evidence that AOL has failed to fulfill its
14 obligation to reasonably implement its subsection(i) termination policy.
15 Moreover, Compton testified at her deposition that at the time of the
16 infringement, AOL had not precisely defined how many times a user had to
17 be guilty of infringement before that user could be classified as a "repeat
18 infringer." Plaintiff claims this is further evidence that AOL had failed to
19 comply with the reasonable-implementation requirement of subsection (i).

20 As noted above in the discussion of the legislative history of the
21 DMCA, however, subsection (i) does not require AOL to actually terminate
22 repeat infringers, or even to investigate infringement in order to determine if
23 AOL users are behind it.¹⁵ That is the province of subsection (c), which
24

25
26 ¹⁵As such, the "realistic threat of losing [Internet] access" that Congress wishes ISPs to
27 impress upon would-be infringers remains just that -- a mere threat -- unless the ISP decides to
28 implement procedures aimed at identifying, investigating, and remedying infringement in hopes of

1 provides detailed requirements related to notification of infringement and
2 the ISPs' responsibility to investigate and, in some instances, delete or block
3 access to infringing material on their systems. Subsection (i) only requires
4 AOL to put its users on notice that they face a realistic threat of having their
5 Internet access terminated if they repeatedly violate intellectual property
6 rights.

7 Plaintiff has attacked the credibility and competence of Elizabeth
8 Compton, and in particular challenges her assertion that the AOL's
9 procedures for compliance with subsection (i) have not changed
10 substantively since April 2000. But most of Plaintiff's "attacks" only
11 demonstrate that Ms. Compton did not understand the technical means by
12 which access to infringing material on AOL's servers may be blocked or by
13 which an AOL user's Internet access could be terminated. While such
14 shortcomings might be relevant when weighing her testimony regarding
15 AOL's compliance with subsection (c), they are not relevant when
16 considering the much less stringent (and less technical) requirements of
17 subsection (i). And although Plaintiff disputes Compton's claim that AOL's
18 notification policy has not changed, he has not produced any evidence to the
19 contrary. "When a motion for summary judgment is made and supported as
20 _____
21 meeting the requirements of subsection (c)'s safe harbor. Such an arrangement makes a certain
22 amount of sense. If subsection (i) obligated ISPs to affirmatively seek out information regarding
23 infringement and then investigate, eradicate, and punish infringement on their networks, then most
24 if not all of the notice and takedown requirements of the subsection (c) safe harbor would be
25 indirectly imported and applied to subsections (a) and (b) as well. This would upset the carefully
26 balanced, "separate function - separate safe harbor - separate requirements" architecture of the
27 DMCA.
28

1 provided in this rule, an adverse party may not rest upon the mere
2 allegations or denials of the adverse party's pleading, but the adverse party's
3 response, by affidavits or as otherwise provided in this rule, must set forth
4 specific facts showing that there is a genuine issue for trial." Fed. R. Civ.
5 Proc. 56(e).

6 Accordingly, the Court holds that AOL had satisfied the requirements
7 of 17 U.S.C. § 512(i) at the time of the alleged infringement of Ellison's
8 copyrights.

9
10
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12 *2. Section 512's limitations on liability (a) through (d)*

13 Section 512(n) explicitly provides that each of the four limitation-on-
14 liability safe harbors found in subsections (a) through (d) "describe separate
15 and distinct functions for purposes of applying this section." *Id.* As a result,
16 "[w]hether a service provider qualifies for the limitation of liability in any
17 one of the subsections shall be based solely on the criteria in that subsection,
18 and shall not affect a determination of whether the service provider qualifies
19 for the limitations on liability under any other such subsection." *Id.* The
20 DMCA's legislative history provides the following instructional example:

21 Section 512's limitations on liability are based on functions, and each
22 limitation is intended to describe a separate and distinct function.

23 Consider, for example, a service provider that provides a hyperlink to a
24 site containing infringing material which it then caches on its system
25 in order to facilitate access to it by its users. This service provider is
26 engaging in at least three functions that may be subject to the
27 limitation on liability: transitory digital network communications
28 under subsection (a), system caching under subsection (b), and

1 information locating tools under subsection (d).
2 H.R. Rep. 105-551(II), at p. 65 (July 22, 1998). In this example, if the service
3 provider met the threshold requirements of subsection (i), “then for its acts
4 of system caching it is eligible for that limitation on liability with
5 corresponding narrow injunctive relief. But if the same company is
6 committing an infringement by using information locating tools to link its
7 users to infringing material, then its fulfillment of the requirements to claim
8 the system caching liability limitation does not affect whether it qualifies for
9 the liability limitation for information location tools.” 3 NIMMER ON
10 COPYRIGHT §12B.06[A], at 12B-53, 54.

11 Although AOL performs many Internet-service-provider-related
12 functions, Plaintiff’s claims against AOL are based solely on its storage of
13 USENET messages on its servers and provision of access to those USENET
14 messages to AOL users and others accessing the AOL system from outside.

15 AOL claims that it is eligible under both subsections (a) and (c) for a
16 limitation on liability regarding Plaintiff’s claims against it.

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20 *3. Subsection (a)’s limitation on liability*

21 AOL contends that it meets all the criteria for the limitation-on-
22 liability safe harbor found in subsection (a), which provides:

23 (a) *Transitory digital network communications.* – A service provider
24 shall not be liable for monetary relief, or, except as provided in
25 subsection (j), for injunctive or other equitable relief, for the
26 infringement of copyright by reason of the provider’s transmitting,
27 routing, or providing connections for, material through a system or
28 network controlled or operated by or for the service provider, or by

1 reason of the intermediate and transient storage of that material in the
2 course of transmitting, routing, or providing connections, if –
3 (1) the transmission of the material was initiated by or at the direction
4 of a person other than the service provider;
5 (2) the transmission, routing, provision of connections, or storage is
6 carried out through an automatic technical process without selection of
7 the material by the service provider;
8 (3) the service provider does not select the recipients of the material
9 except as an automatic response to the request of another person;
10 (4) no copy of the material made by the service provider in the course
11 of such intermediate or transient storage is maintained on the system
12 or network in a manner ordinarily accessible to anyone other than
13 anticipated recipients, and no such copy is maintained on the system
14 or network in a manner ordinarily accessible to such anticipated
15 recipients for a longer period than is reasonably necessary for the
16 transmission, routing, or provision of connections; and
17 (5) the material is transmitted through the system without
18 modification of its content.

19 Subsection (a) does not require ISPs to remove or block access to infringing
20 materials upon receiving notification of infringement, as is the case with
21 subsections (c) and (d).

22 On the other hand, the term “service provider” is defined more
23 restrictively for subsection (a) than it is throughout the rest of section 512.
24 *See* 17 U.S.C. §512(k). “As used in subsection (a), the term ‘service provider’
25 means an entity offering the transmission, routing, or providing of
26 connections for digital online communication, between or among points
27 specified by a user, of material of the user’s choosing, without modification
28

1 to the content of the material as sent or received.”¹⁶ *Id.* In effect, this
2 definition merely restates a number of the requirements that are already set
3 forth in subsection (a). Therefore, Plaintiff’s contention that AOL does not
4 meet the restrictive definition of a “service provider” as subsection (k)
5 defines that term for subsection (a) does not need to be addressed separately
6 from Plaintiff’s arguments that AOL cannot satisfy the requirements of
7 subsection (a). The Court addresses each of those requirements in turn.

8
9 Plaintiff argues that AOL’s USENET servers do not engage in
10 “intermediate and transient storage” of USENET messages such as the one
11 posted by Robertson. Instead, AOL stores USENET messages containing
12 binary files on its servers for up to fourteen days.”¹⁷ AOL, however, claims
13 that the USENET message copies are “intermediate.” AOL’s role is as an
14 intermediary between the original USENET user who posts a message, such
15 as Robertson, and the recipient USENET users who later choose to view the
16 message.

17 By itself, the term “intermediate and transient storage” is rather

18
19 ¹⁶ By contrast, for the purposes of the rest of section 512, the term ‘service provider’ is
20 defined more broadly as “a provider of online services or network access, or the operator of facilities
21 therefor.” 17 U.S.C. §512(k)(2)

22 ¹⁷Plaintiff has presented evidence suggesting that despite AOL’s 14-day storage protocol,
23 certain USENET messages containing binary files might have resided on AOL’s servers for up to
24 thirty-one days, but he makes no claim that such was the case with the messages containing
25 infringing copies of his works (nor with any other infringing messages in the alt.binaries.e-book
26 newsgroup). When deciding whether AOL qualifies for subsection (a)’s limitations on liability, the
27 Court considers only the allegedly infringing postings.
28

1 ambiguous. And it is unclear from reading the DMCA whether AOL's
2 storage of USENET messages containing binary files on its servers for
3 fourteen days in order to make those messages accessible to AOL users
4 constitutes "intermediate and transient storage." Certain functions such as
5 the provision of e-mail service or Internet connectivity clearly fall under the
6 purview of subsection (a); other functions such as hosting a web site or
7 chatroom fall under the scope of subsection (c). The question presented by
8 this case is which subsection applies to the function performed by AOL
9 when it stores USENET messages in order to provide USENET access to
10 users. Faced with the ambiguous language in the statute itself, the Court
11 looks to the DMCA's legislative history for guidance in interpretation. The
12 only real guidance is provided in the House Judiciary Committee Report.
13 *See* H.R. Rep. 105-551 (May 22, 1998).

14 The Court is mindful that reliance on the Report issued by the House
15 Judiciary Committee, "the body that traditionally vets copyright
16 legislation",¹⁸ is somewhat problematic. The Report's section-by-section
17 analysis was based on an early version of the DMCA which differs in a
18 number of ways from the final version that was eventually enacted by
19 Congress. And the Court recognizes that "even if the language of a given
20 feature [in the earlier version of the bill] does ultimately follow through to
21 the Digital Millennium Copyright Act, the meaning may be different in the
22 context of a law containing vastly more provisions than the [earlier
23 version]." 3 NIMMER ON COPYRIGHT §12B.01[C], at 12B-19.
24 Nonetheless, the Court believes that the analysis in the House Judiciary
25 Committee Report provides the clearest guidance concerning Congress'
26 intent.

27
28 ¹⁸ 3 NIMMER ON COPYRIGHT §12B.01[C], at 12B-18.

1 At the time the first House Report was issued, the Committee was
2 considering a version of the bill that differs in many ways from the final
3 version that was eventually enacted into law as the DMCA. However, the
4 previous version's language regarding "the intermediate storage and
5 transmission of material" is very similar to the "intermediate and transient
6 storage of that material" language that is found in the final version of the
7 DMCA. Moreover, the portion of subsection (a) in the previous version,
8 having to do with maintaining material on the system, is also extremely
9 similar to the corresponding language found in the enacted version of the
10 DMCA at 512(a)(4).¹⁹ Although other aspects of the bill changed
11 substantially before the final version was enacted into law, the language
12 dealing with the "intermediate storage" did not. Accordingly, the section-
13 by-section analysis found in the First House Report is relevant to

14 _____
15 ¹⁹The version considered by the House Judiciary Committee, at 512(a)(C) states that "(C) no
16 copy of the material thereby made by the provider is maintained on the provider's system or network
17 in a manner ordinarily accessible to anyone other than the recipients anticipated by the person who
18 initiated the transmission, and no such copy is maintained on the system or network in a manner
19 ordinarily accessible to such recipients for a longer period than is reasonably necessary for the
20 transmission."

22 The final version of the DMCA provides, at subsection 512(a)(4), that "(4) no copy of the
23 material made by the service provider in the course of such intermediate and transient storage is
24 maintained on the system or network in a manner ordinarily accessible to anyone other than
25 anticipated recipients, and no such copy is maintained on the system or network in a manner
26 ordinarily accessible to such anticipated recipients for a longer period than is reasonably necessary
27 for the transmission, routing, or provision of connections."
28

1 interpreting whether AOL's storage of USENET messages in order to
2 provide USENET access to AOL users constitutes (1) "intermediate and
3 transient storage" of (2) copies that are not "maintained on the system or
4 network ... for a longer period than is reasonably necessary for the
5 transmission, routing, or provision of connections." 17 U.S.C. §512(a),
6 (a)(4).

7 The First House Report answers both of those questions with a
8 resounding yes:

9 The exempted storage and transmissions are those carried out through
10 an automatic technological process that is indiscriminate - i.e., the
11 provider takes no part in the selection of the particular material
12 transmitted - where the copies are retained no longer than necessary
13 for the purpose of carrying out the transmission. This conduct would
14 ordinarily include forwarding of customers' Usenet postings to other
15 Internet sites in accordance with configuration settings that apply to
16 all such postings...

17 This exemption codifies the result of *Religious Technology Center v.*
18 *Netcom On-line Communications Services, Inc.*, 907 F.Supp. 1361
19 (N.D. Cal. 1995) ("Netcom"), with respect to liability of providers for
20 direct copyright infringement.²⁰ See *id.* at 1368-70. In Netcom the

21
22 ²⁰Any argument that this codification of *Netcom's* facts regarding intermediate storage was
23 only meant to apply to direct infringement, and not to vicarious or contributory infringement, is
24 forestalled by subsection (2) of the version of the bill then under consideration by the Judiciary
25 Committee. For subsection (2) makes it clear that the same limitations on liability that apply under
26 subsection (1) for direct infringement also apply to "contributory infringement or vicarious liability,
27 based solely on conduct described in paragraph (1)." See H.R. Rep. 105-551(I), at p. 8. In effect,
28

1 court held that a provider is not liable for direct infringement where it
2 takes no 'affirmative action that [directly results] in copying ... works
3 other than by installing and maintaining a system whereby software
4 automatically forwards messages received from subscribers ... and
5 temporarily stores copies on its system." *By referring to temporary storage*
6 *of copies, Netcom recognizes implicitly that intermediate copies may be*
7 *retained without liability for only a limited period of time. The requirement in*
8 *512(a)(1) that "no copy be maintained on the system or network ... for a*
9 *longer period than reasonably necessary for the transmission" is drawn from*
10 *the facts of the Netcom case, and is intended to codify this implicit limitation*
11 *in the Netcom holding.*

12 H.R. Rep. 105-551(I), at p. 24. (emphasis added).

13 In *Netcom*, infringing USENET postings were stored on Netcom's

14 _____
15 subsection (2) provided that regardless of a plaintiff's theory of infringement - direct, contributory,
16 or vicarious - it was the underlying conduct of the ISP, i.e. the function it was performing, that is
17 central to determining whether the ISP qualifies for a limitation on liability. The section-by-section
18 analysis said this of subsection (2): "Paragraph 512(a)(2) exempts a provider from any type of
19 monetary relief under theories of contributory infringement or vicarious liability for the same
20 activities for which providers are exempt from liability for direct infringement under paragraph
21 512(a)(1). This provision extends the *Netcom* holding with respect to direct infringement to remove
22 monetary exposure for such limited activities for claims arising under doctrines of secondary
23 liability. Taken together, paragraphs (1) and (2) mean that providers will never be liable for any
24 monetary damages for this type of transmission of material at the request of third parties or for
25 intermediate storage of such material in the course of the transmission." H. R. Rep. 105-551(I), at
26 p. 25.

1 servers for up to eleven days, during which those postings were accessible to
2 Netcom users. *See Netcom*, 907 F.Supp. at 1368. In AOL's case, messages
3 containing binary files, such as the message posted by Robertson, were
4 stored on AOL's servers for up to fourteen days. While "intermediate copies
5 may be retained without liability for only a limited period of time," the
6 three-day difference between AOL's USENET storage and that of Netcom is
7 insufficient to distinguish the two cases.

8 Accordingly, the Court finds that AOL's storage of Robertson's posts
9 on its USENET servers constitutes "intermediate and transient storage" that
10 was not "maintained on the system or network ... for a longer period than is
11 reasonably necessary for the transmission, routing, or provision of
12 connections."

13 While this issue presented the central disagreement regarding AOL's
14 qualifications for subsection(a)'s limitation-on-liability safe harbor, the
15 parties also dispute whether AOL satisfies other requirements set forth in
16 subsection (a).

17
18 *(1) the transmission of the material was initiated by or at the direction of a person*
19 *other than the service provider*

20 It is clear that the transmission of Robertson's newsgroup message was
21 not initiated by or at the direction of AOL. In fact, Plaintiff does not appear
22 to even dispute this conclusion. (Plaintiff's Separate Statement of Genuine
23 Issues at II(3), 6/4/2001 Motion for summary judgment).

24
25
26 *(2) the transmission, routing, provision of connections, or storage is carried out*
27 *through an automatic technical process without selection of the material by the service*
28 *provider*

1 Plaintiff claims that AOL selects the material that is transmitted,
2 routed, and stored in its USENET groups. Namely, AOL decides which
3 newsgroups its subscribers may access through its newsgroup service.

4 AOL did not select the individual postings on the alt.binaries.e-book
5 newsgroup, let alone the handful of infringing Robertson posts. 512(a)(2) is
6 concerned with “selection of the material,” meaning the allegedly infringing
7 material, not material generally. By focusing on AOL’s decision to not carry
8 every single newsgroup conceivably available, Plaintiff is attempting to slip
9 from the specific to the general, despite the fact that subsection (a) is
10 concerned with the specific material giving rise to the Plaintiff’s claims
11 against AOL.

12 Even if Plaintiff were right, and AOL’s treatment of USENET
13 messages in general was the relevant inquiry, AOL’s failure to carry every
14 newsgroup available would not disqualify it from subsection (a)(2).
15 Although this would present a closer call, the Court thinks that an ISP
16 would need to take a greater editorial role than merely choosing not to carry
17 certain newsgroups. Although the legislative history states that “subsection
18 (a)(2) means the editorial function of determining what material to send, or
19 the specific sources of material to place on-line,” H.R. Rep. 105-551(II) (July
20 22, 1998), the better interpretation of (a)(2) is that the ISP would have to
21 choose specific postings, or perhaps block messages sent by users expressing
22 opinions with which the ISP disagrees. If an ISP forfeits its ability to qualify
23 for subsection (a)’s safe harbor by deciding not to carry every USENET
24 newsgroup or web site possible, then the DMCA would have the odd effect of
25 punishing ISPs that choose not to carry, for example, newsgroups devoted to
26 child pornography and prostitution, or web sites devoted to ritual torture.²¹

27
28 ²¹ISPs would also be punished for making the economic decision not to provide access to

1 Given the concern Congress has shown in other bills for children's access to
2 obscene materials on-line, it would be absurd to conclude that Congress
3 intended such a result with regard to the DMCA.

4
5 *(3) the service provider does not select the recipients of the material except as an*
6 *automatic response to the request of another person*

7 Plaintiff argues that AOL selects the recipients of the material because
8 it chooses to engage in USENET peering agreements with some entities but
9 not with others. First, as with (a)(2), Plaintiff's argument fails because
10 section 512(a) is concerned with AOL's selection of the recipients of the
11 material in question in this lawsuit, i.e. Robertson's infringing posts. It is
12 clear that AOL did not select certain recipients for that material. Rather, it
13 was accessible to any AOL user through AOL's USENET newsgroup server.
14 Second, and also analogous to (a)(2), the better interpretation is that AOL
15 would have to direct material to certain recipients (e.g. all AOL members
16 whose names start with "G") but not others. If AOL were to lose its ability
17 to qualify for subsection(a)'s safe harbor because it has peer agreements with
18 some entities but not with others, then the DMCA would appear to place an
19 affirmative obligation on AOL to enter into peering arrangements with every
20 conceivable peering entity in the world. This could not have been what
21 Congress' intent.

22
23 *(5) the material is transmitted through the system without modification of its content*

24 Plaintiff does not seriously contest that AOL does not modify the
25 content of newsgroup messages stored on its servers and transmitted through
26 its system. Moreover, Plaintiff has presented no evidence that AOL in any

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28 newsgroups and other sites for which there was no user demand.

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way modified the content of Robertson's infringing posts.

The Court hereby finds that AOL qualifies for the limitation-on-liability provided under subsection 512(a).²²

V. Conclusion

The Court hereby **GRANTS** Defendant AOL's Motion for summary judgment. This Order disposes of Motions #109, 152, and 156 on the Court's Docket for this Matter.

Dated: March 12, 2002.


FLORENCE-MARIE COOPER, Judge
UNITED STATES DISTRICT COURT

²²Accordingly, we need not reach the arguments presented by the parties regarding AOL's satisfaction of the requirements of subsection 512(c).