

No. 03-1911

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

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

Plaintiffs-Appellants

v.

LOOPNET INC.,

Defendant-Appellee.

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

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

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

CORPORATE DISCLOSURES

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

AUTHORITY TO FILE

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

DESCRIPTION AND INTEREST OF THE *AMICI*

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

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

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

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

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

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

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

Amicus Computer & Communications Industry Association (CCIA)

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

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

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

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

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

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

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

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

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

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INTRODUCTION AND SUMMARY OF ARGUMENT

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

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

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

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

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

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

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

CoStar, however, has renounced any reliance on these traditional doctrines, and has brought this artificial appeal¹ with its *amici* in an effort to establish a new doctrine of *per se* service provider liability. Because the DMCA does not affect the underlying question of infringement, *vel non*, such a doctrine would mean that virtually every service provider was a copyright infringer as a result of third-party use of its system, subject at all times to burdensome litigation and to repeated entry

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

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

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

ARGUMENT

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

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

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

necessitates a two-step analysis when evaluating service provider liability. First, the court must determine, under prevailing theories of direct, contributory and vicarious liability (and exceptions and limitations to copyright rights, such as fair use) whether the service provider is liable as an infringer for its user's acts of copyright infringement. Second, the court must determine whether the remedies available for that infringement are limited under any of the provisions of section 512.² These are distinct inquiries.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Id. at 55 (emphasis added).

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

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

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

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

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

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

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

Nimmer at 12B-76.⁶

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

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

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

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

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

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

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

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

The compromise bill subsequently negotiated by the stakeholders, introduced in S. 2037, discussed in later reports and ultimately enacted, reflects a significantly different approach, eliminating separate treatment of direct and secondary liability and providing that Title II would be a “safe harbor” limiting

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

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

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

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

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

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

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

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

This Court in *ALS Scan* agreed with Congress’ observation and expressly approved *Netcom* as “more persuasive,” rejecting the copyright owner’s argument (repeated by appellants here) that *Frena* was the “better reasoned position.” *ALS Scan*, 239 F.3d at 622. *ALS Scan* indicated that contributory infringement, not direct infringement, was the proper rubric for analyzing a service provider’s liability for users’ content. *Id.* at 621 n.1.⁷ After concluding that the service provider was not entitled to summary judgment under the DMCA safe harbors, the Court remanded for further consideration of infringement liability and defenses. *Id.* at 626. Contrary to CoStar’s argument (at 29), *ALS Scan* neither departed from

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

nor modified *Netcom*.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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


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

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

CONCLUSION

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

Respectfully Submitted,



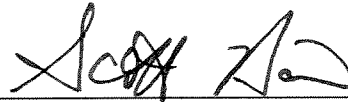
Bruce G. Joseph
Scott E. Bain
WILEY REIN & FIELDING LLP
1776 K Street, NW
Washington, DC 20006
202-719-7000

December 30, 2003

Counsel for Internet *Amici*

CERTIFICATE OF COMPLIANCE

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



Scott E. Bain


CERTIFICATE OF SERVICE

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

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

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

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



Scott E. Bain