

No. 11-3190

**UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT**

FLAVA WORKS, INC.,

Plaintiff-Appellee,

v.

**MARQUES RONDALE GUNTER d/b/a
myVIDSTER.com. and SalsaIndy, LLC,**

Defendants-Appellants.

**Appeal From The United States District Court For
The Northern District of Illinois, Eastern Division
Case No. 1:10-cv-06517**

The Honorable Judge John F. Grady

**SEPARATE APPENDIX OF
DEFENDANTS-APPELLANTS**

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Flava Works, Inc. v. Marques Rondale Gunter, et al.
U.S. Court of Appeals for the Seventh Circuit
Case No. 11-3190

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N/A	N/A	House Committee on Commerce Report, H.R. Rep. No. 105-551 (Part 2), 105th Cong., 2d Sess., at 61 (July 22, 1998)

AO279, APPEAL, MASON

United States District Court
Northern District of Illinois - CM/ECF LIVE, Ver 4.2 (Chicago)
CIVIL DOCKET FOR CASE #: 1:10-cv-06517
Internal Use Only

Flava Works, Inc. v. Gunter et al
Assigned to: Honorable John F. Grady
Demand: \$9,999,000

Case in other court: 11-03190

Cause: 17:101 Copyright Infringement

Date Filed: 10/12/2010
Jury Demand: Both
Nature of Suit: 820 Copyright
Jurisdiction: Federal Question

Plaintiff

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V.

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Counter Claimant

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V.

Counter Defendant

Flava Works, Inc.

represented by **Meanith Huon**
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ATTORNEY TO BE NOTICED

Date Filed	#	Docket Text
10/12/2010	1	COMPLAINT filed by Flava Works, Inc.; Jury Demand. Filing fee \$ 350, receipt number 0752-5306478. (Attachments: # 1 Exhibit Exhibits A, B, C, D, # 2 Exhibit Exhibits E, G, # 3 Exhibit Exhibit F Part I, # 4 Exhibit Exhibit F Part II, # 5 Exhibit Exhibit H, I, J, K)(Huon, Meanith) (Entered: 10/12/2010)
10/12/2010	2	CIVIL Cover Sheet (Huon, Meanith) (Entered: 10/12/2010)
10/12/2010	3	ATTORNEY Appearance for Plaintiff Flava Works, Inc. by Meanith Huon (Huon, Meanith) (Entered: 10/12/2010)
10/12/2010		CASE ASSIGNED to the Honorable John F. Grady. Designated as Magistrate Judge the Honorable Michael T. Mason. (lcw,) (Entered: 10/12/2010)
10/13/2010	4	(Court only) MAILED Copyright Report to Register of Copyrights, Copyright office, Washington, DC (ca,). (Entered: 10/13/2010)
10/14/2010		SUMMONS Issued as to Defendants Marques Rondale Gunter, SalsaIndy, LLC, myVidster.com (emd,) (Entered: 10/14/2010)
11/22/2010	5	ATTORNEY Appearance for Defendants Marques Rondale Gunter, SalsaIndy, LLC by William J. Lenz (Lenz, William) (Entered: 11/22/2010)
11/22/2010	6	ATTORNEY Appearance for Defendants Marques Rondale Gunter, SalsaIndy, LLC by Gregory James Leighton (Leighton, Gregory) (Entered: 11/22/2010)
11/22/2010	7	MOTION by Defendants Marques Rondale Gunter, SalsaIndy, LLC for an extension of the deadline to answer or otherwise plead (Lenz, William) Modified on 11/23/2010 (ca,). (Entered: 11/22/2010)
11/22/2010	8	NOTICE of Motion by William J. Lenz for presentment of motion for extension of time to file answer 7 before Honorable John F. Grady on 11/24/2010 at 10:30 AM. (Lenz, William) (Entered: 11/22/2010)
11/24/2010	9	MINUTE entry before Honorable John F. Grady: Motion hearing held. Defendants' Motion for an Extension of the Deadline to Answer or Otherwise Plead 7 is granted to the extent the defendant shall have until 1/10/2011 to answer or otherwise plead to the Plaintiff's Complaint. Mailed notice (ca,) (Entered: 11/29/2010)
12/11/2010	10	MOTION by Plaintiff Flava Works, Inc. for leave to file an amended complaint 1 (Attachments: # 1 Exhibit, # 2 Exhibit, # 3 Exhibit, # 4 Exhibit, # 5 Exhibit, # 6 Exhibit, # 7 Exhibit, # 8 Exhibit, # 9 Exhibit)(Huon, Meanith) Modified on 12/13/2010 (ca,). (Entered: 12/11/2010)
12/11/2010	11	NOTICE of Motion by Meanith Huon for presentment of motion to amend/correct, motion for relief 10 before Honorable John F. Grady on

		1/12/2011 at 11:00 AM. (Huon, Meanith) (Entered: 12/11/2010)
01/10/2011	<u>12</u>	MOTION by Defendants SalsaIndy, LLC, myVidster.com, Marques Rondale Gunter to Dismiss Plaintiff's amended complaint (Leighton, Gregory) Modified on 1/11/2011 (ca,). (Entered: 01/10/2011)
01/10/2011	<u>13</u>	MEMORANDUM by Marques Rondale Gunter, SalsaIndy, LLC, myVidster.com in support of motion to dismiss <u>12</u> (Leighton, Gregory) (Entered: 01/10/2011)
01/10/2011	<u>14</u>	NOTICE of Motion by Gregory James Leighton for presentment of motion to dismiss <u>12</u> before Honorable John F. Grady on 1/12/2011 at 10:30 AM. (Leighton, Gregory) (Entered: 01/10/2011)
01/12/2011	<u>15</u>	MINUTE entry before Honorable John F. Grady: Motion hearing held. Plaintiff's Motion for Leave to File an Amended Complaint <u>10</u> is granted. Plaintiff's response to Defendants Motion to Dismiss Plaintiff's Amended Complaint <u>12</u> shall be due 3/1/2011; Reply shall be due 3/22/2011. Defendants' Motion to Dismiss Plaintiff's Amended Complaint <u>12</u> shall be taken under advisement. Mailed notice (ca,) (Entered: 01/14/2011)
01/15/2011	<u>16</u>	First AMENDED complaint by Flava Works, Inc. against All Defendants (Attachments: # <u>1</u> Exhibit A through D, # <u>2</u> Exhibit E and G, # <u>3</u> Exhibit F Part I, # <u>4</u> Exhibit F, Part II, # <u>5</u> Exhibit H through K, # <u>6</u> Exhibit L, # <u>7</u> Exhibit M, # <u>8</u> Exhibit N)(Huon, Meanith) (Entered: 01/15/2011)
01/15/2011	<u>17</u>	NOTICE by Flava Works, Inc. re amended complaint, <u>16</u> (Huon, Meanith) (Entered: 01/15/2011)
01/18/2011	<u>18</u>	SUMMONS Issued, one original as to Defendant Voxel Dot Net, Inc. (ca,). (Entered: 01/19/2011)
02/27/2011	<u>19</u>	RESPONSE by Flava Works, Inc.in Opposition to MOTION by Defendants SalsaIndy, LLC, myVidster.com, Marques Rondale Gunter to dismiss <u>12</u> (Huon, Meanith) (Entered: 02/27/2011)
03/12/2011	<u>20</u>	MOTION by Plaintiff Flava Works, Inc. for preliminary injunction (Huon, Meanith) (Entered: 03/12/2011)
03/12/2011	<u>21</u>	MEMORANDUM by Flava Works, Inc. in support of motion for preliminary injunction <u>20</u> (Attachments: # <u>1</u> Exhibit A)(Huon, Meanith) (Entered: 03/12/2011)
03/12/2011	<u>22</u>	NOTICE of Motion by Meanith Huon for presentment of motion for preliminary injunction <u>20</u> before Honorable John F. Grady on 3/16/2011 at 11:00 AM. (Huon, Meanith) (Entered: 03/12/2011)
03/15/2011	<u>23</u>	ATTORNEY Appearance for Defendants Marques Rondale Gunter, SalsaIndy, LLC by Kathleen E. Blouin (Blouin, Kathleen) (Entered: 03/15/2011)
03/15/2011	<u>24</u>	ATTORNEY Appearance for Defendant Voxel Dot Net, Inc. by Jeffery S

		Davis (Davis, Jeffery) (Entered: 03/15/2011)
03/15/2011	<u>25</u>	MOTION by Defendant Voxel Dot Net, Inc. for extension of time (<i>UNOPPOSED MOTION</i>) (Davis, Jeffery) (Entered: 03/15/2011)
03/15/2011	<u>26</u>	NOTICE of Motion by Jeffery S Davis for presentment of extension of time <u>25</u> before Honorable John F. Grady on 3/16/2011 at 11:00 AM. (Davis, Jeffery) (Entered: 03/15/2011)
03/16/2011	<u>27</u>	MINUTE entry before Honorable John F. Grady. Motion hearing held. Plaintiffs motion for preliminary injunction <u>20</u> is entered and continued to May 18, 2011 at 1:00 p.m. Defendant Voxel Dot Net, Inc.s unopposed motion for extension of time until May 2, 2011 to plead to the complaint <u>25</u> is granted. Mailed notice (lw,). (Entered: 03/17/2011)
03/21/2011	<u>28</u>	MOTION by Defendants Marques Rondale Gunter, SalsaIndy, LLC, myVidster.com for discovery (Blouin, Kathleen) (Entered: 03/21/2011)
03/21/2011	<u>29</u>	NOTICE of Motion by Kathleen E. Blouin for presentment of motion for discovery <u>28</u> before Honorable John F. Grady on 4/13/2011 at 11:00 AM. (Blouin, Kathleen) (Entered: 03/21/2011)
03/22/2011	<u>30</u>	REPLY by Marques Rondale Gunter, SalsaIndy, LLC, myVidster.com to response in opposition to motion <u>19</u> <i>to dismiss Amended Complaint</i> (Leighton, Gregory) (Entered: 03/22/2011)
03/22/2011	<u>31</u>	NOTIFICATION of Affiliates pursuant to Local Rule 3.2 by Voxel Dot Net, Inc. (Davis, Jeffery) (Entered: 03/22/2011)
04/01/2011	<u>32</u>	ATTORNEY Appearance for Defendant Voxel Dot Net, Inc. by Charles Lee Mudd, Jr (Mudd, Charles) (Entered: 04/01/2011)
04/05/2011	<u>33</u>	ATTORNEY Appearance for Defendant Voxel Dot Net, Inc. by Mark Anthony Petrolis (Petrolis, Mark) (Entered: 04/05/2011)
04/12/2011	<u>34</u>	RESPONSE by Flava Works, Inc. to MOTION by Defendants Marques Rondale Gunter, SalsaIndy, LLC, myVidster.com for discovery <u>28</u> (Huon, Meanith) (Entered: 04/12/2011)
04/13/2011	<u>35</u>	MINUTE entry before Honorable John F. Grady. Motion hearing held. Salsaindy, LLCs motion for expedited limited discovery <u>28</u> is granted as discussed in court. Each side will be permitted to conduct two depositions, limited to ninety minutes, for each deposition. Mailed notice (lw,). (Entered: 04/15/2011)
04/20/2011	<u>36</u>	STIPULATION regarding motion for preliminary injunction <u>20</u> <i>Joint Stipulation as to Defendant Voxel Dot Net, Inc. Only</i> (Attachments: # <u>1</u> Notice of Filing)(Mudd, Charles) (Docket Text modified by Clerks' Office.) (Entered: 04/20/2011)
04/27/2011	<u>37</u>	NOTICE by Voxel Dot Net, Inc. <i>DEFENDANT VOXEL DOT NET, INC. RULE 68 OFFER OF JUDGMENT TO PLAINTIFF</i> (Attachments: # <u>1</u>

		Notice of Filing)(Petroliis, Mark) (Entered: 04/27/2011)
05/02/2011	38	<i>Defendant Voxel Dot Net, Inc.'s</i> ANSWER to amended complaint by Voxel Dot Net, Inc. (Attachments: # 1 Notice of Filing)(Petroliis, Mark) (Entered: 05/02/2011)
05/09/2011	39	MOTION by Defendants Marques Rondale Gunter, SalsaIndy, LLC, myVidster.com to strike <i>Paragraphs 18, 21, 26, 61 and 68-71 of the Affidavit of Phillip Bleicher</i> (Attachments: # 1 Exhibit A)(Blouin, Kathleen) (Entered: 05/09/2011)
05/09/2011	40	NOTICE of Motion by Kathleen E. Blouin for presentment of motion to strike 39 before Honorable John F. Grady on 5/11/2011 at 11:00 AM. (Blouin, Kathleen) (Entered: 05/09/2011)
05/09/2011	41	MOTION by Defendant Marques Rondale Gunter to quash <i>Plaintiff's Subpoena</i> (Attachments: # 1 Exhibit A)(Blouin, Kathleen) (Entered: 05/09/2011)
05/09/2011	42	NOTICE of Motion by Kathleen E. Blouin for presentment of motion to quash 41 before Honorable John F. Grady on 5/11/2011 at 11:00 AM. (Blouin, Kathleen) (Entered: 05/09/2011)
05/10/2011	43	MINUTE entry before Honorable John F. Grady: The motion of Marques Rondale Gunter and SalsaIndy, LLC to dismiss the first amended complaint 12 is granted in part and denied in part. Counts I, III, IV, V, VI, and VII are dismissed. Plaintiff is given leave to file a second amended complaint by May 16, 2011 that cures Count III's deficiencies, if it can do so. The motion is denied as to Count II. ENTER MEMORANDUM OPINION. See attached Memorandum Opinion. Mailed notice (cdh,) (Entered: 05/10/2011)
05/10/2011	44	MEMORANDUM Opinion signed by the Honorable John F. Grady on 5/10/2011. Mailed notice(cdh,) (Entered: 05/10/2011)
05/13/2011	45	MINUTE entry before Honorable John F. Grady: Motion hearing held. Salsaindy's motion to partially strike paragraphs 18, 21, 26, 61 and 68-71 of the affidavit of Phillip Bleicher 39 is denied as unnecessary, since Phillip Bleicher will be testifying at the preliminary injunction hearing scheduled for May 18, 2011 at 1:00 p.m. Marques Gunter's motion to partially quash plaintiff's subpoena 41 is granted. Plaintiff may file an amended complaint by June 1, 2011 and the defendants may have until June 22, 2011 to answer or otherwise plead to the amended complaint. Mailed notice (jmp,) (Entered: 05/13/2011)
05/16/2011	46	<i>SECOND</i> AMENDED complaint by Flava Works, Inc. against All Defendants (Attachments: # 1 Exhibit A to D, # 2 Exhibit E, G, # 3 Exhibit F Part I, # 4 Exhibit F, Part II, # 5 Exhibit H to K, # 6 Exhibit L, # 7 Exhibit M, # 8 Exhibit N)(Huon, Meanith) (Entered: 05/16/2011)
05/17/2011	47	EXHIBIT by Plaintiff Flava Works, Inc. <i>EXHIBIT L to SECOND</i>

		AMENDED COMPLAINT regarding amended complaint, 46 (Huon, Meanith) (Entered: 05/17/2011)
05/18/2011	48	MINUTE entry before Honorable John F. Grady: Preliminary Injunction hearing held and continued to Thursday, June 9, 2011 at 10:00 a.m. Plaintiff is to provide defendants with proposed injunctive language no later than June 3, 2011. Mailed notice (cdh,) (Entered: 05/18/2011)
05/23/2011	49	RESPONSE by Plaintiff Flava Works, Inc. to answer to amended complaint 38 <i>Voxel Dot Net, Inc.'s Affirmative Defenses</i> (Huon, Meanith) (Entered: 05/23/2011)
06/01/2011	50	Third AMENDED complaint by Flava Works, Inc. against All Defendants (Attachments: # 1 Exhibit A to D, # 2 Exhibit E, G, # 3 Exhibit F, Part I, # 4 Exhibit F, Part II, # 5 Exhibit H to K, # 6 Exhibit L, # 7 Exhibit M, # 8 Exhibit N)(Huon, Meanith) (Entered: 06/01/2011)
06/09/2011	51	MINUTE entry before Honorable John F. Grady: Continued hearing on plaintiff's motion for preliminary injunction 20 . At the conclusion of the hearing, the motion was taken under advisement. Mailed notice (cdh,) (Entered: 06/09/2011)
06/10/2011	52	MOTION by Plaintiff Flava Works, Inc. for leave to file <i>authorities and case law</i> (Attachments: # 1 Exhibit, # 2 Exhibit, # 3 Exhibit, # 4 Exhibit, # 5 Exhibit)(Huon, Meanith) (Entered: 06/10/2011)
06/10/2011	53	NOTICE of Motion by Meanith Huon for presentment of motion for leave to file 52 before Honorable John F. Grady on 6/22/2011 at 11:00 AM. (Huon, Meanith) (Entered: 06/10/2011)
06/10/2011	54	MINUTE entry before Honorable John F. Grady: Plaintiff's motion for leave to submit authorities and case law 52 is granted. No appearance is necessary on June 22, 2011. Mailed notice (cdh,) (Entered: 06/10/2011)
06/10/2011	55	Proposed Order by Flava Works, Inc. for Preliminary Injunction (Huon, Meanith) (Docket Text modified by Clerks' Office.) (Entered: 06/10/2011)
06/10/2011	56	Exhibit List by Marques Rondale Gunter, SalsaIndy, LLC. (Leighton, Gregory) (Entered: 06/10/2011)
06/14/2011	57	NOTICE by Flava Works, Inc. re preliminary injunction hearing 51 , preliminary injunction hearing, set/reset hearings,, 48 <i>List of Plaintiff's Exhibits</i> (Huon, Meanith) (Docket Text modified by Clerks' Office) (Entered: 06/14/2011)
06/22/2011	58	ANSWER to amended complaint <i>and affirmative defenses, and COUNTERCLAIM</i> filed by SalsaIndy, LLC, myVidster.com, Marques Rondale Gunter against Flava Works, Inc.. by SalsaIndy, LLC, myVidster.com, Marques Rondale Gunter (Attachments: # 1 Exhibit A - C)(Leighton, Gregory) (Entered: 06/22/2011)

06/22/2011	59	MOTION by Defendants myVidster.com, Marques Rondale Gunter, SalsaIndy, LLC to dismiss <i>counts III-VII of Plaintiff's Third Amended Complaint</i> (Leighton, Gregory) (Entered: 06/22/2011)
06/22/2011	60	NOTICE of Motion by Gregory James Leighton for presentment of motion to dismiss 59 before Honorable John F. Grady on 6/29/2011 at 11:00 AM. (Leighton, Gregory) (Entered: 06/22/2011)
06/22/2011	61	MOTION by Defendant Voxel Dot Net, Inc. for extension of time to file answer regarding amended complaint, 50 <i>Unopposed Motion for Extension of Time for defendant Voxel Dot Net, Inc. to Answer or Otherwise Plead to Plaintiffs Third Amended Complaint</i> (Petrolis, Mark) (Docket Text modified by Clerks' Office.) (Entered: 06/22/2011)
06/22/2011	62	NOTICE of Motion by Mark Anthony Petrolis for presentment of motion for extension of time to file answer, motion for relief,, 61 before Honorable John F. Grady on 6/29/2011 at 11:00 AM. (Petrolis, Mark) (Entered: 06/22/2011)
06/28/2011	63	MINUTE entry before Honorable John F. Grady: Unopposed motion for extension of time for defendant Voxel Dot Net, Inc. to answer or otherwise plead to plaintiff's third amended complaint 61 is granted. Defendant Voxel Dot Net, Inc. shall answer or otherwise plead to the plaintiff's third amended complaint by June 29, 2011. Mailed notice (cdh,) (Entered: 06/28/2011)
06/29/2011	64	MOTION by Defendant Voxel Dot Net, Inc. for clarification <i>Defendant Voxel Dot Net, Inc.s Motion for Clarification</i> (Petrolis, Mark) (Docket Text modified by Clerks' Office.) (Entered: 06/29/2011)
06/29/2011	65	NOTICE of Motion by Mark Anthony Petrolis for presentment of motion to clarify 64 before Honorable John F. Grady on 7/6/2011 at 11:00 AM. (Petrolis, Mark) (Entered: 06/29/2011)
06/29/2011	66	ANSWER to amended complaint <i>Defendant Voxel Dot Net, Inc.s Answer to Plaintiffs Third Amended Complaint</i> by Voxel Dot Net, Inc. (Attachments: # 1 Notice of Filing)(Petrolis, Mark) (Docket Text modified by Clerks' Office.) (Entered: 06/29/2011)
06/29/2011	67	MINUTE entry before Honorable John F. Grady. Motion hearing held. Defendants' motion to dismiss Counts III - VII of the Plaintiffs' Third Amended complaint 59 is entered and continued generally. Plaintiff's filing responsibilities under Rule 11 are hereby tolled until further order of court. Mailed notice (lw,). (Entered: 07/05/2011)
07/01/2011	68	MINUTE entry before Honorable John F. Grady: Defendant Voxel Dot Net, Inc.'s motion for clarification 64 is granted. No appearance will be necessary on July 6, 2011. Voxel asks the court to clarify whether Counts I, IV, V, VI, and VII were dismissed with prejudice in the order of May 10, 2011. Those counts were dismissed without prejudice. In our memorandum opinion, we did not give plaintiff leave to replead those claims, but we did give plaintiff leave to replead them at the May 11 hearing on various motions. Mailed

		notice (cdh,) (Entered: 07/05/2011)
07/12/2011	69	MOTION by Plaintiff Flava Works, Inc. to dismiss <i>Defendants Salsa Indy, LLC and Marques Gunter's Counterclaims</i> (Huon, Meanith) (Docket Text modified by Clerks' Office.) (Entered: 07/12/2011)
07/13/2011	70	MOTION by Plaintiff Flava Works, Inc. to dismiss <i>Defendants SalsaIndy,LLC's and Marques Gunter's CounterClaims (Amended Motion)</i> (Huon, Meanith) (Entered: 07/13/2011)
07/13/2011	71	MOTION by Plaintiff Flava Works, Inc. to strike answer to amended complaint,, counterclaim, 58 (Huon, Meanith) (Entered: 07/13/2011)
07/13/2011	72	NOTICE of Motion by Meanith Huon for presentment of motion to dismiss 70, motion to strike, motion for relief, 71 before Honorable John F. Grady on 9/7/2011 at 11:00 AM. (Huon, Meanith) (Entered: 07/13/2011)
07/20/2011	73	MOTION by Plaintiff Flava Works, Inc. to strike MOTION by Plaintiff Flava Works, Inc. to strike answer to amended complaint,, counterclaim, 58 71 , notice of motion 72 (<i>Amended Motion</i>) (Huon, Meanith) (Entered: 07/20/2011)
07/20/2011	74	MOTION by Plaintiff Flava Works, Inc. to strike answer to amended complaint 66 <i>Affirmative Defenses of Voxel Dot Net, Inc.</i> (Huon, Meanith) (Entered: 07/21/2011)
07/21/2011	75	NOTICE of Motion by Meanith Huon for presentment of motion to strike, motion for relief 74 before Honorable John F. Grady on 9/7/2011 at 11:00 AM. (Huon, Meanith) (Entered: 07/21/2011)
07/27/2011	76	MINUTE entry before Honorable John F. Grady: Paintiff's motion for a preliminary injunction 20 is granted. Plaintiff is directed to prepare a proposed preliminary injunction order in accordance with this opinion and submit it to defendants by August 5, 2011. Thereafter, the parties shall confer and attempt to agree on the language of the proposed injunction order. Plaintiff shall submit the final proposed injunction order to the court by August 15, 2011; if there are any outstanding disputes with respect to its language, the plaintiff shall submit, along with the proposed order, abrief statement describing the disputes. ENTER MEMORANDUM OPINION. See ATTACHED Memorandum Opinion. Mailed notice (cdh,) (Entered: 07/28/2011)
07/27/2011	77	MEMORANDUM Opinion Signed by the Honorable John F. Grady on 7/27/2011. Mailed notice(cdh,) (Entered: 07/28/2011)
08/04/2011	78	TRANSCRIPT OF PROCEEDINGS held on 5/16/11 before the Honorable John F. Grady. Court Reporter Contact Information: Michael P Snyder (312) 435-5563 michael_snyder@ilnd.uscourts.gov. IMPORTANT: The transcript may be viewed at the court's public terminal or

<i>PDF</i>		<p>purchased through the Court Reporter/Transcriber before the deadline for Release of Transcript Restriction. After that date it may be obtained through the Court Reporter/Transcriber or PACER. For further information on the redaction process, see the Court's web site at www.ilnd.uscourts.gov under Quick Links select Policy Regarding the Availability of Transcripts of Court Proceedings.</p> <p>Redaction Request due 8/25/2011. Redacted Transcript Deadline set for 9/6/2011. Release of Transcript Restriction set for 11/2/2011. (Snyder, Michael) (Docket text Modified by clerk's office on 8/4/2011 (ca,). (Entered: 08/04/2011))</p>
08/04/2011	79	NOTICE of Correction regarding 78 (ca,). (Entered: 08/04/2011)
08/04/2011	80	MINUTE entry before Honorable John F. Grady: Plaintiff's amended motion to dismiss defendants' counterclaims 70 , motion to strike defendants' affirmative defenses 71 , amended motion to strike defendants' affirmative defenses 73 , and motion to strike defendant, Voxel Dot Net, Inc.'s affirmative defenses 74 noticed up for September 7, 2011 are reset to September 14, 2011 at 10:30 a.m. in courtroom 1003. Mailed notice (cdh,) Modified on 8/4/2011 (cdh,). (Entered: 08/04/2011)
08/10/2011	81	MINUTE entry before Honorable John F. Grady. Plaintiff's amended motion to dismiss defendants' counterclaims 70 , motion to strike defendants' affirmative defenses 71 , amended motion to strike defendants' affirmative defenses 73 and motion to strike defendant, Voxel Dot Net, Inc.'s affirmative defenses 74 notice up for September 14, 2011 are reset to Wednesday, September 21, 2011 at 11:00 a.m. in courtroom 1003. Mailed notice (lw,). (Entered: 08/11/2011)
08/12/2011	82	ATTORNEY Appearance for Defendants Marques Rondale Gunter, SalsaIndy, LLC by Kevin Charles May (May, Kevin) (Entered: 08/12/2011)
08/15/2011	83	BRIEF STATEMENT by Flava Works, Inc. of disputes regarding proposed injunctive order (Attachments: # 1 Exhibit EX A Plaintiff's final proposed order, # 2 Exhibit EX B Defendants' proposed order, # 3 Exhibit EX C Plaintiff's draft proposed order submitted before the Court entered its order)(Huon, Meanith) (Docket Text modified by Clerks' Office.) (Entered: 08/15/2011)
08/15/2011	84	MOTION by Defendants Marques Rondale Gunter, SalsaIndy, LLC for reconsider preliminary injunction 77 . (Leighton, Gregory) (Docket Text modified by Clerks' Office.) (Entered: 08/15/2011)
08/15/2011	85	MEMORANDUM by Marques Rondale Gunter, SalsaIndy, LLC in support of motion for reconsideration, motion for relief 84 (Leighton, Gregory) (Entered: 08/15/2011)
08/15/2011	86	NOTICE of Motion by Gregory James Leighton for presentment of motion

		for reconsideration, motion for relief 84 before Honorable John F. Grady on 9/21/2011 at 11:00 AM. (Leighton, Gregory) (Entered: 08/15/2011)
08/15/2011	87	RESPONSE by Defendants Marques Rondale Gunter, SalsaIndy, LLC to plaintiff's statement of disputes 83 <i>Filed by Plaintiff Regarding Proposed Injunction Order</i> (Attachments: # 1 Exhibit A)(Leighton, Gregory) (Docket Text modified by Clerks' Office.) (Entered: 08/15/2011)
09/01/2011	88	MINUTE entry before Honorable John F. Grady: Defendants' motion to reconsider the issuance of a preliminary injunction 84 is denied. [For further detail see Memorandum Opinion.]Mailed notice (cdh,) (Entered: 09/01/2011)
09/01/2011	89	MEMORANDUM OPINION Signed by the Honorable John F. Grady on 9/1/2011. Mailed notice(cdh,) (Entered: 09/01/2011)
09/01/2011	90	ORDER Signed by the Honorable John F. Grady on 9/1/2011. Mailed notice(cdh,) (Entered: 09/01/2011)
09/01/2011	91	MOTION by Defendants Marques Rondale Gunter, SalsaIndy, LLC to stay <i>Preliminary Injunction Pending Appeal</i> (Leighton, Gregory) (Entered: 09/01/2011)
09/01/2011	92	MEMORANDUM by Marques Rondale Gunter, SalsaIndy, LLC in support of motion to stay 91 <i>Preliminary Injunction Pending Appeal</i> (Leighton, Gregory) (Entered: 09/01/2011)
09/01/2011	93	NOTICE of Motion by Gregory James Leighton for presentment of motion to stay 91 before Honorable John F. Grady on 9/21/2011 at 11:00 AM. (Leighton, Gregory) (Entered: 09/01/2011)
09/15/2011	94	COMPLIANCE Report <i>Regarding Compliance With Preliminary Injunction Order</i> by Marques Rondale Gunter, SalsaIndy, LLC (Blouin, Kathleen) (Docket Text modified by Clerks' Office.) (Entered: 09/15/2011)
09/21/2011	95	MINUTE entry before Honorable John F. Grady. Motion hearing held. Defendants' motion to stay enforcement of the preliminary injunction pending appeal 91 is granted for the reasons stated in open court. Plaintiff's oral motion for leave to file a Fourth Amended Complaint is granted. Plaintiff may file its Fourth Amended Complaint by October 12, 2011. The plaintiff's motion to dismiss defendants' counterclaims 69 and its motion to strike defendants' affirmative defenses 71 were superceded by amended motions [70 and 73 , respectively]. Accordingly, those motions [69 and 71] are denied as moot. The other pending motions in this case [59 , 70 , 73 , and 74], some or all of which may be mooted by the filing of plaintiff's Fourth Amended Complaint, are entered and continued. Mailed notice (lw,). (Entered: 09/23/2011)
09/26/2011	96	NOTICE of appeal by Marques Rondale Gunter, SalsaIndy, LLC regarding orders 89 , 76 , 77 , 90 , 88 Filing fee \$ 455, receipt number 0752-6412278.

		(Leighton, Gregory) (Entered: 09/26/2011)
09/27/2011	<u>97</u>	NOTICE of Appeal Due letter sent to counsel of record (dj,) (Entered: 09/27/2011)
09/27/2011	<u>98</u>	TRANSMITTED to the 7th Circuit the short record on notice of appeal <u>96</u>. Notified counsel (dj,) (Entered: 09/27/2011)
09/27/2011	<u>99</u>	MOTION by counsel for Defendant Voxel Dot Net, Inc. to withdraw as attorney (Davis, Jeffery) (Entered: 09/27/2011)
09/27/2011	<u>100</u>	NOTICE of Motion by Jeffery S Davis for presentment of motion to withdraw as attorney <u>99</u> before Honorable John F. Grady on 10/5/2011 at 11:00 AM. (Davis, Jeffery) (Entered: 09/27/2011)
09/27/2011	<u>101</u>	MINUTE entry before Honorable John F. Grady. Motion of Jeffery S. Davis to withdraw as counsel of record for defendant Voxel Dot Net, Inc. <u>99</u> is granted. No appearance is necessary on October 5, 2011. Mailed notice (lw,). (Entered: 09/28/2011)
09/27/2011	<u>102</u>	ACKNOWLEDGEMENT of receipt of short record on appeal regarding notice of appeal <u>96</u> ; USCA Case No. 11-3190. (lw,) (Entered: 09/28/2011)
10/06/2011	<u>103</u>	Exhibit List by Marques Rondale Gunter. (Attachments: # <u>1</u> Exhibit 1, # <u>2</u> Exhibit 2, # <u>3</u> Exhibit 3, # <u>4</u> Exhibit 4 Part 1 of 2, # <u>5</u> Exhibit 4 Part 2 of 2, # <u>6</u> Exhibit 5, # <u>7</u> Exhibit 6, # <u>8</u> Exhibit 7, # <u>9</u> Exhibit 8, # <u>10</u> Exhibit 9, # <u>11</u> Exhibit 10, # <u>12</u> Exhibit 11, # <u>13</u> Exhibit 12, # <u>14</u> Exhibit 13)(Leighton, Gregory) (Entered: 10/06/2011)
10/06/2011	<u>104</u>	by Marques Rondale Gunter <i>TRANSCRIPT OF PROCEEDINGS held on 6/9/2011 before the Honorable John F. Grady</i> (Leighton, Gregory) (Entered: 10/06/2011)
10/10/2011	<u>105</u>	TRANSCRIPT OF PROCEEDINGS held on 5/16/11 before the Honorable John F. Grady. by Marques Rondale Gunter (Leighton, Gregory) (Entered: 10/10/2011)
10/10/2011	<u>106</u>	TRANSCRIPT OF PROCEEDINGS held on 6/9/2011 before the Honorable John F. Grady. Court Reporter Contact Information: Valarie M. Ramsey valharam@aol.com (709) 860-8482. PDF IMPORTANT: The transcript may be viewed at the court's public terminal or purchased through the Court Reporter/Transcriber before the deadline for Release of Transcript Restriction. After that date it may be obtained through the Court Reporter/Transcriber or PACER. For further information on the redaction process, see the Court's web site at www.ilnd.uscourts.gov under Quick Links select Policy Regarding the Availability of Transcripts of Court Proceedings. Redaction Request due 10/31/2011. Redacted Transcript Deadline set for 11/10/2011. Release of Transcript Restriction set for

		1/9/2012. (rp,) (Entered: 10/12/2011)
10/14/2011	<u>107</u>	MOTION by Plaintiff Flava Works, Inc. for extension of time (Huon, Meanith) (Entered: 10/14/2011)
10/14/2011	<u>108</u>	NOTICE of Motion by Meanith Huon for presentment of extension of time <u>107</u> before Honorable John F. Grady on 10/19/2011 at 11:00 AM. (Huon, Meanith) (Entered: 10/14/2011)
10/14/2011	<u>109</u>	Exhibit List by Flava Works, Inc.. (Attachments: # <u>1</u> Exhibit 1, # <u>2</u> Exhibit 2, # <u>3</u> Exhibit 3, # <u>4</u> Exhibit 4, # <u>5</u> Exhibit 5, # <u>6</u> Exhibit 6, # <u>7</u> Exhibit 7, # <u>8</u> Exhibit 8, # <u>9</u> Exhibit 9, # <u>10</u> Exhibit 10, # <u>11</u> Exhibit 12, # <u>12</u> Exhibit 13, # <u>13</u> Exhibit 14, # <u>14</u> Exhibit 15, # <u>15</u> Exhibit 16, # <u>16</u> Exhibit 17)(Huon, Meanith) (Entered: 10/14/2011)
10/14/2011	<u>110</u>	EXHIBIT by Plaintiff Flava Works, Inc. (<i>AMENDED NOTICE OF FILING</i>) regarding notice of filing <u>57</u> , exhibit list, <u>109</u> (Attachments: # <u>1</u> Exhibit 1, # <u>2</u> Exhibit 2, # <u>3</u> Exhibit 3, # <u>4</u> Exhibit 4, # <u>5</u> Exhibit 5, # <u>6</u> Exhibit 6, # <u>7</u> Exhibit 7, # <u>8</u> Exhibit 8, # <u>9</u> Exhibit 9, # <u>10</u> Exhibit 10, # <u>11</u> Exhibit 12, # <u>12</u> Exhibit 13, # <u>13</u> Exhibit 14, # <u>14</u> Exhibit 15, # <u>15</u> Exhibit 16, # <u>16</u> Exhibit 17)(Huon, Meanith) (Entered: 10/14/2011)
10/17/2011	<u>111</u>	MINUTE entry before Honorable John F. Grady: Plaintiff's motion for an extension of time to and including October 26, 2011 to file a fourth amended complaint <u>107</u> is granted without objection. No appearance is necessary on October 19, 2011.Mailed notice (cdh,) (Entered: 10/17/2011)

KEY

All items are included in this record.
All crossed out items are not included in the record.
S/C: These item are sent under a separate certificate.

United States District Court, Northern District of Illinois

Name of Assigned Judge or Magistrate Judge	John F. Grady	Sitting Judge if Other than Assigned Judge	
CASE NUMBER	10 C 6517	DATE	July 27, 2011
CASE TITLE	Flava Works, Inc. v. Marques Rondale Gunter d/b/a myVidster.com, et al.		

DOCKET ENTRY TEXT

Plaintiff's motion for a preliminary injunction [20] is granted. Plaintiff is directed to prepare a proposed preliminary injunction order in accordance with this opinion and submit it to defendants by August 5, 2011. Thereafter, the parties shall confer and attempt to agree on the language of the proposed injunction order. Plaintiff shall submit the final proposed injunction order to the court by August 15, 2011; if there are any outstanding disputes with respect to its language, the plaintiff shall submit, along with the proposed order, a brief statement describing the disputes. ENTER MEMORANDUM OPINION.

 X See ATTACHED Memorandum Opinion.

Docketing to mail notices.

STATEMENT

Courtroom Deputy
Initials:

KMH

10-6517.112-JCD

July 27, 2011

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

FLAVA WORKS, INC.,)	
)	
Plaintiff,)	
)	
v.)	No. 10 C 6517
)	
MARQUES RONDALE GUNTER d/b/a)	
myVidster.com; SALSAINDY, LLC;)	
VOXEL DOT NET, INC., and)	
JOHN DOES 1-26,)	
)	
Defendants.)	

MEMORANDUM OPINION

Plaintiff, Flava Works, Inc. ("Flava"), is a company that produces and distributes adult entertainment products, including DVDs and streaming video. Flava brought this action against defendant Marques Rondale Gunter, who created, owns, and operates a website called myVidster.com ("myVidster"), and defendant SalsaIndy, LLC, an entity controlled by Gunter that funded the start-up of myVidster.¹ (We will refer to Gunter and SalsaIndy collectively as "defendants.") Flava alleges that myVidster infringes its registered copyrights and trademarks. The Third

^{1/} Flava also sued Voxel Dot Net, Inc. ("Voxel"), a company that is alleged to have provided web-hosting services to myVidster, and John Does 1-26, who are registered users of myVidster. Voxel has provided plaintiff with a sworn declaration that it no longer hosts myVidster, and plaintiff has withdrawn its motion for a preliminary injunction as to Voxel.

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Amended Complaint contains several claims for copyright and trademark infringement.

Before the court is plaintiff's motion for a preliminary injunction "to prevent defendants from enabling," through myVidster, the infringement of plaintiff's works. (Pl.'s Mem. at 1.)² In its motion, Flava contends that it has a likelihood of succeeding on its contributory and vicarious copyright infringement claims.³ On May 18 and June 9, 2011, we conducted a hearing on plaintiff's motion. The court heard testimony from two witnesses--Gunter and Philip Bleicher, plaintiff's CEO. We have considered the materials and evidence submitted by the parties⁴ and conclude that this is a proper case for issuance of a preliminary injunction pursuant to Federal Rule of Civil Procedure 65.

^{2/} The specific relief sought by plaintiff is discussed at the end of this opinion.

^{3/} In conclusory fashion, plaintiff asserts in its memorandum in support of its motion that it is likely to succeed on its trademark infringement claims. The trademark-infringement argument is waived because it is undeveloped. At the injunction hearing, plaintiff briefly mentioned its trademark claims in closing argument, and we indicated that we understand the motion to be limited to the issue of copyright infringement. Plaintiff also referred in closing argument to its claims of direct copyright infringement and inducement of copyright infringement, but its motion is not based on those claims. Rather, plaintiff states that its motion is "made on the grounds that Plaintiff is likely to succeed on the merits of its claims for contributory and vicarious copyright infringement." (Pl.'s Mot. at 2.)

^{4/} We have not, however, considered Phillip Bleicher's affidavit. Defendants previously sought to have portions of the affidavit stricken. We denied the motion, explaining that it was unnecessary; plaintiff did not need to use the affidavit because it was anticipated that Mr. Bleicher would testify at the injunction hearing. He did testify at the hearing, so we have considered his testimony instead of his affidavit.

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Facts

Gunter owns and operates myVidster, which he calls a "social video bookmarking" website. MyVidster is Gunter's solo project; he is its only programmer. (Tr. of June 9, 2011 Hr'g (June Tr.) 7.) On myVidster, users can "bookmark" video files. (The parties also refer to this action as "posting.") There are two types of myVidster users: (1) general users, whose memberships are free; and (2) "pro" users, who pay a small monthly (\$3 or \$5) or yearly (\$40) fee for the additional benefit of being able to create and save backup copies of the videos that they post to myVidster. MyVidster has about 80,000 general users and 25 to 30 pro users. Its primary source of revenue is advertising fees; advertisers pay for the number of "impressions" and/or "clicks" that their advertisements receive.

When a user bookmarks or posts a video on myVidster, he essentially directs myVidster to "embed" a video clip on its site. When a user submits a video to be posted on myVidster, myVidster "crawls" the website that hosts the video, gets information about that video file, and creates a thumbnail image of the video if one is not already available.⁵ MyVidster then "embeds" the video on its site, allowing it to be displayed there. MyVidster does not simply link to video files displayed on another site; it embeds the files on its own site at the direction of users. In other words,

^{5/} The thumbnail image is hosted on myVidster's servers. (June Tr. 66.)

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when a visitor to myVidster clicks on a video that is posted there, the video plays directly on myVidster, and the visitor remains on the myVidster site; he or she is not taken to the site that hosts the video file.

Some of the videos that appear on myVidster are hosted on myVidster's own servers--the "backup copy" videos--but the vast majority of them are hosted on third-party websites. MyVidster displays information about its embedded videos, such as the username of the user who posted the video, the date the user posted the video, the "source link," and the "embed" code. The "source link" displays the URL (uniform resource locator, a unique address for a file accessible on the internet) where the user bookmarked the video. In cases where a myVidster user bookmarks another user's bookmark, the "source code" will be a myVidster URL even though the original file of the video may be hosted elsewhere. As for the "embed" code, it enables the display of the video and signifies its "true source"--the site where the video is hosted. (June Tr. 16.) Some videos that appear on myVidster have an associated "download" button; by clicking the button, users can download a copy of the video to their own computer or storage device.

When a user posts a video, he can "tag" the video with keywords. MyVidster indexes those tags, enabling users to find videos through a keyword search. MyVidster filters videos into two

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categories--adult and non-adult. (More than half of the videos that appear on myVidster contain adult pornography.) In order to view adult videos, a website visitor must turn off the "family filter." Besides the adult/non-adult filter, myVidster does not have other filters in place for content posted on the site.

Phillip Bleicher is Flava's owner, CEO, and webmaster. He describes Flava as a "gay ethnic adult company" that produces internet website content, streaming video, DVDs, magazines, and photographs. (Tr. of May 18, 2011 Hr'g ("May Tr.") 13.) He first became aware of myVidster when some of Flava's customers complained about having to pay for its videos when they could get them for free on myVidster. Bleicher then visited myVidster, used its search function to search for Flava's trademarks, such as "Flavamen" and "CocoDorm," and found hundreds of Flava's copyrighted videos displayed on myVidster (without Flava's permission). Bleicher noted that myVidster provides space for comments on videos and that in some of those comments, myVidster users inquired about obtaining more of Flava's content and requested that other users post more Flava videos. Bleicher could see which users had posted Flava's videos and could also see that for some of the videos, the "source link" and/or "embed code" was myVidster itself. Bleicher and his staff took screenshots of many different copyrighted Flava videos as they were displayed on

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myVidster at various times in 2010 and 2011, and plaintiff has submitted copies of several of those screenshots.

On May 12, 2010, Flava sent Gunter a "takedown notice" pursuant to § 512 of the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. § 512. Flava sent Gunter additional DMCA notices on July 20, August 21, September 22, December 2, December 5, and December 9, 2010.⁶ The notices listed specific files and thumbnail images that Flava contended were infringing its copyrights and demanded immediate removal from myVidster. Most of the DMCA notices also specified myVidster users whom Bleicher had identified as "repeat infringers"--i.e., users who have repeatedly posted videos that infringe Flava's copyrights.

Bleicher testified that after he sent Gunter the DMCA notices, Gunter "[s]ometimes would act upon them and remove the content, some of it; sometimes he would remove just the links but not the videos or the embedded thumbnails; and sometimes he leaves some of the content up." (May Tr. 25.) Bleicher elaborated:

For the most part, [Gunter] left the thumbnails up quite often. I kept having to remind him that all of the content that I had identified needs to be removed. Sometimes he removes the thumbnails still, sometimes he doesn't. Sometimes he removes the links we identify, sometimes he doesn't. Sometimes, you know, he leaves--he keeps pointing out that these files are elsewhere, but they are clearly on myVidster.

^{6/} In addition to these notices that are referred to in the complaint and were sent via U.S. mail and e-mail, there was at least one additional DMCA notice that was sent by e-mail (and perhaps U.S. mail as well; it is unclear) on October 18, 2010. In 2011, plaintiff also sent defendants a number of DMCA notices.

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. . .

Q. Has he ever removed any of the thumbnails?

A. He has removed some of them, but it's a painstaking process that we keep identifying when we give him links to remove and then he doesn't remove all of the links or doesn't remove all of the thumbnails or the videos.

Q. So some of the thumbnails are still up [on myVidster]?

A. Yes, they are.

(May Tr. 26-27.) The amount of time it took for Gunter to remove the infringing content varied, but it was "more than a few days," according to Bleicher. (May Tr. 25-26.) (Gunter, on the other hand, testified that he removed material identified in the notices within twenty-four hours of receipt of the notice.)⁷ Moreover, although Gunter was in frequent contact with Bleicher regarding the repeat infringers that Flava identified, he did not disable any of those users' accounts:

Q. Has [Gunter] ever called you and explained to you the results of his investigation?

^{7/} Defendants' Hearing Exhibit 4 is a chart that Gunter created that purports to show every embedded video containing plaintiff's content that Gunter has removed from myVidster since plaintiff began sending DMCA notices. The chart includes the date that the DMCA notice for the particular video was received as well as the date Gunter removed the video. (June Tr. 21-25.) We noted during the hearing that plaintiff's counsel could not possibly conduct effective cross-examination regarding the chart because defendants' counsel refused to tender it to him until the moment it was given to Gunter on the stand. Moreover, we have doubts about the reliability of the chart. Although Gunter testified that he created it from a "data dump from myVidster's database," he did not provide any more detail about how it was prepared or explain how the information he "dumped" was originally recorded. Moreover, the e-mail exchanges between Flava and Gunter show that Gunter did not always fully comply with the DMCA notices; even when he represented that certain content had been removed, it was not always fully removed, and Flava was forced to follow up with Gunter in an effort to have the entire content related to a particular file removed. In any event, although it does appear that it was sometimes like pulling teeth to obtain full compliance from Gunter, as discussed *infra*, the crux of the problem here is not so much the removal of the infringing videos; it is Gunter's attitude toward copyright protection and his related refusal to adopt measures to prevent or reduce copyright infringement on myVidster as well as to adopt and implement an appropriate policy regarding repeat infringers.

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A. Yes, he has. He's contacted me by email or phone and explained on numerous occasions that he's just a pass-through and that he has no, he has no part into [sic] this copyright infringement, and tries to wiggle his way out and tell us where to go to remove the content. But we continuously find that the content is still hosted on myVidster.

Q. Has he ever explained to you why he has not removed repeat infringers?

A. I don't believe that he has. This, just beyond the fact that he thinks that he doesn't have to remove the repeat infringers because he doesn't believe that they are repeat infringers, I guess.

(May Tr. 38.) Bleicher also testified that even after Gunter removed some of Flava's videos from myVidster, those videos resurfaced there because they were re-posted by another user.

According to Bleicher, the availability of Flava's videos on myVidster is causing Flava to lose sales. Flava's sales are down thirty percent from last year, which equates to a estimated loss of between \$100,000 and \$200,000, while the number of myVidster users has grown to over 70,000 since the site was created a few years ago. In addition, myVidster grew from 67,000 visits per month from October 2009 to about 460,000 visits in April 2010. Bleicher attributes at least some of Flava's lost sales to myVidster because hundreds of Flava's videos have appeared (and still appear) on myVidster.

Gunter testified that he has designed myVidster to filter videos only for adult content (and not to block adult videos, just to classify them). He is capable of designing myVidster so that it would block the posting of videos with certain associated tag

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words, such as plaintiff's trademarks, but claims that he has not implemented such filters because of a "false positives" problem. He explained his position as follows:

Q. [Y]ou could filter out words like Raw Rods or CocoDorm, correct?

A. Correct.

Q. And that would prevent a user from posting any videos with the tag names Flava Works or any other trademark[ed] names on myVidster, correct?

A. I could design myVidster to block the bookmarking based on tag words, yes.

Q. Is there any reason why you haven't done that?

A. The main reason is it's called false positives where if you just try to block a bookmark--when somebody is linking a video from another web site and you have an arbitrary set of key words to block, let's just say CocoDorm, one example that would come to mind to be a false flag is let's just say an actor from CocoDorm was interviewed, and the video was posted on YouTube, and that key word was CocoDorm because that person is an actor of CocoDorm, and that interview video would not be posted, it would be blocked.

So you have an issue of false positives, where okay, if it is material owned by Flava Works, it would block it in that case, but it would also block other videos that would not be owned by the owner.

(May Tr. 103-04.) When asked how difficult it would be to create code or find a script for myVidster filters that would minimize the number of false positives, Gunter stated that he did not know of any code available on the internet for free that would minimize false positives, but acknowledged that he has not searched for code available for purchase or tried to write such a code himself.

When asked by plaintiff's counsel about myVidster's repeat-infringer policy, Gunter testified as follows:

Q. Let's go to your repeat infringer policy. I asked you one time how many times somebody would have to post

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copyrighted materials before you considered them a repeat infringer, and you would take it on a case-by-case basis, correct?

A. Correct.

Q. And it would probably be two. If they, if somebody posted copyright materials at least two times, you would consider them a repeat infringer?

A. What is your definition of post?

Q. Bookmark, post.

A. When it comes to myVidster's repeat infringer policy, I cannot, I cannot determine whether or not the user who links bookmarks of video from a third party web site to myVidster, I have no idea if they know that them linking that video or submitting that link to myVidster, if they have knowledge of the copyright status I guess whether or not it's infringing or not. So when it comes to the subject of them posting links to other web sites to myVidster, I do not, I would not, I cannot determine whether or not they are an infringer. I do not know what's in their head, I don't know whether or not, if they see a video and they say, okay, I'm going to save this, I'm going to link this link to myVidster, whether or not that link is infringing or not.

Q. So if a person who has been accused of repeat infringing reposts a video from a site that's publicly accessible to members of the public, you wouldn't consider that person a repeat infringer, that's where your repeat infringer investigation would end, isn't that correct?

A. Correct. When a user goes to a publicly available--web site, are they supposed to know whether or not that is infringing material? And in my humble opinion, it would be the video--the person who uploaded and the video host that is [sic] the ones that are the gatekeepers and the determination on whether or not that video, that material is infringement or not.

Q. So if I--If a user, if a user were to find a full-length film of Star Trek, which is copyrighted, on pornhub and which is accessible to everybody of the members of the public, if that user were to repost it on [myVidster] and you looked into that, because the video was originally found on a publicly-accessible [site], you wouldn't consider that [a] repeat infringer?

A. Correct.

. . .

A. . . . [M]y repeat infringer policy is I'm looking for users that are trying to use myVidster as a ways and

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means to distribute content that may not be publicly available.

. . .

Q. So if somebody alerts you that there's a repeat infringer and they ask you to investigate and your investigation does not lead to a password-protected web site or a single link that is private, your investigation ends there?

A. Yes.

Q. But isn't most of the internet public?

A. A lot of the internet is public, yes.

Q. Wouldn't you say like just about more than 90 percent is public?

A. Possibly.

Q. How could you ever have a situation where you would have a repeat infringer if you just limit it to a password-protected site?

A. I came across one that I sent a warning to.

Q. And I think you've told me that in the time that you've had myVidster, you've only had one repeat infringer that you investigated?

A. Correct.

Q. And what happened to the other 28 or 27 or 29 [repeat infringers] that Mr. Bleicher informed you of?

A. I did not consider them repeat infringers.

Q. And your reasoning was?

A. As I stated before, they were not using myVidster as a ways and means to distribute content that is not publicly available. They did not fall under my definition of repeat infringers, so I did not, I did not pursue them.

Q. What about the fact that the videos are copyrighted and have been on myVidster before?

A. All links reported on the Flava Works DMCA notices have been removed expeditiously.

. . .

Q. Why don't you consider someone a repeat infringer when they continue to post copyrighted materials on your web site?

A. They do not fall under my definition as repeat infringers. They may fall under yours or Phillip's, but they do not fall under mine.

Q. What is your definition, what is your understanding of the law in terms of a repeat infringer?

A. Should I repeat? Repeat infringers, my policy on repeat infringers are those who are using myVidster as a ways and means to distribute content that is not publicly available.

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(May Tr. 111-12, 114-116, 119-20.)

Gunter has not implemented any mechanism on myVidster that would prevent a particular video from being posted on the site more than once, although he conceded that it would not be difficult to do so. (May Tr. 131.) Gunter also has not implemented any mechanism on the myVidster site for users to report videos that violate copyright; the option to "flag" a video for "copyright complaint" merely refers users to the myVidster "copyright" page, which requires a complainant to send a written DMCA notice to Gunter. (May Tr. 120.)

Preliminary Injunction Standards

The Copyright Act authorizes injunctive relief on such terms as the court deems reasonable "to prevent or restrain infringement of a copyright." 17 U.S.C. § 502(a). To determine whether a preliminary injunction is warranted, we engage in a two-phase analysis:

As a threshold matter, a party seeking a preliminary injunction must demonstrate (1) some likelihood of succeeding on the merits, and (2) that it has "no adequate remedy at law" and will suffer "irreparable harm" if preliminary relief is denied. If the moving party cannot establish either of these prerequisites, a court's inquiry is over and the injunction must be denied. If, however, the moving party clears both thresholds, the court must then consider: (3) the irreparable harm the non-moving party will suffer if preliminary relief is granted, balancing that harm against the irreparable harm to the moving party if relief is denied; and (4) the public interest, meaning the consequences of granting or denying the injunction to non-parties.

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Abbott Labs. v. Mead Johnson & Co., 971 F.2d 6, 11-12 (7th Cir. 1992) (citing Lawson Prods., Inc. v. Avnet, Inc., 782 F.2d 1429 (7th Cir. 1986) and Roland Mach. Co. v. Dresser Indus., 749 F.2d 380 (7th Cir. 1984)). "Irreparable injury may normally be presumed from a showing of copyright infringement." Atari, Inc. v. North Am. Philips Consumer Elecs. Corp., 672 F.2d 607, 620 (7th Cir. 1982), superseded by statute on other grounds as recognized in Scandia Down Corp. v. Euroquilt, Inc., 772 F.2d 1423 (7th Cir. 1985). As for the third factor, "courts typically fail to invoke this standard in copyright cases" because if it were applicable, "a knowing infringer would be permitted to construct its business around its infringement." 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 14.06[A][2][c], at 14-138 (2009) (quoting Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240, 1255 (3d Cir. 1983) and citing, inter alia, Horn Abbot Ltd. v. Sarsaparilla Ltd., 601 F. Supp. 360, 369-70 (N.D. Ill. 1984)). Similarly, the fourth factor requires little discussion because there is a strong public policy interest in protecting copyrights. See Erickson v. Trinity Theatre, Inc., 13 F.3d 1061, 1066 (7th Cir. 1994) (quoting Apple Computer, 714 F.2d at 1255 ("It is virtually axiomatic that the public interest can only be served by upholding copyright protections")). Thus, as a practical matter, the analysis boils down to a single factor--the plaintiff's likelihood

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of success. Flava has demonstrated a likelihood of success on its claim for contributory copyright infringement.⁸

Contributory Copyright Infringement

"[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." Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1162 (2d Cir. 1971); see also Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 930 (2005). To establish contributory copyright infringement, plaintiff must show: (1) a third party directly infringed its work; (2) the defendant knew of the infringement; and (3) the defendant materially contributed to the infringement. Monotype Imaging, Inc. v. Bitstream Inc., 376 F. Supp. 2d 877, 883 (N.D. Ill. 2005).

Although defendants do not concede the first element, it cannot be seriously disputed that third parties have directly infringed Flava's works by posting its videos on myVidster. Plaintiff has submitted evidence that it owns the copyrights for works that have been copied and distributed by myVidster users, without plaintiff's authorization. There is uncontradicted evidence that myVidster users have created backup copies of Flava's works, which are stored on myVidster's servers. There is also

^{8/} Because plaintiff has satisfied the standard for a preliminary injunction with regard to its claim for contributory copyright infringement, we need not address its claim for vicarious copyright infringement.

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uncontradicted evidence (actually, defendants' own evidence demonstrates) that myVidster users have caused Flava's works to be displayed on myVidster without Flava's permission.

We also have no doubt that defendants knew or should have known of the infringement occurring on myVidster. As noted in our previous opinion, knowledge, for purposes of contributory copyright infringement, encompasses both actual and constructive knowledge. In re Aimster Copyright Litig., 334 F.3d 643, 650 (7th Cir. 2003) ("Willful blindness is knowledge, in copyright law (where indeed it may be enough that the defendant *should* have known of the direct infringement)"). "The knowledge element for contributory copyright infringement is met in those cases where a party has been notified of specific infringing uses of its technology and fails to act to prevent future such infringing uses, or willfully blinds itself to such infringing uses." Monotype, 376 F. Supp. 2d at 886 (citing Aimster, 334 F.3d at 650, and Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 264 (9th Cir. 1996)). It is undisputed that over a period of several months, plaintiff sent defendants at least seven DMCA notices that identified specific infringing files and users as well as specific repeat infringers. Furthermore, Gunter received these notices and responded to them. Gunter and Bleicher spoke on the telephone and exchanged several e-mails in which Bleicher informed Gunter of ongoing problems with plaintiff's works being posted on myVidster.

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The e-mail exchanges (several of which were submitted by *defendants*) show that Gunter, upon receiving Flava's DMCA notices, was not wholly cooperative. In a May 2010 exchange between Gunter and Jesse Lanshe (a representative of the plaintiff) that began with a DMCA notice, Gunter's initial response was to evade responsibility. Instead of addressing whether he would take down the videos appearing on myVidster, Gunter told Lanshe: "I . . . would like to inform you that the videos listed are not hosted by myVidster. What you are seeing are video embeds. . . . I would recommend you contact the video host that is rehosting your content. When they remove the content from their servers the video embeds will no longer work. If i [sic] removed the embeds from user's [sic] collection they can easily revised [sic] the source site and embed the video again."⁹ Only later in the e-mail exchange did Gunter inform Lanshe that he did "not have an issue removing the video embeds/links." (Defs.' Hr'g Ex. 10.) Bleicher also testified, and some of the e-mail exchanges show, that when notified of infringing material, Gunter sometimes removed only part of the infringing material. He removed the remaining material (for example, infringing thumbnail images, or various stray files) only when prompted a second or third time to remove it.

Moreover, Gunter has failed to implement filters or identifiers to prevent repeated infringing conduct and failed to

^{9/} This statement also demonstrates Gunter's failure to act to prevent future infringement on myVidster.

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take action against, or properly investigate and/or disable the accounts of, myVidster users whom plaintiff identified as repeat infringers. Gunter's "repeat infringer" policy is in fact no policy at all, at least with respect to copyright infringement. In an e-mail to Bleicher on October 19, 2010 that is part of an exchange concerning repeat infringement, Gunter stated:

Here is the policy that I use when addressing [repeat infringers]:

A user who uses myVidster to publish links/embeds of videos that would otherwise not be accessible by the public. For example if a user is uploading videos to file server and using myVidster as a way and means to distribute the content.

If a user is found in violation of this, the links/embeds will be removed and a warning email is sent to the user.

If the user repeats this violation then their account will be deleted.

Being that most of the content are embeds which are hosted on external websites, I would suggest contacting the websites that are hosting your content to help stop the future bookmarking of it on myVidster.

(Defs.' Hr'g Ex. 9.) This perspective is the epitome of "willful blindness." Gunter is not concerned about *copyright* infringement; he simply examines whether the material posted by the user is "otherwise not [] accessible by the public," i.e., behind a paywall or otherwise private website. In the e-mail, he again pointed a finger at other websites while failing to acknowledge that his own website is perpetuating copyright infringement. When Gunter testified in the preliminary injunction hearing, his cavalier attitude had not changed. His definition of "repeat infringer" does not encompass copyright law. There is ample evidence that

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after having received the DMCA notices from plaintiff, defendants failed to act to prevent future similar infringing conduct.

There is also evidence that defendants materially contributed to the infringing activity of myVidster's users. Gunter provides the myVidster site, which enables the display of embedded videos and thus the infringement. Gunter also makes video storage (which involves making a copy of a video) available for a fee. When Gunter first introduced the "video backup" service in 2009, he provided it free of charge for a limited time, and he discussed it on his myVidster blog and listed reasons for using the service. One of the reasons, he stated, is "[n]ever fearing that your online videos will get removed by the video host." (Pl.'s Hr'g Ex. 6.)¹⁰ Videos are often removed by hosts because the copyright owner asserts a copyright claim and requests takedown. The backup function enables users to keep an infringing copy of a video that

^{10/} Gunter attempted to explain away this subtle encouragement of copyright infringement by stating that it is "two years old" and that myVidster has "evolved." (May Tr. 124-25.) The promotional commentary, however, still appears on his myVidster blog as a reason for using the backup service.

Another way in which Gunter subtly encourages copyright infringement relates to the videos that he marked as his "favorites" on myVidster. Plaintiff's Hearing Exhibit 8 is a screenshot of three videos that Gunter has labeled on myVidster as "Marques' Favorites >> Full Movies." The three videos are labeled "Star Trek," "Crank 2," and "Hancock," which are all titles of major motion pictures. Gunter was asked about the embedded "Star Trek" video at the preliminary injunction hearing. He admitted that he had not considered whether he had been given permission by the copyright owner to post that video on myVidster. (May Tr. 107-09.) Gunter also conceded at the hearing that he could "make an assumption that" a "feature, full-length film" would be copyrighted, but acknowledged that at his deposition, he had refused to admit that he was able to make such an assumption and had instead suggested that only a copyright owner could assess whether a film was copyrighted. (May Tr. 105-06.) When asked by his own counsel on June 9, however, whether he "could tell" at the time he posted the videos "whether or not the videos . . . were infringing someone else's copyrights," Gunter replied, "I would not have an idea." (June Tr. 17.)

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has become otherwise unavailable on the original host site due to a copyright claim. In addition, the "download" button, where available on myVidster, enables a user to download from the source site a copy of an embedded video.

MyVidster also explicitly encourages sharing but fails to include any warnings about copyright infringement. Under the myVidster tab marked "invite," the question "Why should I invite my friends?" appears with the following answer: "While bookmarking videos can be a fun and addictive activity, it is more enjoyable in the company of like minded friends. The form below will send invites to your friends telling them about myVidster and you will be given the option to provide a link to your video collection." (Third Am. Compl. Ex. E.) MyVidster does not warn its users to avoid posting videos that infringe copyright. In fact, its very brief terms of service page does not mention copyright at all. Rather, the terms reflect Gunter's indifference to copyright protection:

Do not bookmark any video content that contains child pornography, promotes racism/hate or in violation of US law. Do not bookmarking [sic] videos that are not accessible by the public. For example videos hosted on password protect [sic] websites or private file servers. Failing to do so will result in the deletion of your account without notice. All adult related video content must be flagged as either "adult" or "private".

(Pl.'s Hr'g Ex. 16.)

There is still more evidence that Gunter materially contributed to users' infringement. Gunter acknowledged that he

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did not consider or investigate whether the users identified by plaintiff as repeat infringers were infringing copyright; he merely investigated whether the users were posting videos containing "content that is not publicly available." (May Tr. 114-15.) He has not implemented any filters or identifiers to prevent repeat infringers.¹¹ He has not implemented any mechanism to prevent the same infringing video from being re-posted to myVidster, even though he acknowledged that implementation would not be difficult. (May Tr. 130-31.) Furthermore, Gunter took virtually no action to stop or ban the repeat infringers who posted plaintiff's copyrighted works on myVidster (except for warning one of those users to stop posting videos hosted on password-protected web sites, Defs.' Hr'g Ex. 6).¹²

"Safe Harbor" Defense

Defendants contend that they qualify for one of the four "safe harbors" from liability set forth in the DMCA. Section 512, also known as the Online Copyright Infringement Liability Limitation Act (OCILLA), creates limitations on liability for network service providers who meet all of the conditions for a particular safe-

^{11/} When the court asked Gunter about the likelihood of false positives with respect to keywords connected with plaintiff's content, Gunter conceded that "false positives" would not occur very often. (May Tr. 132-33.)

^{12/} Contrary to defendants' argument, there is evidence in the record--namely, screenshots of videos posted to myVidster that identify the user who posted the video--that at least some of the users identified by plaintiff as repeat infringers, such as "fifthcharactermuppet" and "Damon1420," did in fact post videos containing plaintiff's copyrighted content on two or more occasions.

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harbor exemption. Defendants assert that they qualify for the safe harbor for information "residing on systems or networks at [the] direction of users," 17 U.S.C. § 512(c).

We need not discuss each of the requirements of § 512(c) because it is clear that defendants do not satisfy one of the threshold requirements. Section 512 provides in pertinent part:

The limitations on liability established by this section shall apply to a service provider only if the service provider--
has adopted and reasonably implemented, and informs subscribers and account holders of the service provider's system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers

17 U.S.C. § 512(i)(1)(A).

It is difficult for us to understand how defendants can argue with a straight face that they have adopted and reasonably implemented a "repeat infringer" policy. Gunter determines the policies for, and controls, myVidster. His understanding of the term "infringer" does not encompass the law of copyright; he operates his site under the mistaken view that an "infringer" is limited to a person who posts content that is hosted on a password-protected or private website. The statute does not define the term "repeat infringer," but it is an obvious conclusion that "infringer" refers at the very least to someone who *infringes copyright*. See 3 Nimmer, *supra*, § 12B.10[B][1], at 12B-103 (2009) ("[I]n the context of the placement of Section 512 into the

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Copyright Act, an 'infringer' most naturally refers to someone who infringes another's copyright."). Gunter does not warn his users about copyright infringement (coyly instructing them not to violate "US law" does not cut it). He removes videos from myVidster that are listed in DMCA notices, but goes no further. Beyond his mechanical response to the notices, Gunter refuses to concern himself with copyright protection. It is true that service providers are not required to police their sites for infringement, but they are required to investigate and respond to notices of infringement--with respect to content *and* repeat infringers. See Aimster, 334 F.3d at 655 ("The [DMCA] does not abolish contributory infringement. The common element of its safe harbors is that the service provider must do what it can reasonably be asked to do to prevent the use of its service by 'repeat infringers.'"). Gunter's attitude is similar to that of Aimster, which the Seventh Circuit deemed an "ostrich-like refusal to discover the extent to which its system was being used to infringe copyright," noting that it was "another piece of evidence" of contributory infringement. Id. It would be very easy for Gunter to determine whether a particular myVidster user had posted, on two or more occasions, a video that infringes one of plaintiff's copyrights. He refuses to do so, and he refuses to acknowledge his duty to terminate the accounts of such users.

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Defendants are not eligible for the user-generated-content safe harbor. Plaintiff has shown that it is likely to succeed on its claim for contributory copyright infringement. Defendants have failed to rebut the presumption of irreparable harm that arises from a showing of copyright infringement. Their assertion that plaintiff waited too long to bring suit and to bring its motion is rejected. Before filing suit, plaintiff made several attempts to seek Gunter's full compliance with the numerous DMCA notices that it sent. That compliance never came; plaintiff should not be penalized for initially trying to avoid litigation. We also reject defendants' contention that the existence on other websites of material that infringes plaintiff's copyright somehow suggests that plaintiff is not suffering irreparable harm from defendants' activities.

This is a proper case for issuance of a preliminary injunction pursuant to Federal Rule of Civil Procedure 65 and the Copyright Act because (1) plaintiff is likely to succeed on the merits of its contributory infringement claim; (2) unless a preliminary injunction issues, plaintiff will suffer irreparable harm to its business; (3) the balance of harms favors plaintiff; and (4) the public interest favors granting a preliminary injunction.

Appropriate Relief

Plaintiff has submitted a proposed injunctive order. Our views on the proposed provisions are as follows:

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¶ 1: This paragraph is unnecessary. An order that defendants "comply with U.S. copyright law" is not appropriately tailored relief. Moreover, the second sentence is unnecessary because it should be understood from this opinion that, in plaintiff's words, the "fact that a video is available publicly on the [i]nternet shall not be reason for [Gunter's] abdication of [his] responsibility to make a determination as to whether or not a video is copyrighted."

¶ 2: Plaintiff presented no evidence on what constitutes "digital fingerprinting" or whether its implementation would be reasonably feasible or affordable. We decline to order that defendants implement this technology.

¶ 3: This relief is appropriate.

¶ 4: Should be modified to read: "Filter the following keywords and tags to prevent the upload or download of, posting of links to videos, and the posting of embedded videos containing plaintiff's copyrighted content, including intentional or inadvertent misspellings of keywords and tags . . . "

¶ 5: Should be modified to read: "Adopt and reasonably implement a repeat-infringer policy with respect to the infringement of copyright."

¶ 6: We will not require defendants to implement "flag" buttons that work in the particular way described by plaintiff.

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However, we will more generally require defendants to implement measures designed to prevent repeat infringement.

¶ 7: This relief is appropriate.

¶ 8: More broadly, we will require defendants to disable the accounts of users who on two or more occasions have posted content that infringes on one or more of plaintiff's copyrights.

¶ 9: This relief is appropriate.

¶ 10: Plaintiff has included a paragraph ordering defendants to pay its attorney's fees and costs associated with the bringing of the motion. Plaintiff did not include a request for this relief in its motion or memorandum, nor did it develop this argument. Therefore, this provision will not be included in the order.

¶ 11: Ordering the shutdown of myVidster.com would not be appropriately tailored relief. This paragraph should be stricken.

We believe that the order should also direct defendants to file with the court and serve plaintiff with a report or series of reports of compliance that identify all steps defendants have taken to comply with the injunction order. The parties should confer in an attempt to agree on a schedule for the provision of the report or reports.

The injunction order should also include a provision stating that it shall become effective upon the plaintiff's posting of a \$20,000 bond.

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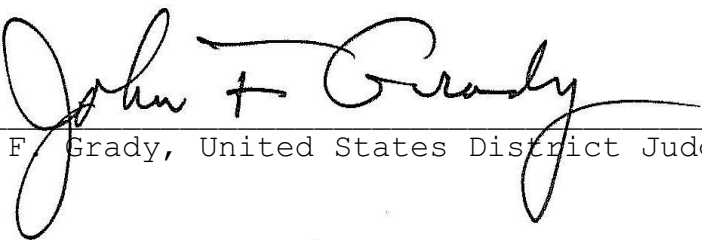
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CONCLUSION

For the foregoing reasons, plaintiff's motion for a preliminary injunction [20] is granted. Plaintiff is directed to prepare a proposed preliminary injunction order in accordance with this opinion and submit it to defendants by August 5, 2011. Thereafter, the parties shall confer and attempt to agree on the language of the proposed injunction order. Plaintiff shall submit the final proposed injunction order to the court by August 15, 2011; if there are any outstanding disputes with respect to its language, the plaintiff shall submit, along with the proposed order, a brief statement describing the disputes.

DATE: July 27, 2011

ENTER:



John F. Grady, United States District Judge

SA00042

**UNITED STATES DISTRICT COURT
FOR THE Northern District of Illinois – CM/ECF LIVE, Ver 4.2
Eastern Division**

Flava Works, Inc.

Plaintiff,

v.

Case No.: 1:10-cv-06517

Honorable John F. Grady

Marques Rondale Gunter, et al.

Defendant.

NOTIFICATION OF DOCKET ENTRY

This docket entry was made by the Clerk on Thursday, September 1, 2011:

MINUTE entry before Honorable John F. Grady: Defendants' motion to reconsider the issuance of a preliminary injunction [84] is denied. [For further detail see Memorandum Opinion.]Mailed notice(cdh,)

ATTENTION: This notice is being sent pursuant to Rule 77(d) of the Federal Rules of Civil Procedure or Rule 49(c) of the Federal Rules of Criminal Procedure. It was generated by CM/ECF, the automated docketing system used to maintain the civil and criminal dockets of this District. If a minute order or other document is enclosed, please refer to it for additional information.

For scheduled events, motion practices, recent opinions and other information, visit our web site at www.ilnd.uscourts.gov.

SA00043

10-6517.113-JCD

September 1, 2011

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

FLAVA WORKS, INC.,)	
)	
Plaintiff,)	
)	
v.)	No. 10 C 6517
)	
MARQUES RONDALE GUNTER d/b/a)	
myVidster.com; SALSAINDY, LLC;)	
VOXEL DOT NET, INC., and)	
JOHN DOES 1-26,)	
)	
Defendants.)	

MEMORANDUM OPINION

Flava Works, Inc. ("Flava"), is a company that produces and distributes adult entertainment products, including DVDs and streaming video. Flava brought this copyright and trademark infringement action against Marques Rondale Gunter, who created, owns, and operates a website called myVidster.com ("myVidster"); SalsaIndy, LLC ("SalsaIndy"), an entity controlled by Gunter that funded the start-up of myVidster; and Voxel Dot Net, Inc., a company that previously provided web-hosting services to myVidster.

Earlier this year, Flava moved for a preliminary injunction prohibiting Gunter and SalsaIndy from infringing on its copyrights, and we conducted a hearing on the motion in May and June. In late July, we issued a memorandum opinion granting the motion on the basis that Flava is likely to succeed on the merits of its

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contributory infringement claim. Flava Works, Inc. v. Gunter, No. 10 C 6517, 2011 WL 3205399 (N.D. Ill. July 27, 2011).¹ Gunter and SalsaIndy have filed a motion for reconsideration of our decision. The motion will be denied for the reasons explained below.

"Rule 59(e) allows a party to direct the district court's attention to newly discovered material evidence or a manifest error of law or fact, and enables the court to correct its own errors and thus avoid unnecessary appellate procedures. The rule does not provide a vehicle for a party to undo its own procedural failures, and it certainly does not allow a party to introduce new evidence or advance arguments that could and should have been presented to the district court prior to the judgment." Moro v. Shell Oil Co., 91 F.3d 872, 876 (7th Cir. 1996) (citation omitted). Although defendants do not set out the basis for their motion, they contend that our holding that Flava is likely to succeed on the first prong of its contributory infringement claim (direct infringement by a third party) is "directly contrary to the Ninth Circuit's seminal decision in Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1160-61 (9th Cir. 2007)" and thus appear to contend that the court made a manifest error of law. (Defs.' Br. at 1.) We will address the argument on its merits despite the fact that it could and

^{1/} The injunction is being issued today. We asked the parties to confer and attempt to agree on the language of a proposed injunction order. They recently submitted their separate proposals, and a number of their suggestions are included in the order we are entering.

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should have been presented to us at the time of the hearings. Defendants did previously cite to Perfect 10, but only briefly, in conjunction with an argument that displaying thumbnail images of videos is fair use. They argued in perfunctory fashion that myVidster users did not directly infringe Flava's works, but did not develop that argument or cite Perfect 10 in support.

To establish contributory copyright infringement, the first element that a plaintiff must prove is that a third party directly infringed its copyrighted work. We held that Flava demonstrated a likelihood of success on this element by submitting uncontradicted evidence that it owns the copyrights for works that myVidster users have, without authorization, copied and/or posted on myVidster. The vast majority of myVidster users have not created backup copies of videos on the site, but have directed myVidster to "embed" video clips on the site through the posting/bookmarking process.² It is this action, to which defendants also refer as "inline linking," that is the focus of the instant motion to reconsider. Defendants contend that Perfect 10 is the "prevailing legal standard for analyzing copyright infringement in the [i]nline linking context" and that it stands for the proposition that a party who "links to third-party materials cannot be a direct infringer, but at most can be a contributory infringer." (Defs.' Br. at 2-3.)

^{2/} The parties use the terms "posting" and "bookmarking" interchangeably.

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In Perfect 10, the plaintiff, Perfect 10, Inc., sued Google and Amazon.com for infringing its copyrighted photographs of nude models. The technology at issue in the appeal pertained to Google's Image Search, the search engine that identifies text in its database that is responsive to a search query and then "communicates to users the images associated with the relevant text." 508 F.3d at 1155. The Ninth Circuit described Google Image Search's inline linking process as follows:

Google's software cannot recognize and index the images themselves. Google Image Search provides search results as a webpage of small images called "thumbnails," which are stored in Google's servers. The thumbnail images are reduced, lower-resolution versions of full-sized images stored on third-party computers.

When a user clicks on a thumbnail image, the user's browser program interprets HTML instructions on Google's webpage. These HTML instructions direct the user's browser to cause a rectangular area (a "window") to appear on the user's computer screen. The window has two separate areas of information. The browser fills the top section of the screen with information from the Google webpage, including the thumbnail image and text. The HTML instructions also give the user's browser the address of the website publisher's computer that stores the full-size version of the thumbnail. By following the HTML instructions to access the third-party webpage, the user's browser connects to the website publisher's computer, downloads the full-size image, and makes the image appear at the bottom of the window on the user's screen. Google does not store the images that fill this lower part of the window and does not communicate the images to the user; Google simply provides HTML instructions directing a user's browser to access a third-party website. However, the top part of the window (containing the information from the Google webpage) appears to frame and comment on the bottom part of the window. Thus, the user's window appears to be filled with a single integrated presentation of the full-size image, but it is actually an image from a third-party

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website framed by information from Google's website. The process by which the webpage directs a user's browser to incorporate content from different computers into a single window is referred to as "in-line linking." The term "framing" refers to the process by which information from one computer appears to frame and annotate the in-line linked content from another computer.

508 F.3d at 1155-56 (citation and footnote omitted). Perfect 10 argued that Google's thumbnail images (stored on Google's servers) and inline links to the full-size images (stored on third parties' servers) infringed Perfect 10's copyrights. The Ninth Circuit held that Perfect 10 made a prima facie case that Google's communication of its stored thumbnail images directly infringed Perfect 10's right to display its copyrighted works,³ but rejected the contention that Google directly infringed by "displaying" a copy of the full-size images stored on third-party computers. Id. at 1160-61. The Court explained:

Because Google's computers do not store the photographic images, Google does not have a copy of the images for purposes of the Copyright Act. In other words, Google does not have any "material objects ... in which a work is fixed . . . and from which the work can be perceived, reproduced, or otherwise communicated" and thus cannot communicate a copy. 17 U.S.C. § 101.

Instead of communicating a copy of the image, Google provides HTML instructions that direct a user's browser to a website publisher's computer that stores the full-size photographic image. Providing these HTML instructions is not equivalent to showing a copy. First, the HTML instructions are lines of text, not a photographic image. Second, HTML instructions do not themselves cause infringing images to appear on the

^{3/} The Court went on, however, to hold that Google's use of the thumbnail images is "highly transformative" and therefore that Google was likely to succeed on its fair-use defense regarding the thumbnails. Id. at 1165-68.

- 6 -

user's computer screen. The HTML merely gives the address of the image to the user's browser. The browser then interacts with the computer that stores the infringing image. It is this interaction that causes an infringing image to appear on the user's computer screen. Google may facilitate the user's access to infringing images. However, such assistance raises only contributory liability issues and does not constitute direct infringement of the copyright owner's display rights.

Perfect 10 argues that Google displays a copy of the full-size images by framing the full-size images, which gives the impression that Google is showing the image within a single Google webpage. While in-line linking and framing may cause some computer users to believe they are viewing a single Google webpage, the Copyright Act, unlike the Trademark Act, does not protect a copyright holder against acts that cause consumer confusion.

Id. at 1160-61 (citations omitted). The Court applied the same reasoning to conclude that Perfect 10 was not likely to prevail on its claim that Google directly infringed its right to distribute its full-sized images. Id. at 1162-63.

According to defendants, Perfect 10 instructs that "the critical factual inquiry is the location of the infringing image." Defendants argue that the videos posted to myVidster are hosted on third-party servers, as were the full-size images in Perfect 10, and "the way the videos are linked and displayed is the same as in Perfect 10." (Defs.' Br. at 5.) The video links, or "embeds," that appear on myVidster are shown to the viewer as if they are part of the myVidster site, even though the videos are hosted by (stored on) a third-party server.

- 7 -

We decline to apply Perfect 10 to this case. The Ninth Circuit's decision is not binding on this court; moreover, it is highly fact-specific and distinguishable. Defendants assert that the cases involve "essentially the same technology." Both cases may involve inline linking,⁴ but the processes are quite different. The relevant comparison is between the conduct of Google and the conduct of myVidster's users, not between Google and myVidster. In response to a search query, Google's image search engine uses an automated process to display search results through inline linking. In contrast, myVidster's users do not employ any sort of automation to determine which videos they bookmark; rather, they personally select and submit videos for inline linking/embedding on myVidster. (And many of those hand-picked videos are infringing.) Google's use of inline linking is neutral to the content of the images; that of myVidster's users is not.

To the extent that Perfect 10 can be read to stand for the proposition that inline linking can never cause a display of images or videos that would give rise to a claim of direct copyright infringement, we respectfully disagree. In our view, a website's servers need not actually store a copy of a work in order to "display" it. The fact that the majority of the videos displayed

^{4/} We say "may" because while it does appear that myVidster uses inline links (or "embeds") of videos, defendants provided little to no detailed evidence about exactly how myVidster works. We are unable to provide the kind of lengthy and technical description of the kind provided by the Ninth Circuit regarding Google's process.

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on myVidster reside on a third-party server does not mean that myVidster users are not causing a "display" to be made by bookmarking those videos. The display of a video on myVidster can be initiated by going to a myVidster URL and clicking "play"; that is the point of bookmarking videos on myVidster--a user can navigate to a collection of myVidster videos and does not have to go to each separate source site to view them.

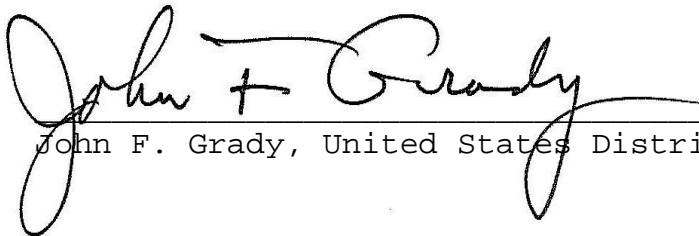
Because we find that Perfect 10 is inapplicable to the instant case, defendants' motion will be denied.

CONCLUSION

For the foregoing reasons, defendants' motion to reconsider the issuance of a preliminary injunction [84] is denied.

DATE: September 1, 2011

ENTER:



John F. Grady, United States District Judge

SA00051

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FLAVA WORKS, INC.,)	
)	
Plaintiff,)	
)	
v.)	No. 10 C 6517
)	
MARQUES RONDALE GUNTER d/b/a)	
myVidster.com; SALSAINDY, LLC;)	
VOXEL DOT NET, INC., and)	
JOHN DOES 1-26,)	
)	
Defendants.)	

ORDER

This cause coming before the court on the motion of plaintiff Flava Works, Inc. for a preliminary injunction, due notice being given, the court having heard the evidence and testimony of the parties;

It is hereby ordered that defendants Marques Rondale Gunter d/b/a myVidster.com; myVidster.com; and SalsaIndy, LLC shall:

1) Implement filtering of keywords and tags of trademarks owned by plaintiff Flava Works, Inc. to prevent the upload and/or download of, and the posting of embedded videos containing, plaintiff's copyrighted content. The following keywords and tags shall be filtered (and shall include intentional or inadvertent misspellings that have been used by myVidster users in the past):

Flava
Flava Works, Inc.
Flava Works
FlavaMen
CocoDorm
CocoBoy
Thugboy
PapiCock
Raw Rods
Mix It Up Boy
Arquez

SA00052

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Baby Star
Cayden Cooper
Cody Kyler
DeAngelo Jackson
Romeo Storm
Usher Richbanks
Malo
Flamez
Golden Secret
Domino Star
Romeo St. James
Breion Diamond

2) Adopt and reasonably implement a repeat-infringer policy with respect to the infringement of copyright.

3) Implement measures designed to prevent repeat infringement.

4) Expeditiously remove, or disable access to, infringing material when a DMCA notice is received from plaintiff by taking the following steps:

- a. Deleting the copyrighted video; and
- b. Deleting the thumbnails of the video and all images associated and/or hyperlinked with the video.

5) Suspend the accounts of users who on two or more occasions have posted content that infringes on one or more of plaintiff's copyrights, including John Does 1-26.

6) Store, archive, and protect any information regarding John Does 1-26, including, but not limited to, username, e-mail address, IP address, and any other information or data.

7) On the 15th of every month beginning with September 15, 2011, file with the court and serve plaintiff with a report on compliance that identifies all steps defendants have taken to comply with this injunction order.

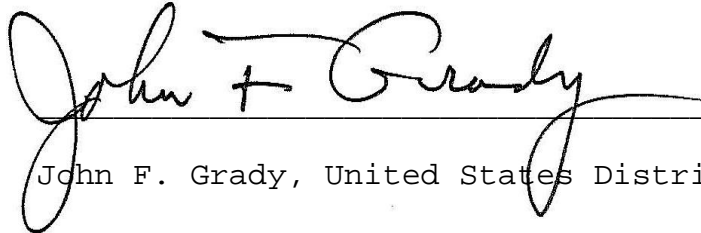
8) This injunction shall become effective upon the plaintiff's posting of a \$20,000 bond.

SA00053

- 3 -

DATE: September 1, 2011

ENTER:



John F. Grady, United States District Judge

SA00054

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FLAVA WORKS, INC.,) No. 2010 C 6517
Plaintiff,) May 16, 2011
v.) 1:20 p.m.
MARQUES RONDALE GUNTER, et al.,)
Defendants.)

TRANSCRIPT OF PROCEEDINGS - Motion
BEFORE THE HON. JOHN F. GRADY

APPEARANCES:

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Official Court Reporter
United States District Court
219 South Dearborn Street, Room 1432
Chicago, Illinois 60604
(312) 435-5563

SA00055

1 THE CLERK: 10 C 6517, Flava Works versus Gunter.

2 THE COURT: Good afternoon.

3 MR. HUON: Good afternoon, Judge. Meanith,
4 M-e-a-n-i-t-h, Huon, H-u-o-n, for the plaintiff Flava Works.

01:23:10 5 MR. LEIGHTON: Good afternoon, Judge. Greg Leighton
6 for defendants Marques Gunter and SalsaIndy, LLC..

7 MR. PETROLIS: Good afternoon. Mark Petrolis for
8 defendant VoxelDotNet. I'm just here --

9 THE COURT: You're out of the case, right?

01:23:21 10 MR. PETROLIS: I'm just here to observe.

11 THE COURT: Okay. Let's have brief opening statements
12 from each side.

13 MR. LEIGHTON: Your Honor, before we proceed, we
14 brought with us today a bench notebook if you'd like to have
01:23:31 15 it.

16 THE COURT: Sure.

17 MR. LEIGHTON: The exhibits and some other relevant
18 case law we intend to present today.

19 THE COURT: Thank you.

01:23:38 20 MR. LEIGHTON: We'll give you guys copies as we put
21 things in.

22 MR. HUON: That's another housekeeping question,
23 Judge. We have a lot of exhibits. Do you just want us to hand
24 the exhibits to you as we go along?

01:23:50 25 THE COURT: Do you have them in a book?

1 MR. HUON: No, we were going to introduce the
2 exhibits, each packet separately.

3 THE COURT: Just hand them up as we go along. And I
4 assume there are no authenticity objections, so it won't be
5 necessary to lay any foundation for things that are obviously
6 genuine. If there's any relevancy objection, make it and I'll
7 rule on it. So just hand them up as we go along.

8 MR. HUON: Thank you, Judge.

9 THE COURT: Okay. Go ahead and make your opening
10 statement.

11 OPENING STATEMENT ON BEHALF OF PLAINTIFF

12 MR. HUON: Judge, I represent Flava Works. Flava
13 Works is an online film company that produces adult gay films,
14 that focuses on that particular niche. MyVidster, the
15 defendant, is not just a social bookmarking web site. What it
16 is is it's a place where people can come and trade and share
17 copyrighted videos, and what makes myVidster different from
18 other web sites such as YouTube, there are several features.

19 MyVidster allows people to back up copyrighted videos.
20 That's what the facts are going to show. YouTube doesn't have
21 anything like that. Currently YouTube, for example, only
22 allows a person to post a 15-minute video tops. MyVidster
23 allows people to post a full movie.

24 Another problem with myVidster is they have the
25 flagging technology, but they only flag for adult versus

1 servers. But what remains is once the video has been removed
2 let's say on the third party server, they are still remaining
3 on myVidster.

02:25:58

4 Q. So a free user, not a subscriber, can post a video, and
5 when that video is removed off a third party server, it will
6 still remain on myVidster?

02:26:16

7 A. They can post it, they link it, they bookmark it, they do
8 all of the terminologies that a paid user does except if the
9 video, they just cannot do their own personal backup of it.
10 But they can repost it. So if the file gets deleted on a third
11 party site, they can repost it.

12 Q. Have you been monitoring the number of site visits to
13 myVidster?

14 A. Yes, I have.

02:26:29

15 Q. Have you seen any correlation between your sales and the
16 activity of the number of users at the site of myVidster's?

02:26:48

17 A. Yes. I mean, our sales are going down because people are
18 going to the myVidster's web site to view our content for free.
19 They are not, they are not -- the people stopped paying us for
20 our content. And, you know, we've spent a lot of money
21 producing high quality content which is available now on
22 myVidster for free. In fact, usually after a video has been
23 edited and posted on our member's paid web site, it's available
24 shortly thereafter on myVidster for free. So customers of ours
25 that are leaving us are like why should I pay for this when I

02:27:10

1 Q. Okay. Let's -- you testified earlier that myVidster is
2 causing Flava Works to lose revenue, correct?

3 A. That is correct.

03:32:32

4 Q. Because users at myVidster can access Flava Works content
5 for free instead of paying for it, correct?

6 A. Yes.

7 Q. And you estimate that the amount of revenue lost is at
8 least \$100,000, correct?

9 A. I said our sales are down 30, 35 percent.

03:32:43

10 Q. What does that we equate to in dollars?

11 A. I don't know.

12 Q. Any estimate?

13 A. I don't want to give an estimate right now, but, I mean,
14 it's a lot.

03:32:51

15 Q. Is it more than \$100,000?

16 A. Probably.

17 Q. Is it more than 200,000?

18 A. I don't think it's up in that number, but I know it's more
19 than 100,000.

03:32:59

20 Q. Okay. There are at least a dozen other web sites that host
21 unauthorized copies of Flava Works content available on the
22 internet, right?

23 A. Yes.

03:33:13

24 Q. Users can go to any one of those web sites and see Flava
25 Works content for free, correct?

1 A. Yes.

2 Q. There are also at least 50 web sites that host copies of
3 Flava Works videos pursuant to a license from Flava Works,
4 correct?

03:33:21

5 A. Probably, yes.

6 Q. So there's 50 web sites, 50 other web sites where users can
7 also go see Flava Works videos on the internet, correct?

03:33:37

8 A. They are not the same videos. MyVidster is offering the
9 full length version. These affiliates, those people that we
10 are licensing the contents to, these are little teasers. They
11 are about a minute long. You watch a teaser like -- before you
12 see a movie, you want to see the teaser, you want to see the
13 trailer to understand what the movie he is going to be about
14 before you go see a sucky movie. That's what they are doing.

03:33:52

15 They are offering that one-minute teaser so you can click it,
16 watch it, and if you like it, it takes you directly over to our
17 paid web site where the customer then joins.

18 MyVidster is offering that full 15, 25-minute,
19 30-minute video free. That's the difference.

03:34:06

20 Q. So even if myVidster didn't exist, Flava Works content
21 would still be available on the internet?

22 A. MyVidster is -- it's the searchable, it's a bull of all of
23 the infringing material. It provides, it's the indexing, it's
24 the searching for all of this material. It's the one-stop shop
25 for theft. It's like all you can -- it's like an Old Country

03:34:24

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FLAVA WORKS, INC.,

Plaintiff,

v.

MARQUES RONDALE GUNTER, doing
business as myVidster.com, et
al.,

Defendants.

No. 10 C 6517

Chicago, Illinois
June 9, 2011
10:00 a.m.

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE JOHN F. GRADY

APPEARANCES:

For the Plaintiff: HUON LAW FIRM, by
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For the Defendants: NEAL GERBER & EISENBERG, by
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(708) 860-8482

1 THE CLERK: 10 C 6517, Flava Works versus Gunter,
2 evidentiary hearing continued.

3 THE COURT: Good morning.

4 MR. LEIGHTON: Good morning, Judge.

5 MR. HUON: Good morning.

6 THE COURT: I believe we left off with the completion
7 of the adverse examination of the defendant by the plaintiff.
8 Is that where we were?

9 MR. LEIGHTON: I believe so, your Honor, yes.

10 THE COURT: And so now what are we going to do?

11 MR. LEIGHTON: It's my understanding -- I'm not sure.

12 THE COURT: Has plaintiff rested?

13 MR. HUON: Yes, Judge. I was just going to move my
14 exhibits into evidence.

15 THE COURT: All right. Any problem with any
16 exhibits?

17 MR. LEIGHTON: No, your Honor.

18 THE COURT: They're all received.

19 What we ought to do, I suppose, is to list them by
20 number, but we don't have to take court time for that. Just
21 make a list and hand it to the courtroom deputy, and we'll
22 mark that itself as an exhibit, and that will be the
23 plaintiff's exhibits admitted.

24 MR. HUON: And, Judge, I just wanted to tender
25 two cases. I have already given counsel a copy of the case.

1 The one is Perfect 10 versus Goggle that talks about
2 thumbnails is infringement. And the other one is Batesville
3 versus Funeral Depot, which is a case from the Seventh
4 Circuit, from the district court in the Seventh Circuit that
5 talks about how hyperlinking is infringement.

6 THE COURT: Counsel, will you state your names for
7 the record for the court reporter.

8 MR. HUON: Meanith, M-E-A-N-I-T-H, Huon, H-U-O-N, for
9 the plaintiff, Flava Works.

10 MR. LEIGHTON: I'm Greg Leighton, L-E-I-G-H-T-O-N,
11 for defendant Marques Gunter and also the LLC.

12 THE COURT: All right then. I guess we're at the
13 point now where the defendant puts on its defense.

14 MR. LEIGHTON: Yes, your Honor. We call Marques
15 Gunter.

16 THE COURT: Will you take the stand, please.

17 (Witness sworn.)

18 MARQUES RONDALE GUNTER, DEFENDANT HEREIN, DULY SWORN

19 DIRECT EXAMINATION

20 BY MR. LEIGHTON:

21 Q Good morning, Mr. Gunter. Could you state your name and
22 spell your last name for the record, please.

23 A Marques Gunter, last name G-U-N-T-E-R.

24 Q Mr. Gunter, what's your educational background?

25 A I have a bachelor's in information technology with a minor

1 in entrepreneurship.

2 Q Where did you receive that degree from?

3 A Central Michigan University.

4 Q What year did you graduate?

5 A 2003.

6 THE COURT: Where is that located?

7 THE WITNESS: Central Michigan University, Mount
8 Pleasant, Michigan.

9 THE COURT: Where is that?

10 THE WITNESS: In the middle of Michigan, right in the
11 middle.

12 THE COURT: Thank you.

13 THE WITNESS: Middle of the glove.

14 BY MR. LEIGHTON:

15 Q Through your course work at Central Michigan, did you
16 learn how to program computers or design websites?

17 A Yes. My IT background I learned a little bit about --
18 took a few classes in web development and coding languages. A
19 lot of my skills are self taught, though.

20 Q So you mentioned being self taught. How did you teach
21 yourself, then, and what skills specifically did you teach
22 yourself?

23 A I focused on both -- mostly on web technologies, asp.net,
24 scripting language for websites, PHP, HTML, java script.
25 Pretty much to be self taught is I used to take existing work,

1 open source, and you kind of learn by taking other people's
2 works and then modifying them to complete a task. Like a
3 discussion board. You download a open source version of it.
4 You modify it to meet your site's needs. And you learn
5 indirectly through that process.

6 Q How long have you been doing -- how long have you been
7 programming?

8 A About 10 years now.

9 Q What computer languages do you know?

10 A Computer languages, asp.net, Visual Basic,
11 visualbasic.net, PHP, java script pretty much.

12 Q How many websites have you designed?

13 A Around three.

14 Q What are they?

15 A SalsaIndy.com, myVidster.com, and I had a personal website
16 just called -- for myself, like a online portfolio,
17 mgunter.com.

18 Q Okay. Let's talk a little bit about SalsaIndy, LLC. What
19 is SalsaIndy, LLC?

20 A SalsaIndy is a Latin dance company I started around
21 four years ago. Pretty much we teach Latin dancing, and we
22 host Latin events like salsa socials and Latin parties.

23 Q Who owns SalsaIndy, LLC?

24 A Myself.

25 Q Anyone else?

1 A No.

2 THE COURT: How is that spelled?

3 THE WITNESS: SalsaIndy is S-A-L-S-A-I-N-D-Y.

4 BY MR. LEIGHTON:

5 Q What are the business goals of SalsaIndy?

6 A To teach and spread the joy of Latin dancing in the
7 Indianapolis area.

8 Q How does SalsaIndy relate to myVidster.com?

9 A Well, one thing I learned when starting the Latin dance
10 business was trying to figure out how to market it, and so I
11 started posting video clips on my personal YouTube channel to
12 show people what salsa dancing is about.

13 Indianapolis is not as cultured as major cities are,
14 so video is the best way to kind of introduce Latin dancing to
15 them because personally I did not have any idea what salsa was
16 until I ran across it in a Latin club. So what I did was I
17 took videos that I posted on my YouTube channel, and then I
18 started posting them on SalsaIndy. Well, it became a lot of
19 work, so I ended up writing a small script that would take
20 videos from my YouTube channel and then and automatically post
21 them to my SalsaIndy website. And then it got a little more
22 complicated where, well, this other person has other video
23 clips that I would love to share with people who visit my
24 website, so I started basically developing a system that made
25 it easy for me to bookmark and link these videos primarily

1 from YouTube back then to SalsaIndy.

2 And then I realized, I was like, well, I'm building
3 up a system here. Maybe other people will benefit from this
4 because it's saving me a lot of work, and people are, you
5 know, going to my website, they see the salsa video clips, and
6 then, you know, I would assume that's helping me build my
7 business up. And I was like, well, this is -- I spent a lot
8 of time building it. Let me, you know, kind of port it over
9 to its own website and kind of show it off to the world and
10 see if anyone else wants to use it.

11 Q The end result of that process was myVidster.com?

12 A Exactly. I thought of the domain name afterwards and then
13 ported the code over there and then made it a multi-user
14 system versus just me using it for my personal use.

15 Q Did anyone help you create myVidster?

16 A No. It was a solo project.

17 Q When did you create myVidster?

18 A Roughly three years ago.

19 Q Does myVidster have any other -- do you have any other
20 employees or anyone else who helps you run or maintain the
21 site?

22 A For myVidster, no, I do not. It's just myself.

23 Q So what exactly is myVidster designed to allow users to
24 do?

25 A MyVidster is a social bookmarking site, with its niche is

1 video. Users can link -- I should say bookmark videos from
2 all around the web in personal collections where they keep
3 track of their favorite videos via bookmarks, and also those
4 collections by default are public, so then they can share
5 their video collections with friends or the entire world if
6 they want.

7 Q What industry do you consider myVidster to be in?

8 A Well, I would say it's social bookmarking, social network,
9 social bookmarking. It's an open platform. Any groups can
10 join it. Any groups can use it.

11 Q Is the site a part of the adult film or pornography
12 industry?

13 A No.

14 Q Okay. Now, I want to go back. You talked a lot about
15 bookmarking and social bookmarking. When you say
16 "bookmarking," what do you mean by that? What's a bookmark?

17 A Well, a bookmark is a link. A link is a pointer to a web
18 page or a file either on -- on a website. It can be internal,
19 or it could be another website on the web. A bookmark is just
20 your favorites. You bookmark your favorite links from all
21 around the web, and you bookmark them. You save them
22 somewhere. Like you will save them to your web browser, for
23 example. Those are bookmarks.

24 What myVidster is, is those bookmarks are being
25 stored on the myVidster server. So you have these collection

1 of links, which are videos in myVidster's case, all stored
2 onto myVidster's servers, so basically those bookmarks are
3 links, in my myVidster's case, pointing to other websites
4 around the web.

5 Q Okay. I just want to ask you about a few other terms that
6 have been used in this case. What's downloading?

7 A Downloading is when a user retrieves a file from a
8 website.

9 Q What's uploading?

10 A When a user posts or sends a file, I guess, to another
11 website as well.

12 Q Is there a difference between the way myVidster functions
13 and the way peer-to-peer file sharing services such as Nabster
14 and Aimster function?

15 A The purpose -- the setup for peer-to-peer is where users
16 in the peer-to-peer network, the files that they are sharing
17 are stored on their computers. So basically users are
18 downloading and uploading from each other through this
19 peer-to-peer network.

20 What myVidster is, is it's just a repository of these
21 links and bookmarks. The files themselves are not stored on
22 the users' computers. The files -- the video files are stored
23 on external websites around the web. So the users are not
24 storing copies. They're not uploading or downloading. All
25 they're doing is they're viewing the videos from myVidster,

1 but they're being hosted on external websites.

2 Q Okay. Let's talk a little bit about the users now. How
3 many different types of users are there on myVidster?

4 A MyVidster has general users, and also they have pro users.

5 Q What's the difference between the two?

6 A General users can bookmark videos from all around the web
7 in their own personal collections. Pro users have the same
8 benefits as general users, but they also have the ability to
9 create backup copies of their bookmarked videos.

10 Q How many general users are there roughly?

11 A A little over 80,000.

12 Q And how many premium users or pro users are there roughly?

13 A 25, 30.

14 Q Okay. So how does the payment structure for the users of
15 myVidster work? Do they pay you money? And if so, when?

16 A General users are free. They do not pay for anything for
17 the service. Pro users, there's a subscription service where
18 they're either paying monthly or yearly for the subscription.

19 Q And what's the payment structure for advertisers to be
20 able to advertise on myVidster?

21 A Advertisers, I use networks that I'll sell and manage the
22 advertiser inventory. Like I use Juicy Ads, for example. So
23 advertisers will create an account on Juicy Ads, and those ads
24 will be displayed on myVidster.

25 Pretty much what the advertisers are doing is they're

1 paying for impressions and clicks on their banners. So that's
2 what they're paying for, and then, you know, myVidster gets a
3 cut of that.

4 Q So is the payment structure for either users or
5 advertisers affected by whether or not users have or do not
6 have access to infringing materials on myVidster?

7 A I would say not. I've never had any feedback from users
8 complaining about any type of content not being available. I
9 have not received any feedback from my users based on those
10 regards.

11 Q Have you ever specifically targeted or directed your
12 advertisements on myVidster to individuals interested or who
13 might be interested in infringing content?

14 A No, I have not.

15 Q Have you ever specifically targeted or directed any of
16 your blog posts to individuals who might be interested in
17 obtaining infringing content?

18 A No.

19 Q Is there any indication or evidence that users have
20 subscribed to myVidster or canceled their accounts of
21 myVidster based on the availability of allegedly infringing
22 content?

23 A No.

24 Q Okay. Let's talk a little more about the general users.
25 When a general user finds a video on the Internet that he

1 wants to share or bookmark, how does he ultimately post that
2 link or bookmark onto myVidster?

3 A When a user finds a video on the web that they want to
4 keep track of, they will create a bookmark. What myVidster
5 does in that process is user will submit the link to
6 myVidster. MyVidster will then crawl that web page looking
7 for some information. It will look for the title of the
8 video, possibly a description, any keywords, also the embed,
9 which is just a link to the video which it uses, and myVidster
10 will also create a thumbnail of the video if one is not
11 already available.

12 Q Okay. At any point during that process is a copy of the
13 video file itself ever created?

14 A No. No copy of the video is made during the bookmarking
15 process.

16 Q So when a user creates a link to a particular video, can
17 you tell whether that user knows if the video is infringing
18 someone else's copyrights?

19 A I would assume not. I just take it from my perspective.
20 If I'm browsing the web and I find something that I like and I
21 want to save to my favorites, I personally do not go through
22 that thought process every time I come across a video on the
23 web, so I would assume that my users probably are thinking the
24 same.

25 Q Can you tell? Can you tell whether the user knows it's

1 infringing or not?

2 A No, I cannot.

3 MR. LEIGHTON: All right. Mr. Gunter, I'm going to
4 hand you what's previously been marked as Defense Exhibit 1.

5 If your Honor has our notebook from the last time.

6 THE COURT: I do.

7 MR. LEIGHTON: The first exhibit if you'd like to
8 follow along.

9 BY MR. LEIGHTON:

10 Q Do you recognize that document?

11 A Yes, I do.

12 Q What is it?

13 A It is -- this is a video bookmark page on myVidster.

14 Q So is that a true and correct copy of screen shots from
15 the myVidster website?

16 A Yes, it is.

17 Q Are pages like this created and kept in the ordinary
18 course of myVidster's business?

19 A Yes.

20 MR. LEIGHTON: Your Honor, at this time I guess I'd
21 like to move it into evidence, or I can wait to the end to --

22 THE COURT: Why don't we do the same way we did with
23 the plaintiff's.

24 MR. LEIGHTON: That works.

25 THE COURT: Go ahead.

1 BY MR. LEIGHTON:

2 Q So, for instance, the first page of this exhibit, are
3 these --

4 I guess I should ask you are all of these exhibits a
5 reflection of the result of the process we were just talking
6 about where myVidster crawls a particular third-party website
7 to create a link to the video?

8 A Yes, correct. These are video -- these are bookmark
9 pages. Each page here is through the process of bookmarking a
10 video to myVidster.

11 Q Okay. I want to walk you through some of the information
12 here. So what -- do you see where it says bookmark date?

13 A Yes.

14 Q What does that mean?

15 A That is the date the user bookmarked the video.

16 Q Okay. Do you see posted by?

17 A That is the user who bookmarked the video, the user name.

18 Q Okay. And then there's source link. What does source
19 link mean?

20 A Source link is the location where the user has bookmarked
21 the video.

22 Q Is it always accurate?

23 A It's accurate in regards of that's where they bookmarked
24 it, but when you say the word "source," is it the true source
25 of the video file where the video file was located? No, it is

1 not always the case.

2 Q Why not?

3 A Pretty much what myVidster is doing is user finds a video
4 somewhere. They bookmark it. All I'm recording is that link,
5 that URL of the location where they bookmarked it at.

6 THE COURT: Do you have an extra copy of the defense
7 notebook?

8 BY MR. LEIGHTON:

9 Q Okay. So now I want to refer your attention actually to
10 the third page of the exhibit if I could. And do you see
11 where the -- under source link on the third page it says
12 www.myVidster.com?

13 A Yes.

14 Q Does that mean that a copy of this particular video, this
15 page, is actually stored on the myVidster servers?

16 A No. This is a situation where a user has bookmarked
17 another user's bookmark, which sounds a little weird, but
18 basically they're browsing through that user's video
19 collection, his collection of bookmarks. They find something
20 they like, and then they went ahead and they bookmarked it
21 from his collection.

22 The source link I can actually tell from this one
23 because the video player has a watermark. This one is -- for
24 example, the true source link of this one would be
25 xvideos.com.

1 Q Okay. Let's walk through some of the other information.
2 Underneath -- I'm sorry -- yeah, underneath there a little bit
3 of the way down it says embed. What does that mean?

4 A Embed is the link to the video. Basically it's a way for
5 you to display a video that is not hosted on your website. It
6 can be hosted -- that is hosted elsewhere. So this does the
7 embed code, and that's why you can see the video. It is the
8 embed code that is being used to display that video. I kind
9 of -- you kind of view it as a link to a video from another
10 website that is playable.

11 Q Will the embed code always correctly show the true source
12 of the video?

13 A Yes, it will.

14 Q Okay. Underneath embed it says URL. What's URL?

15 A That is the link to the user's bookmark. So if they want
16 to share that bookmark with someone else, they will send them
17 that URL that is right there.

18 Q So, now, the video is displayed sort of in the upper left
19 quadrant of the page here. So a user from this page can click
20 and that video will play, correct?

21 A Correct.

22 Q So if the video is playing from the myVidster website,
23 does that mean that a copy of the video is on the myVidster
24 server?

25 A No, no. The video is being streamed from that external

1 website.

2 Q I'm actually going to refer back. I'm going to hand you
3 Plaintiff's Exhibit No. 8.

4 And I'm sorry, I don't have copies of this for
5 everyone right now.

6 I believe plaintiff's counsel had asked you questions
7 about that and had asked you about the movies that appear on
8 there, and I just want to ask you the same question about
9 those.

10 You know, there's one that's Star Trek and another
11 that's Crank 2. Just because those movies are posted and
12 appear on your myVidster page, does it mean that those movies
13 are actually on your servers?

14 A No. These videos are bookmarks, and they're being hosted
15 on external websites.

16 Q And when you created those bookmarks, could you tell
17 whether or not the videos that you were linking to were
18 infringing someone else's copyrights?

19 A No. I would not have an idea.

20 Q Okay. Now, let's go back briefly and discuss the other
21 type of users, the premium users.

22 THE COURT: Excuse me just a minute. I have another
23 group of exhibits here not in a notebook. Are these
24 plaintiff's exhibits?

25 MR. LEIGHTON: Are they handwritten on the corner?

1 THE COURT: Yes.

2 MR. LEIGHTON: Yeah, I believe those are plaintiff's
3 exhibits.

4 THE COURT: Okay. Thank you.

5 BY MR. LEIGHTON:

6 Q Okay. So let's go back and talk about the premium users
7 now. I believe you said there's about 25 or 30 of them, and
8 the difference is that they can back up the videos that they
9 link to.

10 How many videos can a premium user store on
11 myVidster's servers?

12 A They can only store one unique copy of a video, and
13 they're limited to their storage quota.

14 Q How many copies of a particular video can they store?

15 A One. And that's actually across the board. MyVidster
16 will only store one unique copy. So if you have two premium
17 users backing up the same video, there's only one copy ever
18 being stored on myVidster's servers. MyVidster does not
19 create duplicates of videos.

20 Q Do you take any steps to monitor or gain knowledge of the
21 specific videos that users link to or back up on myVidster?

22 A No.

23 Q Do you prescreen any content posted or stored by users to
24 myVidster?

25 A No.

1 Q Do you provide any kind of advice regarding what content
2 users should or should not post on myVidster?

3 A No.

4 Q Do you edit any of the videos that are posted or stored by
5 users on myVidster?

6 A No.

7 Q Does myVidster have a DMCA policy?

8 A Yes.

9 Q What is it?

10 A I have it posted on the website.

11 Q I will hand you -- I'm actually going to hand you two
12 exhibits. I'm going to hand you what have been previously
13 marked as Defense Exhibit 2 and Defense Exhibit 3.

14 Let's start with Defense Exhibit 2. This is going to
15 back us up just slightly, but do you recognize that document?

16 A Yes, I do.

17 Q What is it?

18 A It's my registration for the Digital Safe Harbor.

19 Q This is a form you filed with the copyright office,
20 correct?

21 A Correct. I had my previous lawyer file this for me.

22 Q Okay. And this is a true and accurate copy of that
23 filing?

24 A Yes, it is.

25 Q Okay. Let's move on to Defense Exhibit 3. Do you

1 recognize that document, or those documents, I should say?

2 A Yes, I do.

3 Q What are they?

4 A These are my DMCA policies that I posted on myVidster and
5 also my terms of service, which is also posted on myVidster.

6 Q Are these true and accurate copies of those two things?

7 A Yes, it is.

8 Q Are these things records that are created and kept in the
9 ordinary course of myVidster's business?

10 A Yes.

11 Q So the first page, I believe -- I'm sorry. The first page
12 sets forth your DMCA policy, correct?

13 Would you please read the first paragraph of that
14 policy for the Court.

15 A "MyVidster respects the intellectual property of others."

16 THE COURT: Let's not do that. That's a lot of
17 reading. Just let me read it to myself, and then you can ask
18 questions about it.

19 MR. LEIGHTON: Sounds fair.

20 (Brief pause.)

21 THE COURT: Okay.

22 BY MR. LEIGHTON:

23 Q Have you actually implemented this policy?

24 A Yes, I have.

25 Q Do you always follow this policy?

1 A Yes.

2 Q Is there any aspect of the myVidster website that would
3 prevent a copyright owner from collecting information from
4 myVidster that would be necessary to include in a DMCA
5 takedown notice?

6 A No. All information is available for a copyright owner to
7 file a notice, collect the information needed to file a
8 notice.

9 Q How many DMCA notices has the plaintiff sent you?

10 A Approximately 300.

11 Oh, I'm sorry. Number-wise. I'm thinking about
12 takedowns.

13 In the twenties.

14 Q When was the first one sent?

15 A Early last year, probably March.

16 Q Each time you received a DMCA notice from the plaintiff,
17 did you remove all video links identified in each notice?

18 A Yes, I have.

19 Q How long did it take, roughly?

20 A Within 24 hours.

21 Q I'm now going to hand you what's previously been marked as
22 Defense Exhibit 4.

23 MR. HUON: My only objection is I asked counsel for a
24 copy of that notebook that he's already tendered to you. I
25 asked in person three times. I e-mailed him three or four

1 times. And I asked him about it this morning. His response
2 was that he would give me copies of what he's showing the
3 witness as he's going along.

4 If he had given me this when I asked for it, it would
5 have given me more time to cross examine Mr. Gunter.

6 MR. LEIGHTON: Your Honor, I didn't get three weeks
7 to review his evidence.

8 THE COURT: That's not the issue. Why didn't you
9 give him this? This isn't a tit for tat situation. It's a
10 question of expediting the proceeding. Why didn't you give
11 this to him?

12 MR. LEIGHTON: Well, he never asked for it
13 specifically. He asked for our notebook, and it was our
14 understanding that the court was in recess and we would simply
15 offer up our evidence to them as we entered it.

16 THE COURT: Well, as a practical matter, looking at
17 the bulk of this particular exhibit, how can counsel possibly
18 cross examine effectively on this being presented with it for
19 the first time this morning? The answer is he can't.

20 All right. Go ahead. We'll do the best we can.

21 MR. HUON: Thank you, Judge.

22 BY MR. LEIGHTON:

23 Q Okay. I'm going to start over.

24 What is this document?

25 A This is a document that I created. It's a -- pretty much

1 a data dump from myVidster's database. Basically the data
2 that I've dumped revolves around any -- from any takedown
3 notices from Flava Works.

4 Q Okay. And is this a record that's kept and maintained in
5 the ordinary course of myVidster's business?

6 A Yes.

7 Q Walk us through the columns on the spread sheets. The
8 first, starting at the left-hand side, says master I.D. What
9 does master I.D. mean?

10 A It's just a unique identifier which is represented by the
11 embed code. So it's just a way to make it -- make that video
12 unique in myVidster's database. So if it's collected multiple
13 times, you'd use that master I.D. code to say five people have
14 bookmarked this video.

15 Q And the next column says last updated. What does that
16 mean?

17 A That's when a user has updated the information on that
18 video bookmark. Let's just say they changed the name of the
19 title. If they've changed the name of the title, the last
20 updated field would be updated as to that time stamp.

21 Q So on these first few here when it says 000 across, what
22 does that indicate?

23 A It has never been updated. It has been bookmarked and
24 entered in the database, but the user has not updated it.

25 And also if they're early, early entries, this

1 functionality was added a little bit later, so it can fall
2 under one or two scenarios. Either it's an old bookmark or
3 the user has never updated the bookmark.

4 Q Okay. So what's title?

5 A The title the user gave to the bookmark.

6 Q What's source URL?

7 A Source URL is the location where the user has bookmarked
8 the video.

9 Q So that's the third party website where the video actually
10 resides, right?

11 A Well, it's really the location. It's not -- the source
12 URL is just the location of where the user has bookmarked the
13 video. So, once again, it falls in that scenario. It could
14 be the source site where he bookmarked it. It could be
15 another user's bookmark on myVidster. It could be a video
16 posted on a blog. It's just the location where the user has
17 bookmarked the video.

18 Q What's embedded URL?

19 A That is the embed code of the video which is used to play
20 the video on myVidster.

21 Q What's CC owner?

22 A That is the copyright -- that's the copyright owner who
23 sent the takedown request.

24 Q And then the last two are DMCA notice date and removal
25 date, correct?

1 A Yes. Those are the dates -- the DMCA notice date is the
2 date when I received the takedown notice, and the removal date
3 is when I disabled the link on myVidster.

4 Q So then this chart, then, is a representation of all links
5 of the plaintiff's content that you've removed from myVidster
6 since they started sending you DMCA notices?

7 A That is correct.

8 Q Now, every time the plaintiff sent you a DMCA notice did
9 you remove all of the backup videos that were identified in
10 each notice that were stored on myVidster's servers?

11 A Yes.

12 Q How long did that take?

13 A Within 24 hours.

14 Q Okay. I'm going to hand you what's been previously marked
15 as Defense Exhibit 5.

16 What is this document?

17 A This is a list of videos that have been taken down from
18 myVidster in regards to a takedown notice, or Flava Works'
19 takedown notices.

20 Q And is this, again, a record that's kept and maintained in
21 the ordinary course in myVidster's business?

22 A Yes.

23 Q So let's walk through the columns here.

24 The first says posted by. What does that mean?

25 A That is the myVidster user who had created the backup

1 copy.

2 Q And what is backup URL?

3 A Just the URL location or the location of the video file
4 itself.

5 Q Source -- is source URL on this chart the same as source
6 URL on the previous chart?

7 A Correct. That is the bookmarked location.

8 Q And posted, what does that mean?

9 A The date the bookmark was created.

10 Q I'm sorry. Are these bookmarks, or is this the date of
11 the bookmark or --

12 A This is the -- the posted date is the bookmark date
13 because basically the process is they'll bookmark the video
14 and they'll later on create a backup copy, so those dates
15 could actually differ when the copy was actually generated.

16 Q Okay. And you removed all --

17 How many are there total on this chart?

18 A I think ten or twelve.

19 Q I count 11?

20 A 11, yeah.

21 Q And you removed all 11 of these videos, correct?

22 A Yes, I have.

23 Q So there have been a total of 12 of plaintiff's videos
24 that were stored or removed from myVidster's servers total,
25 correct?

1 A Correct.

2 Q How many links were removed? How many entries were there
3 on the previous chart?

4 A The previous chart, just the bookmarks from removal,
5 approximately around 300 have been removed.

6 Q Okay. Now, every time you received a notice from the
7 plaintiffs, did you remove the user accounts that were
8 identified by them as "repeat infringers"?

9 A No, I did not.

10 Q Why not?

11 A Well, what I consider is when a user goes and creates a
12 bookmark from a video on the web, I do not consider that an
13 infringement. I do not know if they know that they're
14 infringing on someone's -- on copyright rights or whatever, so
15 I don't consider them an infringer, let alone a repeat
16 infringer.

17 Q Let's unpack that a little bit.

18 So when a user creates a bookmark, are they making a
19 copy?

20 A No.

21 THE COURT: Let me ask a question. In your
22 experience, what percentage of these adult porn videos are not
23 copyrighted?

24 THE WITNESS: Well, I would assume that they're all
25 copyrighted. Whether or not they're infringing on someone's

1 copyright is -- I do not know.

2 THE COURT: Okay. Give me an example of how one
3 could post a copyrighted video without infringing.

4 THE WITNESS: Xvideos.com provides embeds,
5 pornhub.com. There's a lot of adult websites that -- adult
6 websites, for example. Basically the adult websites have
7 modelled themselves after YouTube. YouTube became famous
8 because they allowed other websites to embed on theirs. So
9 Pornhub, XVideos, they all allow users to embed their videos
10 on other websites.

11 THE COURT: And is that with the consent of the
12 copyright holder?

13 THE WITNESS: As someone who's posting it as a
14 myVidster user or just a person on the website, we do not know
15 in regards on whether or not they're infringing or infringing
16 on copyrighted contents. We assume that the website
17 themselves are policing that, you know, because websites can
18 disable the embedding on certain videos. I've seen that where
19 some videos are embedable and some videos are not. So I would
20 assume if they're not embedable, that means it's restricted to
21 that website for whatever reason.

22 BY MR. LEIGHTON:

23 Q So I'm going to repose to you the question I'd asked,
24 which was when one of your users creates a link or a bookmark,
25 is there a copy created?

1 A No, no copy is created of that video.

2 Q And can you tell from what you can see in myVidster when
3 they create that link whether or not that video is restricted
4 by the copyright owner of that video?

5 A No.

6 THE COURT: When you receive one of these notices
7 from the plaintiff, do you investigate the truth of the
8 allegation of infringement before you take action?

9 THE WITNESS: No. What I do is if I receive a
10 notice, I just remove all the links. After I remove all the
11 links, I will do an investigation on the websites to see if
12 the websites are -- if I feel that they look legit. I mean,
13 if they're well-known adult websites, for example, then that's
14 cool. But if they're a site hosted in some foreign country, I
15 will probably do a deeper investigation.

16 But when they send me a notice, my first reaction is
17 remove the links.

18 THE COURT: Which means that you presume that there's
19 been a copyright violation.

20 THE WITNESS: I just follow DMCA, which requires me
21 to presume unless a counter-notification is sent, yes.

22 MR. LEIGHTON: Your Honor, if I might interject, you
23 know, under the DMCA, the DMCA in fact says don't presume,
24 simply remove, and there's a counter-notice procedure for
25 someone. So it's his job as the ISP just to simply remove.

1 THE COURT: Not to question, but to remove.

2 THE WITNESS: I don't question it. I always remove.
3 That is correct.

4 THE COURT: Thank you for pointing that out.

5 BY MR. LEIGHTON:

6 Q Does myVidster have a repeat infringer policy?

7 A Yes.

8 Q What is it?

9 And at this point I'll refer everyone's attention
10 back to Defense Exhibit 3, the second page.

11 A MyVidster's repeat infringer policy is if a user is using
12 myVidster to distribute video content, copyrighted content
13 that is not available publicly, will be what I'll consider a
14 repeat infringer. Basically if the user is using myVidster as
15 a way and means to distribute content that is not publicly
16 available. If it's not on a public website available and if
17 they're using myVidster as a way to get that material out,
18 that would cause me to, you know, investigate and see if
19 they're an infringer and then see if they're a repeat
20 infringer.

21 Q And let's talk about that. What is it about the public
22 availability that would give you pause? If something is not
23 publicly available, why does that perhaps indicate that there
24 might be an infringement going on?

25 A If it's not publicly available, in my mind, is that a

1 copyright owner -- it's harder for them to investigate
2 something that's not publicly available. If they find a video
3 that is on myVidster that's hosted by Pornhub, that copyright
4 owner can, of course, have me remove the link, and then he'd
5 go to Pornhub and say, hey, this user on your website is
6 posting these videos, go ahead and investigate or remove them,
7 or however they want to proceed.

8 Now, if it's a password protected website, for
9 example, and those videos are stored there, myself or the
10 copyright owner, we cannot really investigate the source in
11 that regards. So that's why I kind of took the high road
12 route is so that if I can't investigate, I know that the
13 copyright owner can't investigate, so I'm going to be the
14 first line of defense to stop that.

15 Q So it's some indicia that there might actually be
16 infringement going on?

17 A Possibly. You don't know, but, you know, it's enough to
18 warrant an investigation.

19 Q Have you ever taken any action against any myVidster users
20 under your repeat infringer policy?

21 A Yes. One user by the name Tailor Made, I sent him a
22 warning. He fell under the situation where there were several
23 videos that were pulled down due to the notices sent by Flava
24 Works, and when investigating, they were -- a lot of the
25 videos were posted from another social networking website, but

1 it was password protected, so once you try to investigate to
2 see where the source is, it says you must log in with a user
3 name and password.

4 Q Okay. I'm going to hand you what's been previously marked
5 as Defense Exhibit 6. What is this document?

6 A This is a document I sent to the user, which is the Tailor
7 Made user. I sent him a warning about his bookmarking
8 activity.

9 Q Okay. And is this a record that's kept and maintained in
10 the ordinary course of myVidster's business?

11 A Yes.

12 Q So I believe you testified that this is the e-mail that
13 you sent to him under your repeat infringer policy warning
14 him. Did you take any further action other than this e-mail?

15 A No.

16 Q Why not?

17 A After this e-mail was sent, the user has had no activity.
18 He has done no future bookmarking. He actually stopped
19 bookmarking, you know, before this date, so there was no
20 future bookmarking after it, so there's no repeat infringing
21 done by this user.

22 Q Let's talk a little bit about your monetization of the
23 site. How does myVidster make money?

24 A MyVidster makes money through its pro service, through its
25 subscription model, and through ad revenue.

1 Q And about how much revenue does myVidster bring in per
2 month?

3 A Around 2,000.

4 Q So that's \$24,000 a year roughly?

5 A Yes.

6 Q Is any of that \$24,000 a year directly attributable to the
7 plaintiff's content?

8 A No.

9 Q Would your revenue change if the plaintiff's content was
10 no longer available on the site?

11 A No, it would not.

12 Q Okay. Now let's talk a little bit about all the things
13 you've sort of done as you've interacted with the plaintiff
14 throughout the course of the past 18 months.

15 Did you ever inform the plaintiff about your repeat
16 infringer policy?

17 A Yes, I have.

18 Q When was that?

19 A Early fall last year.

20 Q And how did you inform them?

21 A By e-mail.

22 Q During your time communicating with the plaintiff, have
23 you taken any steps to mitigate the posting of the plaintiff's
24 content of myVidster?

25 A Yes. My strategy is always about stopping at the source.

EXHIBIT F

Its All Gay - Do It Black like

http://www.myvidster.com/video/346280/Its_All_Gay_-_Damon1420

myVidster

social video bookmarking

collect | share | explore

myVidster

signed in as flavaworks | my videos | account | subscriptions | logout | family filter: off

myvidster

Search

Share Buzz 0 collect shuffle

Video Information

Bookmark Date: August 27, 2010

Posted By: Damon1420

Source Link: www.itsallgay.com

Permission: Adult

Description: Just a lil fucking (more)

Embed: <div><div id="myvidster_embed_346280"></div></div>

URL: <http://www.myvidster.com/video/346280>

Tags:

Users who are collecting this:

spotlight912

missit

datude05

Cam9412

bottomboi090

marbealy

scorsses

fanatic2012

babib0li

videoman

saxiebrown99

Crimin

naturchoice

princess513

coored21

xspild

jlgga12177

Xporelecapricorn3X

fitted90

johnjackson

jboy

Quanboi

Wari

Joerobinson

must_be_lyfe

neboi

biglayvon

linblkmn

butlerboy

fireman1

reacy2go

bejanify

DisShit

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EXHIBIT F (10 of 33)

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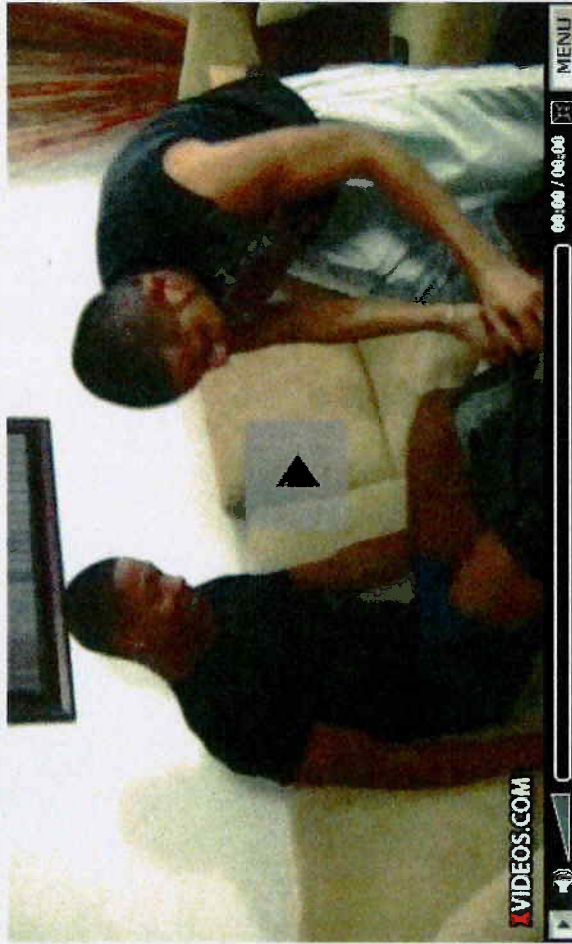
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myVidster social video bookmarking

We have upgraded everyone's online backup storage to 500 MB for free! You can use your additional storage to save your favorite videos to myVidster's server for safe keeping and faster loading. If 500 MBs is still not enough you can increase your storage quota for a small fee here. [remove]

The Shit » Favorites » No Title



Video Information

Bookmark Date: September 22, 2010

Posted By: sed269

Source Link: www.myvidster.com

Permisson: **Adult**

Description:
(more)

Embed: `<div><div id="myvidster_embed_421101"></div></div>`

URL: <http://www.myvidster.com/video/421101>

Tags:

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naturalbik
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EXHIBIT F (4 of 33)

DEFENSE EXHIBIT 1
PAGE 3

**Interim Designation of Agent to Receive Notification
of Claimed Infringement**

Full Legal Name of Service Provider: SalsaIndy LLC

Alternative Name(s) of Service Provider (including all names under which the service provider is doing business): MyVidster.com

Address of Service Provider: 735 Lexington Ave, Unit 26, Indianapolis, IN 46203

Name of Agent Designated to Receive Notification of Claimed Infringement: Marques Gunter

Full Address of Designated Agent to which Notification Should be Sent (a P.O. Box or similar designation is not acceptable except where it is the only address that can be used in the geographic location):
735 Lexington Ave, Unit 26, Indianapolis, IN 46203

Telephone Number of Designated Agent: 317-652-7263

Facsimile Number of Designated Agent: _____

Email Address of Designated Agent: copyright@myvidster.com

Signature of Representative of the Designating Service Provider:

Date: 27-SEP-2010

Typed or Printed Name and Title: Marques Gunter, President

**Note: This Interim Designation Must be Accompanied by a Filing Fee*
Made Payable to the Register of Copyrights.**

***Note: Current and adjusted fees are available on the Copyright website at
www.copyright.gov/docs/fees.html**

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OCT 08 2010

Copyright Office

SA00097

DEFENSE EXHIBIT 2



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Notifying MyVidster of Copyright Infringement: To provide MyVidster notice of an infringement, you must provide a written communication to the attention of "DMCA Infringement Notification Dept." at copyright@myvidster.com that sets forth the information specified by the DMCA (<http://www.copyright.gov/title17/92chap5.html#512>). Please note that you may be liable for damages (including costs and attorneys' fees) if you materially misrepresent that an activity is infringing your copyright.

While not required, if you want to mail us your notice it should be sent to our designated agent as follows:
Marques Gunter
Salsalindy LLC
735 Lexington Ave Unit 26
Indianapolis, IN 46203

Providing MyVidster with Counter-Notification: If we remove or disable access to content in response to an infringement notice, we will make reasonable attempts to contact the owner or administrator of the affected content. If your material has been removed and you feel that your material does not constitute infringement, you may provide MyVidster with a counter notification by written communication to the attention of "DMCA Counter Notification Dept." at copyright@myvidster.com that sets forth all of the necessary information required by the DMCA (<http://www.copyright.gov/title17/92chap5.html#512>). Please note that you may be liable for damages (including costs and attorneys' fees) if you materially misrepresent that an activity is not infringing the copyrights of others. If you are uncertain whether an activity constitutes infringement, we recommended seeking advice of an attorney.

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MASTER ID	LAST UPDATED	TITLE	SOURCE URL	EMBEDDED URL	CC OWNER	DMAC NOTICE DATE	REMOVAL DATE
798716803c08bae9ad73122286	0000-00-00 00:00:00	RawRods: Freakzilla and Armyent**	http://grou.ps/knpill/ysplace/videos/336058	http://grou.ps/includes/embed/player.swf?file=http://s3.amazonaws.com/silo.grou.ps/wyswyg_files/Videos/Knpill/ysplace/20090409165338-mjqtwdasnywtm-fiv&image=http://grou.ps/wyswyg_files/Videos/Knpill/ysplace/20090409165338-mjqtwdasnywtm-big.jpg&link=http://grou.ps/knpill/ysplace/videos/336058&backcolor=000000&frontcolor=000000&mp:screencolor=000000&mp:logo=http://grou.ps/2fincudes%2Fphptthumb%2Fphptthumb.php%3Fsrc%3D%2Fwyswyg_files%2Fgrouplogos%2Fknpill/ysplace%2F80.png%26w%3D30%26h%3D30&mp:skin=http://grou.ps/includes/embed/styleh.swf&mp:autostart=false	Flava Works, Inc.	8/21/2010	8/22/2010
1264651c908000538900550ce31ad92	0000-00-00 00:00:00	Jersey Kidd	http://grou.ps/knpill/ysplace/videos/336043	http://grou.ps/includes/embed/player.swf?file=http://s3.amazonaws.com/silo.grou.ps/wyswyg_files/Videos/Knpill/ysplace/2009040111327-mjqtwdasnywtm-fiv&image=http://grou.ps/wyswyg_files/Videos/Knpill/ysplace/2009040111327-mjqtwdasnywtm-big.jpg&link=http://grou.ps/knpill/ysplace/videos/336043&backcolor=000000&frontcolor=000000&mp:screencolor=000000&mp:logo=http://grou.ps/2fincudes%2Fphptthumb%2Fphptthumb.php%3Fsrc%3D%2Fwyswyg_files%2Fgrouplogos%2Fknpill/ysplace%2F80.png%26w%3D30%26h%3D30&mp:skin=http://grou.ps/includes/embed/styleh.swf&mp:autostart=false	Flava Works, Inc.	10/18/2010	10/19/2010
9198dc084391eae87c713f91adade6	0000-00-00 00:00:00	RAWRODS: Ireesome feat ROCK	http://grou.ps/knpill/ysplace/videos/338178	http://grou.ps/includes/embed/player.swf?file=http://s3.amazonaws.com/silo.grou.ps/wyswyg_files/Videos/Knpill/ysplace/20090412063002-mjqtwdasnywtm-fiv&image=http://grou.ps/wyswyg_files/Videos/Knpill/ysplace/20090412063002-mjqtwdasnywtm-big.jpg&link=http://grou.ps/knpill/ysplace/videos/347323&backcolor=000000&frontcolor=000000&mp:screencolor=000000&mp:logo=http://grou.ps/2fincudes%2Fphptthumb%2Fphptthumb.php%3Fsrc%3D%2Fwyswyg_files%2Fgrouplogos%2Fknpill/ysplace%2F80.png%26w%3D30%26h%3D30&mp:skin=http://grou.ps/includes/embed/styleh.swf&mp:autostart=false	Flava Works, Inc.	7/20/2010	7/20/2010
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MASTER ID	LAST UPDATED	TITLE	SOURCE URL	EMBEDDED URL	CC OWNER	DMAC NOTICE DATE	REMOVAL DATE
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28b146e234b134c8b388ced67c464	0000-00-00 00:00:00	3yx& K∓ kenancho	http://grou.ps/knphillyspace/Videos/441103	http://grou.ps/#!/includes/embed/player-sw?file=http://s3.amazonaws.com/s10.grou.ps/wyiswylg_files/Videos/knphillyspace/20090601160108-aznryzdxongpbc-flv&mp;image=http://grou.ps/wyiswylg_files/Videos/knphillyspace/20090601160108-aznryzdxongpbc-big.jpg&link=http://grou.ps/knphillyspace/Videos/528768&mp;screencolor=000000&mp;frontcolor=66cc00&mp;screencolor=000000&mp;logo=http://s3.amazonaws.com/s10.grou.ps/21ncldes%2FpnpThumb%2FpnpThumb.pnp%3Fsrc%3D%2Fwyiswylg_files%2FGroupLogos%2Fknphillyspace%2F80.png&w%3D300&h%3D300&mp;skin=http://grou.ps/#!/includes/embed/sw?skin=sw&autoplaystart=false	Flava Works, Inc.	7/20/2010	7/20/2010
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e0c0d2d26074d93d01d10a353cb64b40	0000-00-00 00:00:00	Apple Bottom ∓ Ge-No nice mouth cum scene	http://grou.ps/knphillyspace/Videos/558783	http://grou.ps/#!/includes/embed/player-sw?file=http://s3.amazonaws.com/s10.grou.ps/wyiswylg_files/Videos/knphillyspace/20090611225733-hvuvbwthmkywmg-flv&mp;image=http://grou.ps/wyiswylg_files/Videos/knphillyspace/20090611225733-hvuvbwthmkywmg-big.jpg&link=http://grou.ps/knphillyspace/Videos/558783&mp;screencolor=000000&mp;frontcolor=66cc00&mp;screencolor=000000&mp;logo=http://s3.amazonaws.com/s10.grou.ps/21ncldes%2FpnpThumb%2FpnpThumb.pnp%3Fsrc%3D%2Fwyiswylg_files%2FGroupLogos%2Fknphillyspace%2F80.png&w%3D300&h%3D300&mp;skin=http://grou.ps/#!/includes/embed/sw?skin=sw&autoplaystart=false	Flava Works, Inc.	8/21/2010	8/22/2010

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54214724d5cd43a39874ff1aa3a47	12/3/2010 12:41	Coordonn: Big Black Dick***	http://www.megaporn.com/video/?v=1A0VYV0R	http://www.megaporn.com/e/1A0VYV0R11806e0f5ab96ba84075e	Fava Works, Inc.	12/2/2010	12/2/2010
350737a26c75020681e711cafbcc89	12/3/2010 12:42	wohout partner	http://us.s.adultspace.com/divamario/profi_e_wide_o_view-video-320111.html	http://static.wides.com/swf/flu_player_site_v4.swf?id_video=55024_6ulm_rooveride%3D01	Fava Works, Inc.	12/2/2010	12/2/2010
76606190d0c0d7202ac6eaa0e09f72	12/3/2010 12:43	ThugBoy: Chance Jacobs fucks PM Dawn***	http://www.xvideos.com/video550247/chance_jacob_s_and_pm_dawn	http://static.wides.com/swf/flu_player_site_v4.swf?id_video=55024_7	Fava Works, Inc.	12/2/2010	12/2/2010
7ab095c2bde4e4eb4e67ba02f0c0ff0d9	12/3/2010 12:44	ThugBoy: Breion fucks Mr. Saulek***	http://www.megavideo.com/?v=GF1HEZ22	http://www.adultspace.com/player1/ASPlayer.swf?video_title=Breion+Does+2&autoplay_name=Real+Thug&amp;video_id=12089&amp;video_time=17%3A38&autoplay=false&amp;logged_in=true&amp;js_embed=1&amp;video_file=files.adultspace.com/files/members/1058/1058829/video/133320.flv&amp;user_id=1058828&amp;video_category=21.html&amp;video_category=Gay&amp;mode=supaque&amp;origin_al_source=http%3A%2F%2Fusers.adultspace.com%2FRealThug302pofle_video_view-video-122089.html%3Futm_source%3Dvideo%26utm_medium%3Dembed%26utm_rooveride%3D01	Fava Works, Inc.	12/2/2010	12/2/2010
9807863898eeedbb0244d45d1268c14	12/3/2010 12:45	ThugBoy: Ace Rockwood & Prince Le Beau***	http://www.megavideo.com/?v=GF1HEZ22	http://www.megavideo.com/v/GF1HEZ22550d0e47789352c14646d643998872	Fava Works, Inc.	12/2/2010	12/2/2010
508e40b677d1ffca332b0a72a8a078	12/3/2010 12:46	Hour Long Fuck Session	http://89watch.com/view_video.php?id=19013	http://89watch.com/media/player.swf?autoplay=true&amp;autoplay_name=base&amp;bufferlength=3&amp;streamer=lightpdr&amp;file=http://v4.89watch.com/5/19/013/index.flv&amp;skin=na.cht.swf	Fava Works, Inc.	12/2/2010	12/2/2010
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229934b02e4fcd93c3a3c97c29e600f	12/3/2010 12:47	He Set Him Up	http://www.myvidster.com/video/677337	http://photos.imageevent.com/blackgliderentertainment/afterhourdass/cvdeoratedex/9%20Hr%20Long%20Fuck%20Session%20w%20wmv?218835d507	Fava Works, Inc.	12/2/2010	12/2/2010
11ff0e751a37db1b9d5b5804447a55	12/6/2010 13:34	Yessssssss	http://www.myvidster.com/video/420655	http://static.wides.com/swf/flu_player_site_v4.swf?id_video=62198_7	Fava Works, Inc.	12/5/2010	12/6/2010
16c11ab65c6b7373c2b0bc55d45	12/6/2010 13:35	Young Rican & Young Nigg	http://www.megavideo.com/?v=N-SRYRY1	http://www.megavideo.com/v/O6vY1QF5072859f4423d3c8654936278860c6a317	Fava Works, Inc.	12/5/2010	12/6/2010

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62b8d4a1e362193a7c62059921d62a86	12/11/2010 11:53	Baby Star and Chaos Carrier	http://www.megavideo.com/vn/video/view/Baby-Star-and-Chaos-Carrier-High	http://www.megavideo.com/vn/video/view/Baby-Star-and-Chaos-Carrier-High	Flava Works, Inc.	12/10/2010	12/11/2010
8c07600c0cb833c26aae72795b274b05	12/11/2010 11:59	Baby Star and Nico	http://users.adultspace.com/aimmar/profile_video_new-video-124677.html	http://www.adultspace.com/flash/player/swf/video_title=Baby+Star+Hot+Hot&amp;use_name=aimmar&mpvid_id=124677&amp;mpvideo_time=1383440&amp;play=false&amp;loggedin=true&amp;js_embed=1&amp;video_file=files.adultspace.com/files/members/1104/1104965/video/13820_fw&amp;user_id=1104965&amp;video_category=www.adultspace.com?video_category=21.html&video_category=Gay&amp;mpvnode=opaque&amp;origin=source=https://www.adultspace.com%21aimmar%2Fprofile_video_new-video-124677.html%3Futm_source%3Dvideo%26utm_medium%3Dembed%26utm_source%3D1	Flava Works, Inc.	12/10/2010	12/11/2010
0d55b3bc438903afm0c50f474434	12/11/2010 11:58	sexytino	http://starindiego.blogspot.com/	http://www.porncube.com/player/v.swf?v=910Nk1N7A5mFcd5b2Nhb01mVvXz5Zh0XA7d70XMQ=7	Flava Works, Inc.	12/10/2010	12/11/2010
3d8a1b0ed26e4d7a681725a2004e5	12/11/2010 12:00	Dorm Life 17: Dick in Detention	http://users.adultspace.com/aimmar/profile_video_new-video-124650.html	http://www.adultspace.com/flash/player/swf/video_title=Baby+Star+Hot+Hot&amp;use_name=aimmar&mpvid_id=124650&amp;mpvideo_time=1383440&amp;play=false&amp;loggedin=true&amp;js_embed=1&amp;video_file=files.adultspace.com/files/members/1104/1104965/video/13820_fw&amp;user_id=1104965&amp;video_category=www.adultspace.com?video_category=21.html&video_category=Gay&amp;mpvnode=opaque&amp;origin=source=https://www.adultspace.com%21aimmar%2Fprofile_video_new-video-124650.html%3Futm_source%3Dvideo%26utm_medium%3Dembed%26utm_source%3D1	Flava Works, Inc.	12/10/2010	12/11/2010

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MASTER ID	LAST UPDATED	TITLE	SOURCE URL	EMBEDDED URL	CC OWNER	DMAC NOTICE DATE	REMOVAL DATE
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419b5b0d65a4d45e9b017e086e9a93	1/12/2011 21:30	Phat Booy Gettin Dug Out	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	Flava Works, Inc.	12/15/2010	12/16/2010
ff0c21388243830e25a05d3a8b519	1/12/2011 21:30	Fine ass Marco Scott - Papicliente	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	Flava Works, Inc.	12/15/2010	12/16/2010
4f184f411b122a8dd0c53354503b	1/12/2011 21:30	THUGS fuckin' RAW	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	Flava Works, Inc.	12/15/2010	12/16/2010
4f2c0e08c604930305a338711c5d	1/18/2011 6:59	69407	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	Flava Works, Inc.	12/15/2010	12/16/2010
b719095594d79483b8b18d4dd45301	2/6/2011 15:33	STEDINS him up...	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	Flava Works, Inc.	12/15/2010	12/16/2010
1a1e1386f3eae2db729a261dc08678	2/6/2011 15:34	top 10 IT WAS HOT FUCKING THE WEED MANI - Pornhub.com	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	Flava Works, Inc.	12/15/2010	12/16/2010
ae7625a1ffc94665196679c0b65a2e	2/6/2011 15:35	Papicliente King Dingo fucks BabyStar...	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	Flava Works, Inc.	12/15/2010	12/16/2010
4020859d19dca7a8584e6e8f6a164	2/6/2011 15:35	Big dick Hotrod long strokes Remy then he came in the sweet ass - Pornhub.com	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	Flava Works, Inc.	12/15/2010	12/16/2010
9112d6937a90750c43bc1a24078w0	2/6/2011 19:12	Snow Burn 4 scenes	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	http://www.tnaflx.com/view_video.php?viewkey=83 a3d5eb7b1d463a9ea	Flava Works, Inc.	12/15/2010	12/16/2010

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MASTER ID	LAST UPDATED	TITLE	SOURCE URL	EMBEDDED URL	CC OWNER	DMAC NOTICE DATE	REMOVAL DATE
2ee0ba6e0f20c2af0bd9f7a0a2ce11	3/18/2011 14:59	lyson	http://www.gayforit.com/video/113623/homes-gong-hard	http://www.gayforit.com/mvlab/player/swf?config=http://www.gayforit.com/mvlab/config.php?key=2b0248906dbd422456d4	Flava Works, Inc.	12/2/2010	12/2/2010
bd00951ab717b6ecdbce97ec4a0982c	3/18/2011 14:59	Papilock	http://embed-src=1111	http://www.gayforit.com/mvlab/player/swf?config=http://www.gayforit.com/mvlab/config.php?key=40255c3a380d4c073547	Flava Works, Inc.	2/7/2011	2/8/2011
ae3c4264d09956995ce37cf7f21	3/18/2011 14:59	Thugboy Trio	http://www.gayforit.com/video/147485/thugs-boy-	http://www.gayforit.com/mvlab/config.php?key=53c21a1b718f0502398f7	Flava Works, Inc.	1/6/2011	1/7/2011
4b1eac7b3c9cc6c0205c4e00a9b40	3/18/2011 14:59	Thugboy ,Rock & Ramp, Raymond Usher***	http://www.gayforit.com/video/120248/rock-and-Raymond-Usher	http://www.gayforit.com/mvlab/config.php?key=555c4cf889bba393a2	Flava Works, Inc.	2/7/2011	2/8/2011
Bd502c0f6a37453a177b1f1d67b7b	3/18/2011 14:59	Sexy Big Dick HOTROD fucks Cute Latin Boy**	http://www.gayforit.com/video/118765/VERY-HOT-BLACK-AND-LATIN-888daffanour	http://www.gayforit.com/mvlab/player/swf?config=http://www.gayforit.com/mvlab/config.php?key=7c21199631765cd8108e7	Flava Works, Inc.	12/15/2010	12/16/2010
fae0f7240c43585f0de10d58659e6e9a	3/18/2011 14:59	Gayforit.com - deangelo jackson - psychoblogist	http://www.gayforit.com/video/104198/deangelo-jackson-psychoblogist	http://www.gayforit.com/mvlab/config.php?key=7c830cd7ab7c32c4577	Flava Works, Inc.	12/10/2010	12/11/2010
2d133c50f8e13e251945a890bd4dc1	3/18/2011 14:59	hotrod and taste	http://embed-src=1111	http://www.gayforit.com/mvlab/config.php?key=1de9f1688e349507a7	Flava Works, Inc.	12/15/2010	12/16/2010
1e81a418cd1ae5143c19d41d5e657b	3/18/2011 14:59	Versailles Fucking*HOT*	http://dihugchat.ming.com/video/marlon-and-johnnyboy	http://www.gayforit.com/mvlab/config.php?key=3899c03b93d5d58d4d27	Flava Works, Inc.	2/10/2011	2/15/2011
13c848331dd8994d07cdd6b0342a16	3/18/2011 14:59	marlon and johnnyboy - DL Thugs Chat	http://dihugchat.ming.com/video/marlon-and-johnnyboy	http://www.gayforit.com/mvlab/config.php?key=4e6934051c14346563a2	Flava Works, Inc.	3/15/2011	3/16/2011
16c73e3549851e0221638d3d8d51	3/18/2011 14:59	Do what they do!	http://dihugchat.ming.com/video/three-some-thing-life	http://www.gayforit.com/mvlab/config.php?key=923b535014decc50977	Flava Works, Inc.	3/15/2011	3/16/2011
67b0dd765f0b328f59e07d08eb235	3/18/2011 14:59	THREE SOME THUG LIFE - DL Thugs Chat	http://www.itsallgay.com/video/9952/not-we-can-fuck-a-nour	http://www.gayforit.com/mvlab/config.php?key=bf59448576a18eecd7	Flava Works, Inc.	3/15/2011	3/16/2011
5716d6b714e874313c51b7eca1a6	3/18/2011 14:59	Romeo again	http://www.itsallgay.com/video/76989/good-nut	http://www.itsallgay.com/mvlab/config.php?key=007219b1974d9a1b62	Flava Works, Inc.	10/18/2010	10/19/2010
288a85cc1a66074ac12b5518e6d	3/18/2011 14:59	Youngins#035, Gettin it in	http://www.itsallgay.com/video/38445/skipin-class-4	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	2/7/2011	2/8/2011
19b192aaed0b1ac343605056b02c5	3/18/2011 14:59	skipin class 4 ass! (ul movie)	http://www.itsallgay.com/video/38445/skipin-class-4	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	10/18/2010	10/19/2010
9b0b82c77681c11305e609a71706	3/18/2011 14:59	No Title	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	3/15/2011	3/16/2011
d77be2d0345e17c6f090a8d0c35c	3/18/2011 14:59	Rawfords: kashmer Ramp, kerman-heo**	http://www.myvister.com/video/157484	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	3/15/2011	3/16/2011
2715220e697cdd9e9a8b9e35a2	3/18/2011 14:59	RAW MIA	http://www.myvister.com/video/688481	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	11/2/2010	11/3/2010
e01aeeaddae3197a0f50d4f1a1d7ba	3/18/2011 14:59	Mac Mace and Johnnyboy fuck	http://www.itsallgay.com/video/48951/snowballad	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	2/10/2011	2/15/2011
8e7504fcdf035189185074c0f57df	3/18/2011 14:59	Snowballad	http://www.itsallgay.com/video/48951/snowballad	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	1/6/2011	1/7/2011
add75931b5874c8b0b7015889e4378	3/18/2011 14:59	Saukel, Unpredictable, and Carmelo	http://www.itsallgay.com/video/55607/deangelo-isiah-	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	2/10/2011	2/15/2011
0415b513a44793352a2c1239c6f5aee	3/18/2011 14:59	Its All Gay - Deangelo Ramp, Isiah	http://www.itsallgay.com/video/55607/deangelo-isiah-	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	12/10/2010	12/11/2010
9678319328c1a33a3ab9303ab5b385	3/18/2011 14:59	Its All Gay - Deangelo Ramp, Isiah	http://www.itsallgay.com/video/55607/deangelo-isiah-	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	12/10/2010	12/11/2010
d9c6658a30e35a3eb0895c880f0	3/18/2011 14:59	Its All Gay - Deangelo Ramp, Isiah	http://www.itsallgay.com/video/55607/deangelo-isiah-	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	12/10/2010	12/11/2010
71992297d6c651e672b5f4d8a6c35f	3/18/2011 14:59	Its All Gay - Danger Takes It	http://www.itsallgay.com/video/6038/Elmo gets-pounded	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	12/30/2010	12/31/2010
114433106155794545a5750d48a271	3/18/2011 14:59	Breion Raw	http://www.itsallgay.com/video/32715/Breion-Raw	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	3/15/2011	3/16/2011
1733c4c0f2a4c320108927d18134db	3/18/2011 14:59	top 5 Breion Raw	http://www.itsallgay.com/video/32715/Breion-Raw	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	3/15/2011	3/16/2011
87580e0d710518b6055894c750b1a	3/18/2011 14:59	Its All Gay - Elmo gets pounded	http://www.itsallgay.com/video/6038/Elmo gets-pounded	http://www.itsallgay.com/mvlab/config.php?key=1385627d0b58d0c1f77	Flava Works, Inc.	9/22/2011	9/22/2011

MASTER ID	LAST UPDATED	TITLE	SOURCE URL	EMBEDDED URL	CC OWNER	DMAC NOTICE DATE	REMOVAL DATE
08211938118675860f9e75c3b5d4	3/18/2011 14:59	Paplock - Baby Star Gets Fucked	http://www.itsallgay.com/video/83766/Latin-fuck	http://www.itsallgay.com/mp/player/mpplayer.swf?config=http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	1/6/2011	1/7/2011
0520a07104e41939f4d48447c0b0d	3/18/2011 14:59	Julien Ramp, Hotrod***	http://www.itsallgay.com/video/61314/Julien-Hotrod	http://www.itsallgay.com/mp/player/mpplayer.swf?config=http://www.itsallgay.com/mp/config.php?key=56c3329141d6c57687	Flava Works, Inc.	12/15/2010	12/16/2010
853388157a3509c2e391b081d89505	3/18/2011 14:59	RawRocks: Julien Ramp, Hotrod**	http://www.itsallgay.com/video/61314/Julien-Hotrod	http://www.itsallgay.com/mp/config.php?key=56c3329141d6c57687	Flava Works, Inc.	12/15/2010	12/16/2010
295564b7b0c012bafed10b58a17c	3/18/2011 14:59	WCOW!!!!!!	http://www.itsallgay.com/video/81484/Wcow	http://www.itsallgay.com/mp/player/mpplayer.swf?config=http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/15/2010	12/16/2010
0a99117b0a0d45386f8a114197dccb	3/18/2011 14:59	WCOW!!!!!!	http://www.itsallgay.com/video/81484/Wcow	http://www.itsallgay.com/mp/player/mpplayer.swf?config=http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/15/2010	12/16/2010
728f9f0b288d47809749467eb3088	3/18/2011 14:59	Its All Gay - Hotrod In a 3some	http://www.itsallgay.com/video/61508/Hotrod-in-a-3some	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/15/2010	12/16/2010
d65361dae179125395cd1b4d6cf46	3/18/2011 14:59	DeAngelo and Trax		http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/9/2010	12/9/2010
ca3f0e769aef0e6394184a05199e	3/18/2011 14:59	DeAngelo and Trax		http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/9/2010	12/9/2010
52a39e4d08d8e5940538a2d03a652	3/18/2011 14:59	Its All Gay - boys do it	http://www.itsallgay.com/video/64801/Boys-do-it	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	3/15/2011	3/16/2011
fc25055ce0b37f05710206929795609	3/18/2011 14:59	Its All Gay - boys do it	http://www.itsallgay.com/video/65708/Getting-Reacquainted-by-High-School	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	3/15/2011	3/16/2011
4813e914030c0667d80f4d016e8b54	3/18/2011 14:59	top 10 King Tyson	http://www.itsallgay.com/video/60198/Tyson-Tyson	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	2/7/2011	2/8/2011
33e60a580ef728a4660baaee43c40	3/18/2011 14:59	You will Not Man Handle me	http://www.itsallgay.com/video/47661/Black-Attackadddavour	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/10/2010	12/11/2010
b9729c58897f5aaf78a66296c13	3/18/2011 14:59	DeAngelo Jackson tapping ass luvly	http://www.itsallgay.com/video/40717/Black-dudes	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/10/2010	12/11/2010
5ba2355b1433043c1416185d4d3f	3/18/2011 14:59	ThugBoy Danger fucks Rico Watts**	http://www.itsallgay.com/video/40717/Black-dudes	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	2/10/2011	2/15/2011
7d4f8633b42d3c402994d66378a67	3/18/2011 14:59	RICO WANTS!!!! BEST THUG BOTTOM EVER!	http://www.itsallgay.com/video/40717/Black-dudes	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	2/10/2011	2/15/2011
40e7f55aed13267400b684c2008e7	3/18/2011 14:59	Its All Gay - Hotrod and Remy	http://www.itsallgay.com/video/66768/Hotrod-and-Remy	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/15/2010	12/16/2010
d882146f3833be700d6e431dcd9a	3/18/2011 14:59	Its All Gay - Hotrod and Remy	http://www.itsallgay.com/video/66768/Hotrod-and-Remy	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/15/2010	12/16/2010
c8a4e938a004792670ec56479208	3/18/2011 14:59	imja bums	http://www.itsallgay.com/video/64824/Lovers-Don't-What-they-Do	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/15/2010	12/16/2010
71e3a27f931aa1160fb3d8b5860e	3/18/2011 14:59	Its All Gay - good sex	http://www.itsallgay.com/video/7905/Good-sex	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	2/10/2011	2/15/2011
5a823b52203bc07920c68015d793b7	3/18/2011 14:59	Thug Boyz	http://www.itsallgay.com/video/170288	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	3/15/2011	3/16/2011
cd2c8f4eeab78d02e8800f6c8f6c	3/18/2011 14:59	Thug Boyz	http://www.itsallgay.com/video/170288	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	3/15/2011	3/16/2011
f53b6d5c4f4f3c54f1bd53395a4	3/18/2011 14:59	Raw Thugs	http://www.itsallgay.com/video/170288	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	3/15/2011	3/16/2011
1f080cc40a116a866e3391a051271	3/18/2011 14:59	The Best Raw Thugs Movie EVER	http://www.mylister.com/video/17517	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	3/15/2011	3/16/2011
71e90c8a3719f50092d05a21381	3/18/2011 14:59	THUG BOTTOM IS DANGEROUS!!	http://www.mylister.com/video/59183	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/30/2010	12/31/2010
8e4d6572b0c0c305c3b0e9c1b9e20	3/18/2011 14:59	OH SHIT GET UP BRO!! R4M093'S TIME 2 BRUH	http://www.itsallgay.com/video/76513/Sexy-Back-Bruh	http://www.itsallgay.com/mp/config.php?key=592858b27b4badee7	Flava Works, Inc.	12/30/2010	12/31/2010



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December 2, 2010

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This letter is written as Notice under the provisions of the Digital Millennium Copyright Act (17 U.S.C. § 512 *et seq.*) for the purpose of terminating any immunity you might otherwise possess under the provisions of law with respect to your conduct in infringing Flava Work's copyrights in the identified material. This letter will conclude with my written certification under penalty of perjury that I have a good faith belief that the information contained in this notification is accurate to the best of my knowledge and that I am authorized to act on behalf of the owner(s) of the copyright protected material particularly identified in this letter. It is possible that you currently have repeat infringers posting on your site. As you know, in order to be eligible for the safe harbor provisions of the DMCA you must adopt and reasonably implement a repeat infringer policy. Under 17 U.S.C. § 512(i), service providers are not eligible for the limitations on liability that have been established by 17 U.S.C. § 512, including those established in subsection (a), unless they have adopted and reasonably implemented, and informed subscribers and account holders, about a policy that provides for the termination in appropriate circumstances of subscribers and account holders who are repeat infringers.

This letter does not purport to constitute an exhaustive statement of Flava Works, Inc.'s legal position, nor is it a waiver of any of its rights and/or remedies in this or any other matter, all of which are expressly reserved. Your immediate attention to this matter is expected and appreciated. You may receive a subpoena requiring you to provide the name(s) and other identifying information for any subscriber(s) or user(s) of your service who may be responsible for the unlawful use of your services to enable or facilitate copyright infringement, and you are therefore requested to retain all files and documents necessary to recover that data.

Please advise me when the offending images and/or videos have been removed so that we may re-inspect the site(s) for compliance.

SA00151



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<http://www.myvidster.com/profile/fuckdaddy>

<http://www.myvidster.com/profile/FuQnHot>

<http://www.myvidster.com/profile/gaypop>

<http://www.myvidster.com/profile/HOODSEX>

<http://www.myvidster.com/profile/ieswaggermade>

<http://www.myvidster.com/profile/iluvbtms76>

<http://www.myvidster.com/profile/in4deep>

<http://www.myvidster.com/profile/johnjackson>

<http://www.myvidster.com/profile/jrz88>

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<http://www.myvidster.com/profile/orgasmikk>

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http://www.myvidster.com/profile/prada_kyss

<http://www.myvidster.com/profile/richard36>

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NOTE TO ISP: PLEASE FORWARD THIS ENTIRE MESSAGE TO THE SUBSCRIBER(S) OR ACCOUNT HOLDER(S). THIS MAY ENABLE US TO RESOLVE THE ISSUE AND ARRANGE FOR RESTITUTION WITHOUT ISSUING A SUBPOENA TO YOU AS PROVIDED FOR UNDER 17 U.S.C. § 512 (h).

NOTE TO SUBSCRIBER(S) OR ACCOUNT HOLDER(S): YOU ARE AT RISK OF BEING SUED FOR YOUR ILLEGAL ACTIONS. TO DETERMINE HOW YOU MAY BE ABLE TO AVOID A LAWSUIT, REFER TO: www.FlavaWorks.com/legal/

Below is YES AGAIN (Our third time) list of the repeat infringers

<http://www.myvidster.com/collection/47435>

<http://www.myvidster.com/profile/abank>

<http://www.myvidster.com/profile/amaterialhag>

<http://www.myvidster.com/profile/AZZFETISHFREAK>

<http://www.myvidster.com/profile/bigadrian>

<http://www.myvidster.com/profile/Blaqconquest>

<http://www.myvidster.com/profile/blka2cutie>

<http://www.myvidster.com/profile/bootysmell>

<http://www.myvidster.com/profile/brod706>

<http://www.myvidster.com/profile/CivicBoi01>

<http://www.myvidster.com/profile/CJ10>

<http://www.myvidster.com/profile/cmoneyw>

<http://www.myvidster.com/profile/cshawty>

<http://www.myvidster.com/profile/Damon1420>

<http://www.myvidster.com/profile/daqare>

<http://www.myvidster.com/profile/DCARTER>

<http://www.myvidster.com/profile/diamonds>

<http://www.myvidster.com/profile/fifthcharactermuppet>



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<http://www.myvidster.com/profile/suppress9>

<http://www.myvidster.com/profile/taylormade99>

<http://www.myvidster.com/profile/TheReaper>

<http://www.myvidster.com/profile/Xpr3ssBoii>

Below is a list of infringing material by link:

http://www.myvidster.com/user/images/embed_flv/10283/1066207819_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/1070640133_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/1325867955_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/1457685652_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/1645269675_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/1663739056_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/1857526683_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/1921640526_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/1988773080_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/2036415137_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/212216901_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/332136950_1.jpg
http://www.myvidster.com/user/images/embed_flv/10283/381501496_1.jpg
http://www.myvidster.com/user/images/embed_flv/12281/510273275_1.jpg
http://www.myvidster.com/user/images/embed_flv/15638/1881276431_1.jpg
http://www.myvidster.com/user/images/embed_flv/23967/1398454311_1.jpg
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http://www.myvidster.com/user/images/embed_flv/23967/1939866097_1.jpg
http://www.myvidster.com/user/images/embed_flv/6532/1946045828_1.jpg
http://www.myvidster.com/user/images/embed_flv/7757/1606097944_1.jpg
http://www.myvidster.com/user/images/embed_wmv/23967/1194411767_1.jpg
http://www.myvidster.com/user/images/embed_wmv/23967/774180033_1.jpg
http://www.myvidster.com/user/images/embed_wmv/7757/895882_1.jpg
http://www.myvidster.com/video/678605/Its_All_Gay_-_DeAngelo_Isaiah
http://www.myvidster.com/video/202674/Amhir_Cruze_Redd_Spyda_pt22
http://www.myvidster.com/video/344651/Fine_Lovers_Doin_What_They_Do
http://www.myvidster.com/video/355759/Domino_star_and_romeo_storm_-_XVIDEOSCOM
http://www.myvidster.com/video/485367/Domino_Star_and_Romeo_Storm_-
http://www.myvidster.com/video/485367/Domino_Star_and_Romeo_Storm_-
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http://www.myvidster.com/video/540299/gimme_that_boi_pussy_right
http://www.myvidster.com/video/540299/gimme_that_boi_pussy_right
http://www.myvidster.com/video/540299/gimme_that_boi_pussy_right
http://www.myvidster.com/video/540299/gimme_that_boi_pussy_right
<http://www.myvidster.com/video/550588>
http://www.myvidster.com/video/557171/Cocodorm_One_Night_With_The_Prince_Part_3
<http://www.myvidster.com/video/566252>
http://www.myvidster.com/video/571604/Coco_Dorm-_2_hours
http://www.myvidster.com/video/573026/Homies_Going_Hard

http://www.myvidster.com/video/574021/RawRods_Rock_fucks_dude_at_Sizzle
http://www.myvidster.com/video/591734/PapiCock_King_Dingo_fucks_BabyStar
http://www.myvidster.com/video/599842/Elmo_Jackson_trainer
http://www.myvidster.com/video/601283/cum_inside_me_rawrods
http://www.myvidster.com/video/608112/RawRodscom_DeAngelo_Tastee
http://www.myvidster.com/video/611381/Thugboy_Chance_Jacobs_fucks_PM_Dawn
http://www.myvidster.com/video/614694/Thugboy_Breion_fucks_Mr_Saukei_
http://www.myvidster.com/video/616033/RawRods_Hotrod_fucks_Lil_Papi
http://www.myvidster.com/video/616033/RawRods_Hotrod_fucks_Lil_Papi
http://www.myvidster.com/video/616420/RawRodscom_-_Berlin_gets_it_Raw_with_NUTT_in_his_ASS
http://www.myvidster.com/video/616956/RawRodscom_-_Berlin_gets_it_Raw_with_NUTT_in_his_ASS
http://www.myvidster.com/video/625276/Cocodorm_Big_Black_Dicks
http://www.myvidster.com/video/636464/RawRods-Magic_Redboi_Ma_Favorite_Scene
http://www.myvidster.com/video/642960/Thugboy_Ace_Rockwood_Prince_Le_Beau
http://www.myvidster.com/video/643109/Cocodorm_Deka_Jay_Jay_fuck_
http://www.myvidster.com/video/643252/Fine_ass_Marco_Scott_-_PapiCockcom
http://www.myvidster.com/video/645571/Thugboy_Ace_Rockwood_Prince_Le_Beau
<http://www.myvidster.com/video/650304/Alejandro>
http://www.myvidster.com/video/650395/PapiCock_Baby_Rico_and_Skittlez
http://www.myvidster.com/video/650481/Fizzo_and_Kemancheo
http://www.myvidster.com/video/656106/Cocodorm_Breion_Prophet_Mr_Sauki_fuck
http://www.myvidster.com/video/656137/Cocodorm_Breion_Prophet_Mr_Sauki_fuck

Location of ORIGINAL WORKS:

<http://www.FlavaWorks.com>

<http://www.CocoStore.com>

<http://www.PapiCock.com>

<http://www.RawRods.com>

<http://www.CocoDorm.com>

SA00155



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<http://www.ThugBoy.com>

<http://www.CocoBoyz.com>

<http://www.MixItUpBoy.com>

<http://www.FlavaMen.com>

Sincerely,

Phillip Bleicher,
Chief Executive Officer
phil@flavaworks.com

SA00156

LEXSEE



Analysis

As of: Nov 23, 2011

EDWARD ALLEN, an individual, Plaintiff, v. THE GHOULISH GALLERY, an entity of unknown form; TIM TURNER, an individual, APRIL TURNER, an individual, and DOES 1 through 10, inclusive, Defendants. TIM TURNER, an individual, APRIL TURNER, an individual, dba THE GHOULISH GALLERY, Counterclaimants, v. EDWARD ALLEN, an individual, Counterdefendant.

Civil No. 06cv371 NLS

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA

2007 U.S. Dist. LEXIS 37514

May 23, 2007, Decided

May 23, 2007, Filed

SUBSEQUENT HISTORY: Application granted by, Request denied by Allen v. The Ghoulish Gallery, 2007 U.S. Dist. LEXIS 54197 (S.D. Cal., July 26, 2007)

CORE TERMS: portrait, irreparable harm, injunction, prior restraint, preliminary injunction, enjoin, customer, advertising, message, website, haunt, likelihood of success, commercial speech, disparaging, enjoined, posting, balance of hardships, counterclaims, conventions, originated, reputation, internet, antique, moving party, non-commercial, exceptional, indirectly, intangible, defamatory, defamation

COUNSEL: [*1] Edward Allen, an individual, Plaintiff, Pro se, Seal Beach, CA.

For Tim Turner, an individual, Defendant: Bela G Lugosi, LEAD ATTORNEY, Amy I Borlund, Arent Fox, Los Angeles, CA.

For April Turner, an individual, The Ghoulish Gallery, an entity of unknown form, Defendants: Bela G Lugosi, LEAD ATTORNEY, Arent Fox, Los Angeles, CA.

For Tim Turner, an individual, doing business as The

Ghoulish Gallery, April Turner, an individual, doing business as The Ghoulish Gallery, Counter Claimants: Bela G Lugosi, LEAD ATTORNEY, Arent Fox, Los Angeles, CA.

Edward Allen, an individual, Counter Defendant, Pro se, Seal Beach, CA.

JUDGES: Hon. Nita L. Stormes, U.S. Magistrate Judge.

OPINION BY: Nita L. Stormes

OPINION

ORDER DENYING DEFENDANTS' MOTION FOR A PRELIMINARY INJUNCTION

[Doc. No. 28]

Introduction

Before this Court is defendants/counterclaimants' motion for a preliminary injunction. ¹ The Court heard oral argument on May 21, 2007. Defendants sought to

enjoin plaintiff and those acting on his behalf from, either directly or indirectly:

(a) Posting disparaging comments on the internet that relate to or reference Mr. Turner or this litigation, including postings [*2] on message boards, on websites or to email addresses;

(b) Making disparaging comments, either orally or in writing, to third parties that relate to or reference Mr. Turner or this litigation, including but not limited to over the phone, at tradeshow, at conventions, through advertising mediums or on the internet;

(c) Initiating contact or causing contact to be made, including through any third party, with any customer of Mr. Turner or the Ghoulish Gallery for any reason; and

(d) Advertising that plaintiff originated the changing portrait.

1 The parties have consented to proceed before Judge Stormes for any and all further proceedings in this case. [Doc. No. 37.]

The Court limited oral argument to the issues of prior restraint and damages to defendants. Having considered the parties' arguments, the Court **DENIES** defendants' motion in its entirety.

Relevant Facts

Procedural Background.

Plaintiff/counterdefendant Edward Allen filed this copyright action [*3] on February 16, 2006. Defendants/counterclaimants Tim Turner, individually and doing business as The Ghoulish Gallery, and April Turner answered and filed their counterclaims on April 3, 2006. After the Court held an Early Neutral Evaluation Conference in May 2006, the parties spent the next several months trying to negotiate a stipulated preliminary injunction to avoid causing damage to each other's reputations. *See* Mem. P. & A. 13:24-16:4. While the parties specifically identified each other's

objectionable conduct, they never agreed to a stipulated injunction. Defendants finally filed this motion on March 20, 2007.

Defendants allege the following facts to support their motion.²

2 The following alleged facts are summarized from defendants' memorandum of points and authorities; they are included to give context to the motion, and are not to be taken as the Court's final factual findings.

The Parties.

Tim Turner is a Hollywood effects artist working in the "haunt industry." In the early [*4] 1990s he created a changing portrait through lenticular lens array technology, which allows a viewer to perceive, from the same portrait, both an antique photographic portrait and a gruesome, scary version of the same portrait, by adjusting the viewer's line of sight.

Due to complications from a car accident, Turner stopped working with the changing portraits from about 1996 to 2002.

Allen first met Turner in 1992 at a haunted house where Turner was displaying his work. In 2003, Allen launched his website selling antique changing portraits apparently using a similar type of lenticular array technology that Turner uses.

The Conduct at Issue.

Turner complains that Allen has falsely advertised that his changing portraits are the "original works" and that his portraits are "award-winning." He alleges that Allen mimicked his website and created several portraits that are confusingly similar to his portraits. He also claims that Allen contacted at least two of his customers to tell them Turner was a thief and liar, while Allen claims that those two persons were actually his own former customers.

Turner alleges that Allen has contacted many professionals in the haunt industry [*5] to disparage his name and reputation. Specifically, he claims that Allen has disparaged or defamed him to: (1) the editor and publisher of an industry magazine that was to feature Turner, (2) two committee members of a festival where Turner was to exhibit his work; (3) participants at a haunt

industry tradeshow Turner was sponsoring, where Allen's agent yelled obscenities and disparaging remarks at Turner, tore up his business signs and assaulted Turner with a stack of papers; (4) a Hollywood director at three separate industry conventions in 2006; (5) potential customers at the Horrorfind Weekend Convention in August 2006; and (6) visitors to a haunt industry professional's message board by posting a message that Turner suffers from a "diagnosable mental disorder." Turner also alleges that Allen intimidated one of his witnesses through a posting on an industry message board.

At the hearing, Allen represented that as of May 14, 2007, he had removed the comments available on the internet that Turner had objected to in the proposed stipulated injunction.

Discussion

A. Preliminary Injunctions.

Preliminary injunctive relief is proper under Federal Rule of Civil Procedure 65 [*6] if the moving party shows either (1) a combination of probable success on the merits and the possibility of irreparable harm; or (2) that serious questions are raised and the balance of hardships tips sharply in the moving party's favor. *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115, 1119 (9th Cir. 1999); *Southwest Voter Registration Project v. Shelley*, 344 F.3d 914, 918 (9th Cir. 2003). These two tests "represent two points on a sliding scale in which the required degree of irreparable harm increases as the probability of success decreases." *Roe v. Anderson*, 134 F.3d 1400, 1402 (9th Cir. 1998).

The possibility of irreparable harm can be presumed where there is a strong likelihood of success on the merits or where there are intangible injuries such as damage to recruiting efforts and goodwill. *Apple Computer, Inc. v. Formula Intern., Inc.*, 725 F.2d 521, 525 (9th Cir. 1984); *Rent-A-Center, Inc. v. Canyon Television & Appliance Rental, Inc.*, 944 F.2d 597, 603 (9th Cir. 1991).

Prior restraint considerations that impact commercial speech rights may also affect a preliminary injunction analysis. [*7] See *New.net, Inc. v. Lavasoft*, 356 F. Supp. 2d 1071, 1081-90 (C.D. Cal. 2003).

B. Freedom of Speech.

1. Prior Restraint

An injunction enjoining speech and expression is an example of a prior restraint on speech. See *Smith v. Daily Mail Publishing Co.*, 443 U.S. 97, 103, 99 S. Ct. 2667, 61 L. Ed. 2d 399 (1979). Courts presume that prior restraints are unconstitutional. *Bantam Books, Inc. v. Sullivan*, 372 U.S. 58, 70, 83 S. Ct. 631, 9 L. Ed. 2d 584 (1963). Prior restraints are only allowed in certain narrow circumstances constituting "exceptional cases," such as to protect military secrets in wartime or to enjoin trademark violations. *Near v. Minnesota*, 283 U.S. 697, 716, 51 S. Ct. 625, 75 L. Ed. 1357 (1931); *San Francisco Arts & Athletics v. U.S.O.C.*, 483 U.S. 522, 540-541, 107 S.Ct. 2971, 97 L.Ed.2d 427 (1987).

Defamatory statements cannot be restrained; the remedy for defamation is a damages action after publication. *New.net, Inc.*, 356 F. Supp. At 1087-88; *Gilbert v. Nat'l Enquirer*, 43 Cal.App.4th, 1135, 1144-45, 51 Cal. Rptr. 2d 91 (1996). The **repetition** of defamatory statements **may** be enjoined only where a Court has determined, after trial, that one party has defamed another. See [*8] *Balboa Island Village Inn, Inc. v. Lemen*, 40 Cal. 4th 1141, 57 Cal. Rptr. 3d 320, 156 P.3d 339, 2007 Cal. Lexis 4194 (April 26, 2007).

Here, the first three parts of defendants' proposed injunction seek to enjoin plaintiff from making disparaging comments, either orally or in writing, about defendants and this litigation, and from contacting, either directly or indirectly, any of defendants' customers. This type of conduct cannot be enjoined. First, the proposed injunction would put a prior restraint on plaintiff's speech, and defendants have set forth no facts or law supporting the proposition that the conduct here rises to the level of an "exceptional case" that warrants imposing a prior restraint on plaintiff's speech. Second, the conduct sought to be enjoined appears to fall under defendants' counterclaims for trade libel, defamation and intentional interference with prospective economic advantage, for which there are other remedies at law. In sum, defendants do not overcome the presumption that the proposed injunction is unconstitutional. Enjoining the alleged conduct would act as a prior restraint on plaintiff's speech, violating his first amendment rights.

2. Commercial Speech

Commercial speech receives [*9] less protection under the first amendment than non-commercial speech.

U.S. v. Edge Broadcasting Co., 509 U.S. 418, 426, 113 S. Ct. 2696, 125 L.Ed.2d 345 (1993). To determine commercial speech, the test is whether the speech "propose[s] a commercial transaction." *Bd. of Trustees of State University of N.Y. v. Fox*, 492 U.S. 469, 109 S. Ct. 3028, 106 L. Ed. 2d 388 (1989) (citations omitted).

Here, the fourth part of the proposed injunction seeks to enjoin plaintiff from advertising that he "originated" the changing portrait concept. Defendants contest these two specific statements on plaintiff's website: (1) "Haunted Memories - The Original Line of Spooky Changing Portraits;" and (2) Back in April 2003, I originated the concept of using antique photographic images to create spooky changing portraits." Mem. P. & A. 13:12-23. Whether or not these statements constitute commercial speech, the Court cannot enjoin them.

If these statements are considered non-commercial speech, the Court cannot enjoin them because they would be a prior restraint on plaintiff's speech. Further, defendants have other remedies for these statements, namely through their claims for false advertising and unfair competition.

If the Court takes [*10] these statements to be commercial speech, plaintiff still cannot be enjoined at this time because defendants have not shown the Court a compelling combination of the possibility of irreparable harm and likelihood of success on the merits. First, defendants admit that they have not been able to identify any customers who have not patronized defendants because of plaintiff's statements.³ Second, if the Court were to presume the possibility of irreparable harm due to intangible harm to defendants' name, reputation, goodwill and advertising efforts, that possible showing is belied by the fact that defendants waited nearly a year to bring this motion. While the Court appreciates that defendants first tried to negotiate a stipulated injunction, it finds that waiting over ten months to file the motion after they had first expressed concern about plaintiff's behavior detracts

from any showing of possibility of irreparable harm. Third, given the evidence currently before the Court and the fact that the Court has not found a possibility of irreparable harm, defendants have not shown a strong likelihood of success necessary to enjoin plaintiff's advertising.

3 At the hearing, plaintiff represented that there is a seven-page printout of praise about Mr. Turner on the Haunt World message board. Such statements on an industry website support the Court's present finding that defendants have not identified a possibility of irreparable harm.

[*11] Finally, defendants have not shown that the balance of hardships tips in their favor. Plaintiff is at risk of suffering first amendment violations while defendants have not identified a possibility of irreparable harm. Further, defendants have adequate remedies available to them through their asserted counterclaims.

Conclusion

Defendants' proposed preliminary injunction seeks broad relief that would impose a prior restraint on plaintiff's speech. Even if the fourth part of the proposed injunction would not amount to a first amendment violation, defendants have not shown a compelling combination of likelihood of success and possibility of irreparable harm, or a balance of hardships in their favor, to warrant imposing such an injunction on plaintiff. For these reasons, the Court **DENIES** defendants' motion for a preliminary injunction in its entirety.

IT IS SO ORDERED.

DATED: May 23, 2007

Hon. Nita L. Stormes

U.S. Magistrate Judge

109 Fed.Appx. 781, 2004 WL 1799362 (C.A.7 (Ill.))
(Not Selected for publication in the Federal Reporter)
(Cite as: 109 Fed.Appx. 781, 2004 WL 1799362 (C.A.7 (Ill.)))



This case was not selected for publication in the Federal Reporter.

Not for Publication in West's Federal Reporter See Fed. Rule of Appellate Procedure 32.1 generally governing citation of judicial decisions issued on or after Jan. 1, 2007. See also Seventh Circuit Rule 32.1. (Find CTA7 Rule 32.1)

United States Court of Appeals,
 Seventh Circuit.
 AMERICAN SOCIETY OF PLUMBING ENGINEERS, a California Corporation,
 Plaintiff–Appellant, Cross–Appellee,
 v.
 TMB PUBLISHING, INCORPORATED, an
 Illinois Corporation, Defendant–Appellee,
 Cross–Appellant,
 and
 Tom M. Brown, Jr., Defendant–Appellee.
 Nos. 02–3632, 02–3756.
 Argued Sept. 17, 2003.
 Decided Aug. 3, 2004.

Background: Professional organization for plumbing engineers sued magazine publisher and its president, alleging improper use of the organization's trademarks, in violation of the Lanham Act. The publisher counterclaimed, seeking to prevent the organization from using the title “Plumbing Engineering and Design” or any confusingly similar mark. The United States District Court for the Northern District of Illinois, [Harry D. Leinenweber](#), J., granted preliminary injunctive relief in favor of the publisher. Both parties appealed, each challenging the scope of the injunction.

Holding: The Court of Appeals held that district court's re-examination of the appropriateness of preliminary injunctive relief was warranted.

Vacated and remanded.

West Headnotes

[1] Federal Courts 170B 947

170B Federal Courts

170BVIII Courts of Appeals

170BVIII(L) Determination and Disposition of Cause

170Bk943 Ordering New Trial or Other Proceeding

170Bk947 k. Further evidence, findings or conclusions. [Most Cited Cases](#)

Remand was warranted for district court's re-examination of the appropriateness of preliminary injunctive relief in favor of a magazine publisher and against a professional organization regarding use of the title “Plumbing Engineering and Design”; district court supported its grant of a preliminary injunction by noting the organization's publication on its website and its still pending application before the Patent and Trademark Office (PTO), but the record revealed circumstances that, if true, would militate against reliance on these factors; moreover, it was unclear from the record that the district court properly weighed the evidence pertaining to each likelihood of confusion factor and balanced the those factors against each other.

[2] Trademarks 382T 1363

382T Trademarks

382TVII Registration

382TVII(C) Effect of Federal Registration

382Tk1358 Particular Effects; Rights Acquired

382Tk1363 k. Nature or type of mark; distinctiveness and strength. [Most Cited Cases](#)

(Formerly 382k334.1 Trade Regulation)

Status of a mark as incontestable does not ipso facto establish the relative strength of the mark in a likelihood of confusion analysis. Lanham Trade–Mark Act, § 15, [15 U.S.C.A. § 1065](#).

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*782 Appeals from the United States District Court for the Northern District of Illinois, Eastern Division. No. 02 C 4957. [Harry D. Leinenweber](#), Judge. [Wayne B. Giampietro](#), Stitt, Klein, Daday, Aretos & Giampietro, Arlington Heights, IL, for Plaintiff–Appellant.

[Daniel N. Christus](#), Wallenstein & Wagner, Chicago, IL, for Defendant–Appellee.

Before [RIPPLE](#), [MANION](#), and [WILLIAMS](#), Circuit Judges.

ORDER

**1 The American Society of Plumbing Engineers (“ASPE”) brought this action pursuant to [15 U.S.C. § 1125\(a\)](#). It claimed that TMB Publishing, Inc. (“TMB”), and its president, Tom Brown, Jr., were using improperly ASPE’s trademarks. ASPE sought to enjoin TMB and Mr. Brown from (1) using the ASPE mark with the publication of TMB’s magazine; (2) using ASPE’s membership list; and (3) doing anything to cause confusion that TMB’s magazine was approved by ASPE. TMB filed a counterclaim. It requested a preliminary injunction forbidding ASPE from using the title *Plumbing Engineering and Design* or any confusingly similar mark.

After an evidentiary hearing, the district court denied ASPE’s motion for a preliminary injunction, but granted TMB a preliminary injunction that prohibited ASPE from using *Plumbing Engineering and Design* to identify its publication or other products. ASPE appeals the district court’s decision. TMB and Mr. Brown also cross-appealed. In their view, the district court should have issued a broader injunction that would have prevented ASPE from using any mark sufficiently similar to TMB’s mark as to cause confusion. For the reasons set forth in this order, we vacate the order of the district *783 court and remand the case for proceedings consistent with this order.

I

BACKGROUND

A. Facts

ASPE is a professional organization for engineers who work in the plumbing field. It disseminates technical data, sponsors activities, facilitates interaction among professionals and provides educational opportunities for the members. ASPE owns a federal registration for *American Society of Plumbing Engineers* and for its logo. For over thirty years, ASPE distributed to its members an official magazine entitled *Plumbing Engineer*. ASPE also hosts biennial conventions that alternate with biennial technical symposia.

TMB Publishing, Inc., is a magazine publisher. It publishes *Plumbing Engineer*. Mr. Brown is the President of TMB. After TMB acquired the magazine, it registered the trademark “*Plumbing Engineer*” and has used this mark for the magazine. Over the past ten years, ASPE and TMB entered into numerous contractual agreements to ensure continual distribution of the *Plumbing Engineer* magazine to the ASPE membership.

In April 2002, however, the ASPE board decided not to renew the TMB contract, which was set to expire in September of that year. TMB then terminated the relationship before the end of the contract period but continued to use the ASPE membership list to communicate with those on the list in an effort to ascertain whether they would be willing to subscribe to its magazine and to notify subscribers of the end of the relationship between ASPE and TMB. When the contractual relationship ceased, TMB removed from the magazine the ASPE logo that had indicated that *Plumbing Engineer* was the official ASPE publication. It also published an editorial that informed the readership that the contractual relationship between the parties had ended.

**2 After exploring the possibility of contracting with another publisher, ASPE decided, in July 2002, to publish its own magazine. ASPE initially chose to name its new magazine *Plumbing Engineering and Design*. TMB, however, objected to the

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use of that name. ASPE acquiesced and responded that it would no longer use that title. ASPE then chose the name *Plumbing Systems and Design*. TMB voiced no objection to this choice.

B. District Court Proceedings

Despite amicable dealings up to this point, ASPE decided to pursue legal action against TMB. The court first addressed ASPE's request for an injunction against TMB's use of the ASPE name or logo. The court determined that ASPE had no likelihood of success with respect to its claim that TMB had violated ASPE's trademark rights. The district court found that TMB had removed immediately the ASPE logo from its magazine and likewise had deleted any statements that the magazine was the official publication of ASPE. TMB's only use of the ASPE acronym was to explain to its readers that TMB's magazine was no longer affiliated with ASPE.

The district court next considered TMB's use of ASPE's mailing list. The court concluded that there was no use that constituted a violation of the parties' contract. The court held that the contract only prohibited making the list available to others and, in the present case, the list had not been made available to other parties. Furthermore, noted the court, TMB no longer had access to the mailing list. An injunction was therefore unnecessary with respect to this list.

The court then addressed TMB's request in its counterclaim for an injunction *784 to prohibit ASPE from "further acts of infringement" on TMB's *Plumbing Engineer* trademark. R.14 at 1. The court granted TMB's request and enjoined ASPE "from using the *Plumbing Engineering and Design* mark for its publications or for any other products." R.18 at 9. The court made very limited findings with respect to this injunction. It noted that ASPE had "agreed to rename its magazine," but the court also found that ASPE still was publishing on its website the proposed name as "*Plumbing Engineering and Design*" and that "ASPE's application to register *Plumbing Engineering and Design*, is still

pending before the PTO." *Id.* at 8. The court reasoned that, "[s]ince TMB's mark is registered and is incontestable and therefore presumptively strong, TMB's chance of success on the merits is likewise strong." *Id.* The court concluded that "*Plumbing Engineering and Design*" was likely to cause confusion because the name is deceptively similar to TMB's magazine *Plumbing Engineer*. It noted that the balance of hardships favored TMB because "ASPE has agreed to rename its magazine." *Id.* Accordingly, the district court granted the injunction in favor of TMB. It enjoined ASPE from using the name *Plumbing Engineering and Design* on its magazine or on any other products. It further required that ASPE withdraw its pending trademark application and remove the name from its website.

II DISCUSSION

*3 ASPE submits that the district court issued too broad an injunction. In ASPE's view, the district court failed to consider the relatively weak nature of TMB's mark. There is no basis, contends ASPE, to prohibit it from using "*Plumbing Engineering and Design*" on "other products" that do not compete with TMB's magazine, *Plumbing Engineer*. TMB cross appeals and takes the opposite view. It submits that the injunction is too narrow. In its view, the district court should have enjoined ASPE from using *any* mark that is confusingly similar to "*Plumbing Engineering and Design*."

A.

In reviewing a district court's grant or denial of a preliminary injunction, we review "the court's findings of fact for clear error, its balancing of factors for an abuse of discretion, and its legal conclusions *de novo*." *Meridian Mut. Ins. Co. v. Meridian Ins. Group, Inc.*, 128 F.3d 1111, 1114 (7th Cir.1997); see also *Cooper v. Salazar*, 196 F.3d 809, 814 (7th Cir.1999) (noting the reviewing court gives deference to the district court's weighing and balancing of the equitable factors). In order to obtain a preliminary injunction, the moving party

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must demonstrate

(1) some likelihood of succeeding on the merits, and (2) that it has “no adequate remedy at law” and will suffer “irreparable harm” if preliminary relief is denied. If the moving party cannot establish either of these prerequisites, the court's inquiry is over and the injunction must be denied. If, however, the moving party clears both thresholds, the court must then consider: (3) the irreparable harm that the non-moving party will suffer if preliminary relief is granted, balance[d] against the irreparable harm to the moving party if relief is denied; and (4) the public interest, meaning the consequences of granting or denying the injunction to non-parties.

Abbott Labs. v. Mead Johnson & Co., 971 F.2d 6, 11–12 (7th Cir.1992) (citations omitted); see *Lawson Prods., Inc. v. Avnet, Inc.*, 782 F.2d 1429, 1433 (7th Cir.1986).

In a trademark dispute, in order to demonstrate the first element, a likelihood of *785 success on the merits, the moving party must establish “that 1) he has a protectable mark, and 2) that a ‘likelihood of confusion’ exists between the marks or products of the parties.” *Meridian Mut. Ins. Co.*, 128 F.3d at 1115. In the case before us, the district court determined that *Plumbing Engineer* was a valid protectable mark. The parties do not dispute this conclusion. They focus instead on whether there is a likelihood of confusion.

Likelihood of confusion is a factual determination, and we will defer to the district court unless we find clear error. See *Platinum Home Mortg. Corp. [v. Platinum Fin. Group, Inc.]*, 149 F.3d 722, 726 (7th Cir.1998)]; *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 618 (7th Cir.1995). Clear error exists if, based on the whole record, we are left with a firm conviction that the district court has made a mistake. See *Rust Env't & Infrastructure Inc. [v. Teunissen]*, 131 F.3d 1210, 1216 (7th Cir.1997)] (citation omitted).

****4** *Barbecue Marx, Inc. v. 551 Ogden, Inc.*, 235 F.3d 1041, 1044 (7th Cir.2000). When assessing the likelihood of confusion, we consider the following seven factors:

(1) similarity between the marks in appearance and suggestion; (2) similarity of the products; (3) the area and manner of concurrent use; (4) the degree of care likely to be exercised by consumers; (5) the strength of plaintiff's mark; (6) whether actual confusion exists; and (7) whether the defendant intended to “palm off” his product as that of the plaintiff.

CAE, Inc. v. Clean Air Eng'g, Inc., 267 F.3d 660, 677–78 (7th Cir.2001).^{FN1} “The likelihood of confusion test is an equitable balancing test.” *Barbecue Marx*, 235 F.3d at 1044. In determining whether to grant a preliminary injunction, the district court must weigh the evidence pertaining to each factor and balance the seven factors against each other. “[N]o single factor is dispositive and courts may assign varying weights to each of the factors in different cases....” *Id.* (citing *Schwinn Bicycle Co. v. Ross Bicycles, Inc.*, 870 F.2d 1176, 1187 (7th Cir.1989); *Smith Fiberglass Prods., Inc. v. Ameron, Inc.*, 7 F.3d 1327, 1329 (7th Cir.1993)). “A preliminary injunction is a very serious remedy, never to be indulged in except in a case clearly demanding it.” *Id.* (internal quotations omitted); see also 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30:30 (4th ed.2003) (citing both *Barbecue Marx* and *Schwinn Bicycle*).

FN1. See *Meridian Mut. Ins. Co. v. Meridian Ins. Group, Inc.*, 128 F.3d 1111, 1115 (7th Cir.1997) (quoting *Smith Fiberglass Prods., Inc. v. Ameron, Inc.*, 7 F.3d 1327, 1329 (7th Cir.1993)); *Int'l Kennel Club of Chicago v. Mighty Star, Inc.*, 846 F.2d 1079, 1087 (7th Cir.1988); *Helene Curtis Indus., Inc. v. Church & Dwight Co.*, 560 F.2d 1325, 1330 (7th Cir.1977).

B.
1.

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[1] In addressing the probability of TMB's success on the merits, the district court addressed whether there was a probability that ASPE would use the mark "*Plumbing Engineering and Design*." The district court was correct in not accepting ASPE's mere representations that it would not use the mark. See *United States v. W.T. Grant Co.*, 345 U.S. 629, 633, 73 S.Ct. 894, 97 L.Ed. 1303 (1953). Although such a representation is a relevant consideration in determining whether injunctive relief is appropriate,^{FN2} ASPE's *786 promise alone certainly did not render the case moot. Nevertheless, the "moving party," in this case TMB, "must still satisfy the court that injunctive relief is required" to prevent future harms. *Milwaukee Police Ass'n v. Jones*, 192 F.3d 742, 748 (7th Cir.1999). "'The necessary determination is that there exists some cognizable danger of recurrent violation, something more than the mere possibility which serves to keep the case alive.'" *Id.* (quoting *W.T. Grant Co.*, 345 U.S. at 633).^{FN3} The district court believed that this burden had been met. It found that ASPE had an application with the United States Patent and Trademark Office ("PTO") to register the title "*Plumbing Engineering and Design*" and that this application "had not been withdrawn." R.18 at 5. It also noted that, as of the date of the hearing, ASPE still listed the name *Plumbing Engineering and Design* on its website as the name of the proposed magazine. See *id.* at 6.

FN2. See *United States v. W.T. Grant Co.*, 345 U.S. 629, 633, 73 S.Ct. 894, 97 L.Ed. 1303 (1953) ("[A] profession [not to repeat the contested acts] does not suffice to make a case moot although it is one of the factors to be considered in determining the appropriateness of granting an injunction against the now-discontinued acts."); *Milwaukee Police Ass'n v. Jones*, 192 F.3d 742, 748 (7th Cir.1999).

FN3. See *Wilk v. American Med. Ass'n*, 895 F.2d 352, 366–67 (7th Cir.1990) (distinguishing between the heavy burden

of mootness by the defendant and the burden the moving party has to warrant an injunction).

****5** On the basis of our examination of the briefs and of counsel's statements at oral argument, it is unclear to us whether the parties still dispute the correctness of the district court's decision to issue a preliminary injunction with respect to the use of *Plumbing Engineering and Design* as the title of ASPE's new publication. If the situation has changed appreciably since the district court ruled on the matter, the parties must address those changed circumstances to the district court.

Even if there has not been an appreciable change in circumstances, it appears from our examination of the record that the district court ought to reexamine the record and to revisit the determination that a preliminary injunction is appropriate. As we have noted earlier, the district court supported its grant of a preliminary injunction by noting ASPE's publication on its website and its still pending PTO application. The record reveals, however, circumstances that, if true, would militate against reliance on these factors. The record indicates that the PTO application preceded TMB's request and ASPE's promise to rename the magazine; indeed, the application preceded the termination of their contractual relationship. See R.32 at 106–07.^{FN4}

It also appears that the website publication of the ASPE Report announcing the name of the new publication as *Plumbing Engineering and Design* was created before ASPE's promise to abandon the contested name. The record demonstrates that this announcement was made in the June/July 2002 issue. See R.32 at 25–26; R.40 attached Trial Ex.1. Notably, TMB made its request to ASPE that the title not be used on June 6, 2002. See R.9 at 2 (TMB's Motion for a Preliminary Injunction). ASPE responded in a June 14, 2002 letter that noted its intent to comply with TMB's request. *Id.* Although the record is not clear, it appears likely that the June/July issue was published before the June 14 letter agreeing to change the name from the

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contested *Plumbing Engineering and Design*. ASPE submits, and TMB does not dispute on appeal, that ASPE maintains copies of all its past newsletters on its website. It appears that ASPE simply did not delete from its website those documents that announced the future name of the magazine as *Plumbing Engineering and Design*. See *787 ASPE's Br. at 6; see also TMB's Br. at 4 (noting that the facts were generally not in dispute). Although the record does not reveal such an examination, it may well be that the district court considered these matters and determined nevertheless that circumstances required the issuance of the preliminary injunction. If such consideration was undertaken, greater elaboration is necessary to facilitate meaningful appellate review.

FN4. ASPE Executive Director Mark Wolfson provided this information in his testimony. There is no indication in the record that the district court declined to find this testimony credible.

2.

We also are concerned about the district court's conclusory finding that the title *Plumbing Engineering and Design* presents a likelihood of confusion. The court concluded that the *Plumbing Engineering and Design* "name of ASPE's proposed magazine, under the circumstances here present, would likely cause confusion in the eyes of the public between the two magazines." R.18 at 6. As we have noted earlier, the district court's determination of likelihood of confusion is a factual determination, and, therefore, it is entitled to great deference from us. However, our cases make clear that, in arriving at this conclusion, "the district court must weigh the evidence pertaining to each likelihood of confusion factor and balance the seven factors against each other." *Barbecue Marx*, 235 F.3d at 1044. We cannot discern from its decision that the district court engaged in that process. Rather, in summary fashion, the court concluded that the *Plumbing Engineering and Design* mark was "deceptively similar" to TMB's registered and in-

contestable mark, *Plumbing Engineer*. R.18 at 8. The court expressed the view that, because "TMB's mark is registered and is incontestable and therefore presumptively strong, TMB's chance of success on the merits is likewise strong." *Id.*

a.

**6 With respect to the similarity of the marks in appearance and suggestion, the district court simply made the conclusory statement that the names are "deceptively similar." *Id.* ¶ 4. In some circumstances an independent assessment by us would be appropriate.^{FN5} Because the district court will have to assess this factor with the other competing concerns, we believe that an initial assessment by the district court is indicated here.

FN5. See *Henri's Food Prods. Co. v. Kraft, Inc.*, 717 F.2d 352, 354 (7th Cir.1983) ("[T]o the extent the [likelihood of confusion] determination is predicated on the similarity of the marks themselves, this Court is in as good a position as the trial judge to determine likelihood of confusion.").

Our case law already establishes the considerations that the court ought to take into account in making such a determination. In comparing two marks for their similarity, the court should not "focus on minor stylistic differences" when the public does not encounter the two together. *Meridian Mut. Ins. Co.*, 128 F.3d at 1115. Nor should it compare the two side by side if consumers ordinarily do not make such comparisons. See *id.*; *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 382 (7th Cir.1976). Instead, the court should make a comparison under conditions that are likely to appear in the market. Rather than parsing words to detect theoretical distinctions, it ought to employ a common sense approach and view the mark as a consumer might. See *Meridian Mut. Ins. Co.*, 128 F.3d at 1115; *Int'l Kennel Club of Chicago, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1088 (7th Cir.1988). In making such an assessment, a court may deem it appropriate to assess the similarity of

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the sound, sight or meaning of the word or words. *Henri's Food Prods. Co. v. Kraft, Inc.*, 717 F.2d 352, 356 (7th Cir.1983). Finally, if a particular *788 word or feature of the mark is the most salient part of the mark, special focus can be afforded to that part of the mark. See *Int'l Kennel Club*, 846 F.2d at 1087–88 (quoting *Henri's Food Prods. Co.*, 717 F.2d at 356).

b.

[2] The district court also gave some consideration to the strength of the mark. We cannot accept, however, the approach undertaken by the district court in this respect. The district court concluded that “[s]ince TMB’s mark is registered and is incontestable and therefore presumptively strong, TMB’s chance of success on the merits is likewise strong.” R.18 at 8.

The incontestability of a mark and the likelihood of confusion are two separate inquiries. A mark becomes incontestable when a federally registered mark has been in continuous use for five consecutive years and when there has been compliance with other statutory formalities. Generic names cannot achieve this designation. Once the requirements of 15 U.S.C. § 1065 are met and the mark is deemed incontestable, the lack of distinctiveness of such a mark cannot be used to argue the mark is invalid. See *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 196, 105 S.Ct. 658, 83 L.Ed.2d 582 (1985); 2 *McCarthy on Trademarks and Unfair Competition*, *supra*, § 11:44. Once a registered mark has achieved an incontestable designation, the mark is considered conclusively valid. See *Park ‘N Fly*, 469 U.S. at 196; *Munters*, 909 F.2d at 252 (noting that incontestable marks cannot be challenged based on a charge that they are descriptive). Conversely, before a mark becomes incontestable, the mark can be challenged as merely descriptive and thus an invalid, unprotectable trademark.^{FN6}

^{FN6}. Because generic terms are not afforded trademark protection, “[m]ost often an analysis of the strength of the complain-

ant’s mark is undertaken to determine whether an unregistered trademark is protectable.” *Munters Corp. v. Matsui America, Inc.*, 909 F.2d 250, 252 (7th Cir.1990).

^{**7} There is no dispute that TMB holds a valid and protectable mark, but the strength of that mark is another inquiry. See *Munters*, 909 F.2d at 252 (explaining that the strength of the mark could be used in determining the likelihood of confusion even though the court found that the mark was incontestable); *M-F-G Corp. v. EMRA Corp.*, 626 F.Supp. 699, 703 (N.D.Ill.1985), *aff’d*, 817 F.2d 410 (7th Cir.1987); 2 *McCarthy on Trademarks and Unfair Competition*, *supra*, § 11:84 (noting that the validity of an incontestable and registered mark cannot be challenged, but this status “does not prevent defendant from questioning the *strength*, and hence the scope of protection, of the mark as to different goods in determining the issue of likely confusion”). The status of a mark as incontestable does not *ipso facto* establish the relative strength of a mark in a likelihood of confusion analysis. 5 *McCarthy on Trademarks and Unfair Competition*, *supra*, § 32:155 (“Incontestable status does not make a weak mark strong.” (quoting *Oreck Corp. v. U.S. Floor Sys., Inc.*, 803 F.2d 166 (5th Cir.1986))).^{FN7}

Nor is the term “incontestable” a synonym for a strong mark. The fact that the mark may be incontestable does not indicate the mark is relatively strong but only that it is not generic for purposes of 15 U.S.C. § 1065. See *Munters*, 909 F.2d at 252.

^{FN7}. But cf. *Dieter v. B & H Indus. of Southwest Florida, Inc.*, 880 F.2d 322, 329 (11th Cir.1989) (“Because [plaintiffs] mark is incontestable, then it is presumed to be at least descriptive with secondary meaning, and therefore a relatively strong mark.”).

While the incontestable status is often a bright line designation, the strength of a mark is not so clearly defined as either one or the other but exists as a spectrum with *789 all the attendant gradations. As one commentator has put it, it would be

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“absurd to separate marks into two neat categories of ‘strong’ marks and ‘weak’ marks. Strength is relative.” 2 *McCarthy on Trademarks and Unfair Competition*, *supra*, § 11:74. A mark is not “strong” just because it is not descriptive or generic. Incontestable status merely requires a non-generic mark; strength analysis encompasses a different inquiry employing additional considerations.

In contrast, the strength of a mark is a product of the mark's distinctiveness and/or of its capacity to identify goods from a particular source.^{FN8} The assessment of a mark's strength comprises such factors as: (1) its type;^{FN9} (2) whether it has been subject to wide and extensive advertisement or use by the holder;^{FN10} or (3) a combination of both. See *Telemed Corp. v. Tel-Med, Inc.*, 588 F.2d 213, 219 (7th Cir.1978); *M-F-G Corp.*, 626 F.Supp. at 701-03; see also *CAE, Inc.*, 267 F.3d at 684-85 (discussing and applying the abovementioned factors). Also of value in this analysis is the extent of third-party use and registration of the term or similar terms. See *McGraw-Edison Co. v. Walt Disney Prods.*, 787 F.2d 1163, 1171 (7th Cir.1986); see also *CAE*, 267 F.3d at 685. The more use and promotion of similar marks by third parties, the weaker the mark and less protection afforded. See *McGraw-Edison*, 787 F.2d at 1171.

FN8. See *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 464 (7th Cir.2000); *Telemed Corp. v. Tel-Med, Inc.*, 588 F.2d 213, 219 (7th Cir.1978); 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 11:75 (4th ed.2003).

FN9. Marks are often categorized into five levels: generic, descriptive, suggestive, arbitrary and fanciful. See *CAE, Inc. v. Clean Air Eng'g, Inc.*, 267 F.3d 660, 684 (7th Cir.2001). The categories indicate a progressive degree of distinctiveness and therefore a concomitant increase in strength. When a mark is not considered generic for 15 U.S.C. § 1065 purposes, it

cannot be considered to be at the lowest end of the distinctiveness spectrum. However, that designation does little to assess the mark's overall strength in the likelihood of confusion analysis.

FN10. We note that there is at least some evidence in the record on this point. See R.32 at 172, 177 (testimony indicating thirty years of publication under the *Plumbing Engineer* name which was an estimated 3.5 million publications).

***8** ASPE could not attack TMB's *Plumbing Engineer* mark by arguing that it is descriptive and therefore not a valid protectable mark. The TMB *Plumbing Engineer* mark is incontestable and valid. Here, however, ASPE wants to use a mark that TMB claims is too similar to its *Plumbing Engineer* mark. When determining the likelihood of confusion that results from the use of an allegedly similar mark, a court should consider the strength of the mark to determine the zone of protection the allegedly infringed mark warrants. The stronger a mark, the more one is likely to associate similar marks and products with it. A strong mark therefore receives broader protection. See *CAE*, 267 F.3d at 684; 2 *McCarthy on Trademarks and Unfair Competition*, *supra*, §§ 11:73, 11:75. Describing a mark as “weak” or stating that the mark is entitled to “limited protection” because it is weak are both

other ways of saying, ... that confusion is unlikely because the marks are of such non-arbitrary nature or so widely used that the public easily distinguishes slight differences in the marks under consideration as well as differences in the goods to which they are applied, even though the goods of the parties may be considered “related.”

Telemed Corp., 588 F.2d at 219 (quoting *King Candy Co. v. Eunice King's Kitchen, Inc.*, 496 F.2d 1400, 1401 (C.C.P.A.1974)). “Where a party uses a weak mark, his ***790** competitors may come closer to his mark than would be the case with a strong mark without violating his rights.” 2 *McCarthy on*

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Trademarks and Unfair Competition, supra, § 11:73 (citation omitted).

In sum, the *strength* of a mark does not rely on the mere incontestability of the registered mark but must reflect all of these factors. Here, the district court evaluated the strength of the mark from a perspective not grounded in our case law when it said that “[s]ince TMB’s mark is incontestable and therefore presumptively strong, TMB’s chance of success on the merits is likewise strong.” R.18 at 8. A remand is warranted for a proper determination of this factor consistent with the guidance above.

The district court’s statement that the mark was incontestable and therefore strong seems, in context, to suggest as well that the court relied only on the incontestable status to find the success on the merits was strong. We especially are concerned in this case because the district court’s opinion failed to address or comment on the five remaining factors indicated in *CAE, Inc. v. Clean Air Eng’g, Inc.*, 267 F.3d 660 (7th Cir.2001).^{FN11} It is to those remaining factors that we briefly turn to provide some guidance on remand.

^{FN11}. We acknowledge that, in at least one instance, we undertook an independent assessment when the district court failed to explain “how the evidence was weighed or the factors were balanced.” *Barbecue Marx, Inc. v. 551 Ogden, Inc.*, 235 F.3d 1041, 1044 (7th Cir.2000). In *Barbecue Marx*, however, the district court had provided factual findings on all but one of the seven likelihood of confusion factors. The court also indicated that, due to the lack of explanation on the district court’s weighing of factors, appellate review under a clear error standard was “significantly more difficult.” *Id.* Given the state of the record, an independent assessment of the remaining factors is not a practical possibility.

c.

In assessing the similarity of the products, our case law requires that the district court consider “whether the public is likely to attribute the products and services to a single source.” *CAE*, 267 F.3d at 679. Similarity in format and material is relevant in assessing whether consumers reasonably would believe that the publications came from the same source. *See id.*; *Int’l Kennel Club*, 846 F.2d at 1089.

^{**9} With regard to the area and manner of concurrent use, the court should assess “whether there is a relationship in use, promotion, distribution, or sales between the goods or services of the parties.” *CAE*, 267 F.3d at 681 (quoting *Forum Corp. v. Forum Ltd.*, 903 F.2d 434, 442 (7th Cir.1990)). We think that this factor is especially important because the publications target the same, and a rather limited, audience. Here, the court noted that both publications were magazines directed toward the same readership. Without more extensive exploration of this factor, we cannot determine how the district court weighed this consideration in its analysis. The court made no findings as to whether the content or format of each would be different or whether the magazines served different functions.^{FN12}

^{FN12}. We acknowledge that it may prove to be rather difficult for the district court to perform this analysis because one of the publications is brand new. It well may be possible, however, for the court to assess this factor on the basis of evidence of the planned editorial approach of each magazine.

The knowledge and care consumers exercise in purchasing the magazine—either through the subscription or a membership in an organization such as ASPE—“are significant factors in determining whether consumers are likely to be confused.” *Rust Env’t & Infrastructure, Inc. v. Teunissen*, 131 F.3d 1210, 1217 (7th Cir.1997) (upholding a district court’s finding that ^{*791} the relevant market of consumers was “composed of sophisticated buyers of services in a highly specialized technical field” and

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therefore likely would not be confused).

Additionally, any evidence of actual confusion is relevant. TMB concedes that “[t]here have been no accounts of actual confusion” but insist that such a showing is not required at the preliminary injunction stage. TMB’s Br. at 10. Although TMB is correct that actual confusion is not *required* at this stage, *see Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 464 (7th Cir.2000), the absence of any evidence on this issue certainly does not weigh in favor of a likelihood of confusion, *see Barbecue Marx, Inc. v. 551 Ogden, Inc.*, 235 F.3d 1041, 1045–46 (7th Cir.2000). The fact that ASPE had not published a magazine with the contested title at the time of the hearing does not excuse TMB’s burden on this element. *See Barbecue Marx*, 235 F.3d at 1046. “Actual confusion can be shown by either direct evidence or by survey evidence.” *Rust Env’t*, 131 F.3d at 1218; *see Barbecue Marx*, 235 F.3d at 1046 (holding that even though the contested name had not yet appeared in the market this impediment did not excuse the moving party from the requirement that it provide some evidence, and explaining that a survey asking a hypothetical question or testimony from a marketing expert could have satisfied this burden). The district court understandably made no factual findings regarding actual confusion in light of the parties’ statements. The factor must, of course, be taken into consideration in determining the appropriateness of injunctive relief.

Finally, the district court should consider whether ASPE was attempting to “palm off” its products as that of TMB. Evidence of intent to palm off one’s products as those of another can be one of the most important factors in the likelihood of confusion determination. *See Eli Lilly*, 233 F.3d at 465. Intent in this situation “refers to the intent to confuse customers, not merely the intent to use a mark that is already in use somewhere else.” *Meridian Mut. Ins. Co.*, 128 F.3d at 1120. Mere similarity between two names does not indicate intent. *See Barbecue Marx*, 235 F.3d at 1046.

C.

****10** Even if the district court were to find that the issue of injunctive relief with respect to the magazine is now moot, the court must confront explicitly the application of the same factors as they relate to the use of *Plumbing Engineering and Design* on “other products.” The district court did not give any reasons why the use of the mark on other products would be confusing. Indeed, the identity of these “other” products is unclear on the present record.^{FN13} Not only do we not have any information about the “other products,” we do not even know in what context the “products” will be used. We cannot review the district court’s finding of a likelihood of confusion without specific identification of the products or the manner in which they will be used or marketed.

FN13. There is some discussion in the record of ASPE using *Plumbing Engineering and Design* to advertise for trade shows but the district court enjoined the use of the *Plumbing Engineering and Design* name on “other products.” The injunction is not confined to trade shows but indicates merely “other products.”

D.

TMB cross appeals and asks that we direct the district court to impose a broader preliminary injunction that would include ASPE’s use of *Plumbing Engineer* or “any confusingly similar mark, on any goods or services.” TMB’s Br. at 16. ***792** TMB’s specific concern seems to be that ASPE will use the term *Plumbing Engineering and Design* in connection with the trade shows that it sponsors. TMB attends these trade shows as an exhibitor. ASPE advertises these trade shows in TMB’s *Plumbing Engineer*. TMB contends that such an expanded injunction is necessary to prevent confusion between the two entities and their products. It notes that the magazine and the trade show are directed toward the same consumers.

Resolution of this matter relies upon much of the previous discussion. Absent the requisite findings, we must remand this issue to the district court.

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Conclusion

For the reasons set forth in this order, the judgment of the district court is vacated and the case is remanded for proceedings consistent with this order. ASPE may recover its costs in this court.

IT IS SO ORDERED

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(Ill.))

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Cited

As of: Nov 23, 2011

**CHICAGO BLACKHAWK HOCKEY TEAM, a Delaware corporation, Plaintiff, v.
CHRIS MADSEN, Defendant**

No. 90 C 5833

**UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF
ILLINOIS, EASTERN DIVISION**

1991 U.S. Dist. LEXIS 1720

February 7, 1991

February 13, 1991, Docketed

CASE SUMMARY:

PROCEDURAL POSTURE: Defendant sports line operator objected to the recommendation of a magistrate judge, who ordered the operator to cooperate with plaintiff hockey team in the transfer of a telephone number obtained by the operator that spelled out the team's mark. The team had filed a motion for preliminary injunction against the operator who was previously affiliated with the team.

OVERVIEW: The hockey team filed for preliminary injunction against the sports line operator. He had operated an official team hotline, and had obtained a telephone number whose last four numbers spelled out the team's nickname. The magistrate judge heard evidence and recommended that the motion be granted and that a preliminary injunction be entered prohibiting the operator from using the mark in a telephone service hotline; representing that he had any connection or affiliation with the team; and using the telephone number. The magistrate judge also recommended that he be ordered to disconnect that phone number and assist the team in the transfer of use of the line. The operator had a disclaimer on the phone number that he was no longer affiliated with the team, and filed objections to the

transfer of the number. The court affirmed the recommendations of the magistrate judge except for the mandate that the operator transfer the number. The operator was the lessee of the phone line and the team did not show any unfair or infringing action taken by the operator after the termination of the relationship. The balance of harms favored the operator in the preliminary stage of the litigation.

OUTCOME: The court granted the hockey team's request for a preliminary injunction that prevented the sports line operator from using the team's mark, or representing that he had any connection or affiliation with the team, but denied the requested mandatory injunction that required the operator to disconnect the disputed phone number and assist the team in the transfer of the number to the team.

CORE TERMS: hotline, season, phone number, phone, hockey, preliminary injunction, advertisement, injunction, advertised, fans, franchise, presently, promoted, mandatory, conclusions of law, hockey team, recommendation, advertising, scoreboard, pocket, logo, unfair, telephone number, promotion, telephone, ice hockey, secondary meaning, entertainment, promotional, distributed

LexisNexis(R) Headnotes***Civil Procedure > Remedies > Injunctions > Elements > Public Interest******Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions***

[HN1] Before a preliminary injunction will issue, the movant must show, as a threshold matter, that: (1) they have no adequate remedy at law; (2) they will suffer irreparable harm if the injunction is not granted; and (3) they have some likelihood of success on the merits in the sense that their chances are better than negligible. If the movant can meet this threshold burden, the inquiry then becomes a "sliding scale" analysis of the harm to the parties and the public from the grant or denial of the injunction and the actual likelihood of success on the merits. In particular, and keeping in mind that the public interest may become important in a given case, the more likely the plaintiff is to win, the less heavily need the balance of harms weigh in his favor in order to get the injunction; the less likely he is to win, the more need it weigh in his favor.

Civil Procedure > Remedies > Injunctions > Mandatory Injunctions***Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions***

[HN2] Typically, the purpose of a preliminary injunction is to maintain the status quo pending the resolution of the merits of a case. While mandatory preliminary injunctions are to be cautiously viewed and sparingly issued, there are situations justifying a mandatory temporary injunction compelling the defendant to take affirmative action. Where the harm is substantial and maintaining the status quo would mean further harm and possibly make a final determination on the merits futile, the grant of a mandatory preliminary injunction may be appropriate. Still, a mandatory preliminary injunction should not be granted unless the law and facts clearly favor the plaintiff. Also, a mandatory preliminary injunction that grants the full relief requested is viewed with greater disfavor than one that grants less than the full relief.

JUDGES: [*1] William T. Hart, United States District Judge.

OPINION BY: HART**OPINION*****MEMORANDUM OPINION AND ORDER***

Plaintiff Chicago Blackhawk Hockey Team, Inc. is the owner of the National Hockey League franchise based in Chicago, Illinois. Defendant Chris Madsen does business as C. Mad Communications, Inc. Madsen manages a number of sports phonelines, including one that was formerly known as "the Official Hotline of the Chicago Blackhawks" and which, most recently, used the phone number (312) 736-HAWK(4295). The Blackhawks terminated their relationship with Madsen in August or September 1990. After Madsen continued the Hotline, the Blackhawks brought suit to enjoin continued use of 736-4295 by defendant. Madsen presently has a hockey phone service on that line, but no longer claims it is sponsored by the Blackhawks and he no longer refers to the phone number as 736-HAWK.

Presently before the court is the magistrate judge's report and recommendation as to plaintiff's motion for preliminary injunction. The magistrate judge heard evidence on the motion and submitted proposed findings of fact and conclusions of law. The magistrate judge recommended that the motion be granted and that a preliminary injunction [*2] be entered prohibiting defendant from: (a) using the mark "Blackhawks" or "Hawks" in a telephone service hotline; (b) representing that he has any connection or affiliation with plaintiff; and (c) using 736-4295. It is further recommended that defendant be ordered to disconnect that phone number and that he assist plaintiff in requesting that the telephone company transfer use of the line to plaintiff. Defendant does not object to being enjoined from using the marks or representing that he is affiliated with the Blackhawks. He is also willing to continue to have disclaimers on his phone line stating that he is not associated with the Blackhawks. He will also refrain from referring to his phone number as 736-HAWK. Defendant, however, has filed a timely objection to the magistrate judge's recommendation that he be required to refrain from using the phone line, disconnect the line, and assist in transferring the line to the Blackhawks.

In light of defendant's limited objection to the recommendation of the magistrate judge, there is no issue in this case as to whether defendant can use the mark

"Hawk" or "Blackhawk;" defendant agrees that he will not oppose a preliminary injunction to [*3] that effect. The present issue in this case is whether use of the phone number 4295, which can be read as a cipher for HAWK, infringes on a trademark of plaintiff. ¹ Therefore, that is the issue that will be focused upon.

1 While plaintiff's complaint contains claims other than the trademark claim, that is the only claim that plaintiff relies on in arguing that the magistrate judge's recommendation should be followed. Therefore, it is the only claim that will be considered.

Defendant has raised objections to a number of the proposed findings of the magistrate judge, some of which are not pertinent to the actual issue before the court. The court has examined the record of the hearing before the magistrate judge and all the objections of defendant have been considered. ² Plaintiff does not contend that there are any additional facts, beyond those contained in the magistrate judge's proposed findings, that need be found or considered by this court. The proposed findings of the magistrate judge are adopted, except as [*4] modified as follows:

2 Although there are approximately 400 pages of transcript, defendant has not cited any specific pages of testimony in supporting his objections to factual findings. Plaintiff, however, has provided the court with specific page references that purportedly support its position as to disputed factual findings. Neither party has provided copies of the exhibits presented to the magistrate judge, but the contents of the exhibits generally can be determined from the transcript of the testimony. To the extent that support was not found for a factual contention of defendant, defendant has failed to provide any citations to the record.

FINDINGS OF FACT

1. Plaintiff Chicago Blackhawk Hockey Team, Inc. ("Blackhawks" or "Chicago Blackhawks") is a Delaware corporation qualified to do business in Illinois with its principal place of business at 1800 West Madison Street, Chicago, Illinois.

2. Defendant Chris Madsen is an individual and citizen of the State of Illinois, residing in Cook County.

3. The [*5] Blackhawks are the owner of a National Hockey League franchise located in Chicago, Illinois. The Blackhawks offer entertainment services in the nature of professional ice hockey exhibitions to the public.

4. The Blackhawks are the owner of the trade and service mark "Blackhawks," which bears United States Registration No. 893,052. Registration No. 893,052 was issued on September 25, 1926 for entertainment services in the nature of professional ice hockey exhibitions. The mark "Blackhawks" was first used in interstate commerce on September 25, 1926.

5. Since 1926, the Blackhawks have used and have been associated with the trade and service mark "Blackhawks." The mark "Blackhawks" identifies The Chicago Blackhawk professional ice hockey team, as well as goods and services connected with the organization.

6. The Blackhawks are the owner of the trade and service mark known as "the Indian head logo," which bears United States Registration No. 893,053. That mark was issued in 1954 for entertainment services in the nature of professional ice hockey exhibitions. The mark of the Indian head logo was first used in interstate commerce in 1954. Since 1954, the logo has been used to identify The [*6] Chicago Blackhawk team, as well as goods and services originating with the team.

7. Both United States Registration Nos. 893,052 and 893,053 are valid, presently subsisting, and in full force and effect.

8. The Blackhawks have also used and been associated with the marks "Hawks" and "Hawk." The marks "Hawks" and "Hawk" have been used to identify the Chicago Blackhawks hockey team, players, and personnel as far back as 1950.

9. The Blackhawks have used the marks "Hawks" and "Hawk" for an extended period of time, have advertised and promoted these marks, and have made efforts to promote a conscious connection in the public's mind between the marks "Hawks" and "Hawk" and the franchise.

10. The Blackhawks, being the sole National Hockey League franchise in the Chicagoland area, have received an enormous amount of publicity over the years

establishing the secondary meaning of the marks "Blackhawks," "Hawks," and "Hawk." Such publicity includes newspaper articles written by various sportswriters about the Blackhawks hockey team, players, and personnel. The newspaper articles, dating as far back as 1950, refer to the Blackhawks, the players, and personnel as the "Blackhawks," "Hawks," and [*7] "Hawk." Through such interchangeable use of the marks "Blackhawks," "Hawks," and "Hawk," the marks "Hawks" and "Hawk" have come to be known by the public as marks that specifically designate the Chicago Blackhawks.

11. The Blackhawks sell a record, a cassette, and sheet music of its theme song "Here Come the Hawks," which was introduced to the public in 1968. Over 50,000 of such records, cassettes, and sheet music have been sold since 1968.

12. The Blackhawks, over the years, have advertised and promoted various goods ³ bearing the marks "Blackhawks," "Hawks," "Hawk," and the Indian head team logo. The Blackhawks have realized and continue to realize substantial revenue from the sale of such goods. Specifically, the Blackhawks sell goods such as pennants, packs, caps, shirts, T-shirts, sweatshirts, jerseys, and sweat pants bearing the marks "Blackhawks," "Hawks," "Hawk," and the team logo. These goods are sold by the Blackhawks at the Chicago Stadium, 1800 West Madison Street, Chicago. On the average, the Blackhawks sell approximately 200,000 of such items each year. The sale of these goods reflects the secondary meaning that the marks "Blackhawks," "Hawks," and "Hawk" have acquired [*8] among Chicago professional hockey fans, and further promotes and reinforces this acquired secondary meaning.

3 Defendant objected to the magistrate judge's proposed finding that the Blackhawks have "promoted various goods and services" bearing their marks. Defendant objected that there was no evidence of any service being promoted other than the entertainment service of putting on hockey games and broadcasting them. Plaintiff cited transcript pages 22-24, 99-103, and 150-66 in support of the magistrate judge's finding. Those pages do not show any additional services promoted with plaintiff's marks other than the hockey hotline service. See Tr. 104.

13. The cover of the Blackhawks' Official Chicago

Stadium Sportswear Catalog displays their Indian Head logo. Inside are photographs of various goods and merchandise bearing Blackhawk marks, which are offered for sale. To place an order for merchandise in the catalog, one calls "1-800-245-Hawk (4295)."

14. The Chicago Stadium Sportswear Company presently has [*9] an advertisement in the 1990-91 Goal Magazine, which is the official game program of the Blackhawks. To order a copy of the Official Chicago Stadium Catalog, one calls "312-666-Hawk (4295)."

15. Defendant Chris Madsen has stipulated to the fact that the mark "Hawk" means the Chicago Blackhawks in the area of professional ice hockey in Chicago.

16. In March 1986, the Blackhawks had discussions with defendant Madsen regarding the possibility of instituting in the Chicagoland area a Blackhawks Hotline whereby members of the public could call a phone number to obtain up-to-date information about the Blackhawks Hockey Team. The discussions were initiated by Madsen. Prior to approaching the Blackhawks with a proposal, Madsen had obtained the phone line (312) 855-7373 and placed a recorded message on it.

17. Believing that such a hotline would be a good public relations tool, the Blackhawks decided, in March 1986, to authorize defendant Madsen to refer to the hotline as "the Official Hotline of the Chicago Blackhawks." The original phone number of the hotline was (312) 855-7373. The hotline was first made available to the public in March 1986 and remained available during the playoffs [*10] and for the ensuing off-season draft.

18. The Blackhawks utilized a number of techniques for advertising and promoting the hotline. These techniques had a direct impact on the public and brought the hotline to the attention of consumers. First, the Blackhawks authorized the hotline to be entitled "the Official Hotline of the Chicago Blackhawks." Second, the Blackhawks public address announcer announced to the approximately 17,000 fans attending the final home game of the 1985-86 season and each of the three home playoff games that an "Official Hotline of the Chicago Blackhawks" was available, and that fans could obtain scores and highlights by calling (312) 855-7373. Third, the Blackhawks promoted the hotline on their in-house

scoreboards (both the sideboards and the center scoreboard), informing the fans of the existence of the hotline and the phone number. Finally, the Blackhawks obtained advertising in the Chicago Tribune, Chicago Sun-Times, the Daily Herald, and the Southtown Economist informing the public of the existence and phone number of the hotline. While Madsen paid for some of the advertising and had some involvement in promoting the hotline, most of the expenses [*11] for advertisements and promotional activities were borne by the Blackhawks and Blackhawk personnel were primarily responsible for obtaining the advertisements.

19. The hotline was again made available to the public for the 1986-87 hockey season. The regular hockey season generally begins in September and ends in April, with playoffs (not always involving the Hawks) continuing until May. The Blackhawks authorized Madsen to continue to refer to the hotline he operated as "the Official Hotline of the Chicago Blackhawks."

20. Throughout the 1986-87 season, the Blackhawks continued to conduct extensive advertising and promotion of the hotline. Such promotion continued to have a direct impact on the public, bringing the hotline to the attention of even more consumers. The hotline was advertised through the efforts of the Blackhawks on each of their pocket schedules. The Blackhawks authorized WBBM Radio to print and distribute these pocket schedules. Blackhawks placed advertisements regarding the hotline in their 1986-87 yearbook. During the 1986-87 season, they advertised the hotline in Goal Magazine - the official game program of the Blackhawks. The Blackhawks public address announcer [*12] continued to announce to fans attending the home games that an official Blackhawks hotline existed, and announced the phone number of the hotline. The Blackhawks continued to advertise on their scoreboards (both the sideboards and the center scoreboard) the existence of the hotline and its telephone number.

21. To enable defendant Madsen to provide better coverage of the Blackhawks, and thus better inform the public through the hotline, the Blackhawks provided Madsen with press credentials so he could enter the Stadium and attend the games. Madsen was also provided a seat in the Press Box.

22. In December 1986, Madsen informed the Blackhawks that the existing equipment being used to produce and service the hotline was unable to handle the

volume of phone calls being made to the hotline. Thereafter, and based upon the recommendation of Madsen, the Blackhawks agreed to and in fact did purchase, on December 23, 1986, a Television Telecommunication System from Elevation Telecommunication Systems, Inc. for use in the operation of the hotline. The equipment was purchased by the Blackhawks and cost them \$ 21,318. The Blackhawks also paid for the shipping and insurance of the Television Telecommunication [*13] equipment.

23. On January 21, 1987, and again on January 30, 1987, Madsen informed the Blackhawks that he could no longer produce the hotline due to "economic circumstances." Because the Blackhawks did not want this public relations tool to end, they agreed to pay for all phoneline and phone equipment charges incurred by Madsen in his operation of the hotline from that date forward throughout the remainder of the 1986-87 season and throughout the play-offs.

24. On March 1, 1987, the phone number of the hotline was changed from (312) 855-7373 to (312) 736-HAWK(4295). The idea of incorporating the mark "Hawk" in the official Blackhawks hotline telephone number was defendant Madsen's, who believed using such a promotional technique would make the number easier to remember. Madsen was also the one who obtained the phone number for use by his company. The Blackhawks liked the use of their mark in the hotline number, and gave Madsen authorization to use it. The Blackhawks authorized the use of their mark "Hawk" in the hotline because the mark "Hawk" was already readily identifiable with the franchise, and because use of the mark would make the telephone number easier for fans to remember.

[*14] 25. The Blackhawks reimbursed Madsen for all installation line charges and other phone line charges encountered by Madsen in operating the hotline from January 1987 throughout the remainder of the season. Illinois Bell would invoice Madsen, who in turn would invoice the Blackhawks for the exact amount. The Blackhawks reimbursed Madsen for each and every invoice he received from the telephone company.

26. Subsequent to the change of the hotline number to 736-HAWK, the Blackhawks continued to conduct extensive promotion and advertising of the hotline through a variety of promotional techniques in order to bring the new hotline number 736-HAWK(4295) to the

attention of the fans. Intensified advertising and promotion of the 736-HAWK(4295) hotline was conducted by the Blackhawks for each of the 1987-88, 1988-89, and 1989-90 seasons.

27. For each season, the Blackhawks advertised their new official hotline in their yearbooks and their pocket schedules. Each year, including the 1990-91 season, approximately 400,000 pocket schedules were distributed. Each season, the Blackhawks authorized WBBM Radio to distribute pocket schedules. Each year, WBBM distributed approximately 1,000,000 pocket [*15] schedules. Each season, the Blackhawks advertised their new official hotline in Goal Magazine. Each year approximately 100,000 magazines were sold. The Blackhawks advertised the hotline in the Ameritech white pages. Each year, approximately 400,000 Ameritech white pages were distributed. The Blackhawks also advertised the hotline in the Ameritech yellow pages. Each year, approximately 400,000 Ameritech yellow pages were distributed. The Blackhawks also authorized the advertisement of the hotline on the recorded message of the hotline itself. In 1987-88, approximately 500,000 calls were made to the hotline, in 1988-89, approximately 550,000 calls, and in 1989-90, approximately 600,000 calls. The public address announcer at home games continued to announce that an official hotline of the Blackhawks was available, and announced the new phone number to the fans. Since the 1987-88 season, approximately 140 games have been played, for a total of 420 messages. The Blackhawks also flashed on their game scoreboards (both the sideboards and the center scoreboard) that the official hotline of the Blackhawks was available, and flashed the new number of the line. Finally, directory assistance [*16] (411) informed the public that the new phone number of the official hotline of the Blackhawks was (312) 736-HAWK. These advertisement and promotional efforts were made by the Blackhawks. In addition, for the 1987-88 season, the Blackhawks produced and aired on WBBM Radio a 60-second radio advertisement for the 736-HAWK hotline. The advertisement was played to the public approximately 140 times that season. The Blackhawks also produced and aired a 60-second television advertisement for the 736-HAWK hotline which was aired on Sportschannel Network during the 1987-88 season. The advertisement was televised approximately 75 times during the 1987-88 season.

28. Beginning with the 1987-88 season, and

continuing thereafter through the 1989-90 season, the Blackhawks paid Madsen a sum of \$ 48,000.00 per season. The payment was made by the Blackhawks to cover Madsen's production expenses associated with the operation of their official hotline.

29. On limited occasions, the Blackhawks requested that Madsen include certain information on the hotline. Each time, Madsen included the requested information without objection.

30. In August 1990, the Blackhawks informed Madsen that they were entering [*17] into a pay-per-call hockey hotline venture. The Blackhawks terminated Madsen's services and requested that he stop operating the 736-HAWK hotline. Madsen refused. The Blackhawks immediately sought injunctive relief to stop Madsen's alleged deliberate and continued use of their mark and the 736-4295 phone line.

CONCLUSIONS OF LAW

4

4 Any finding of fact which is a conclusion of law shall be deemed to be a conclusion of law as if fully set forth therein. Any conclusion of law that is a finding of fact shall be deemed to be a finding of fact as if fully set forth therein.

There is no dispute that plaintiff is entitled to a preliminary injunction prohibiting defendant's use of any of plaintiff's marks in promoting his hockey line, including use of the cipher 736-HAWK to promote his line. It is also undisputed that plaintiff is entitled to a preliminary injunction prohibiting defendant from identifying his hockey line as being authorized by or associated with the Blackhawks. The central question before this court [*18] is whether the Blackhawks have a protectible mark in 4295 being used as a phone number for a hockey line. ⁵ If plaintiff has presented sufficient evidence to support such a conclusion, then the next question would be whether there is a sufficient basis for enjoining defendant's use of such a number and requiring defendant to relinquish the use of (312) 736-4295 to plaintiff.

[HN1]Before a preliminary injunction will issue, the movant must show, as a threshold matter, that: (1) they have no adequate remedy at law; (2) they will suffer irreparable harm if the injunction is not granted; and (3)

they have some likelihood of success on the merits in the sense that their "chances are better than negligible." *Roland Machinery Co. v. Dresser Industries, Inc.*, 749 F.2d 380, 386-87 (7th Cir. 1984); see also *Lawson Products, Inc. v. Avnet, Inc.*, 782 F.2d 1429, 1433 (7th Cir. 1986). If the movant can meet this threshold burden, the inquiry then becomes a "sliding scale" analysis of the harm to the parties and the public from the grant or denial of the injunction and the actual likelihood of success on the merits. In particular, and keeping in mind that the public interest may become important [*19] in a given case, the "more likely the plaintiff is to win, the less heavily need the balance of harms weigh in his favor [in order to get the injunction]; the less likely he is to win, the more need it weigh in his favor." *Roland Machinery*, 749 F.2d at 387.

Thornton v. Barnes, 890 F.2d 1380, 1384 (7th Cir. 1989) (quoting *Ping v. National Education Association*, 870 F.2d 1369, 1371-72 (7th Cir. 1989)); *Norman v. Johnson*, 739 F. Supp. 1182, 1190 (N.D. Ill. 1990).

5 The complaint contains a contract claim, but plaintiff does not argue he is entitled to any preliminary relief on the ground that, under the parties' contractual relationship, defendant is obligated to turn control of the phone line over to plaintiff or that under the contract plaintiff owns the rights to use the line. To the contrary, plaintiff expressly states that its argument does not rely on any theory that defendant was acting as plaintiff's agent.

Additionally, part of the relief recommended by the magistrate judge is in the form of [*20] a mandatory injunction, i.e., defendant assisting plaintiff in obtaining the phone line. Also, disconnecting the phone line goes beyond merely maintaining the status quo.

[HN2]Typically, the purpose of a preliminary injunction is to maintain the status quo pending the resolution of the merits of a case. *Jordan v. Wolke*, 593 F.2d 772, 774 (7th Cir. 1978) (per curiam); *Desert Partners, L.P. v. USG Corp.*, 686 F. Supp. 1289, 1293 (N.D. Ill. 1988). While mandatory preliminary injunctions are to be "cautiously viewed and sparingly issued," there are "situations justifying a mandatory temporary injunction compelling the defendant to take affirmative action." *Jordan*, supra. Where the harm is substantial and maintaining the status quo would mean

further harm and possibly make a final determination on the merits futile, the grant of a mandatory preliminary injunction may be appropriate. See *Ferry-Morse Seed Co. v. Food Corp, Inc.*, 729 F.2d 589, 593 (8th Cir. 1984); C.A. Wright & A. Miller, *FEDERAL PRACTICE & PROCEDURE* § 2947 at 424 (1973). Still, a mandatory preliminary injunction should not be granted unless the law and facts clearly favor the plaintiff. *Committee of Central [*21] American Refugees v. INS*, 795 F.2d 1434, 1441, amended, 807 F.2d 769 (9th Cir. 1986). Also, a mandatory preliminary injunction that grants the full relief requested is viewed with greater disfavor than one that grants less than the full relief. *Bricklayers, Masons, Marble & Tile Setters, Protective & Benevolent Union No. 7 of Nebraska v. Lueder Construction Co.*, 346 F. Supp. 558, 561 (D. Neb. 1972); Wright & Miller, § 2948 at 445.

Norman, 739 F. Supp. at 1191.

Plaintiff presents no legal argument as to who should be considered the owner of the rights to use 736-4295. On the facts and legal argument before the court, it must be concluded that defendant is the party that has the right to lease use of 736-4295 from the phone company. Plaintiff should be viewed as the former sponsor of a hotline owned by defendant. Although plaintiff does not expressly frame its argument in this manner, its argument essentially is that: the fact that it heavily promoted use of a property owned by another person entitles it to have control over that property. Thus, the Blackhawks' focus on the issues of confusion and secondary meaning is misplaced unless a party can obtain control over [*22] a property or mark owned by another by paying for the promotions of that property or mark. The Blackhawks choose to ignore this issue by characterizing the magistrate judge's findings as being that the Blackhawks were the first to use 736-4295. No such finding, however, is contained in the proposed findings of the magistrate judge and the modified findings of this court are expressly to the contrary. See Findings of Fact para. 24.

The Blackhawks' failure to address the legal issue of how it can obtain control over the property of another (or, alternatively, to argue that it is the contractual owner of the right to use 736-4295) is a fatal defect in its presentation to this court. The Blackhawks also fail to address the question of the balance of harms to the parties if defendant were required to disconnect the phone line and transfer it to plaintiff. Plaintiff casually dismisses any

issue of balance of harms on the ground that "any harm which Madsen will suffer, as a result of the issuance of an injunction, comes only from his unauthorized and unlawful use of the telephone number 736-HAWK." Such a proposition may very well be true if the merits of this lawsuit were being finally [*23] resolved. At the stage of preliminary relief, though, it must be determined what harm each side might suffer if the preliminary relief granted is inconsistent with the final resolution of the case. Plaintiff does not adequately address this issue.⁶

6 Plaintiff also disingenuously dismisses reliance on virtually any legal precedent. The magistrate judge, who largely adopted the legal arguments of plaintiff, does not specifically cite to any cases in his conclusions of law. Defendant, apparently correctly, assumed the magistrate judge relied on the cases cited by plaintiff in its briefs before the magistrate judge. But each time defendant cites to a case that was in plaintiff's earlier briefs, plaintiff dismisses such citations as not being cases relied on by the magistrate judge and therefore not being relevant. Since the cases cited by defendant are deemed irrelevant by plaintiff, plaintiff is left with no cases that it relies on to support its arguments.

Although not cited by either party, the cases most closely [*24] analogous to the present case are those in which a franchisee discontinues being licensed by the franchisor, but continues to operate the same type of business at the same location, but under a different name. See, e.g., *Shakey's Inc. v. Covalt*, 704 F.2d 426 (9th Cir. 1983); *Kampgrounds of America, Inc. v. North Delaware A-OK Campground, Inc.*, 415 F. Supp. 1288 (D. Del. 1976), *aff'd* by unpublished order, 556 F.2d 566 (3d Cir. 1977). See also *Frisch's Restaurant, Inc. v. Shoney's Inc.*, 759 F.2d 1261 (6th Cir. 1985). In *Shakey's*, defendant Covalt had owned two Shakey's pizza franchises. The franchise agreement was terminated in 1979, but Covalt continued to operate the three locations as pizza restaurants. Two of the restaurants were renamed Izzy's (Covalt's nickname) and one was renamed Suspenders. "Covalt did not remodel her parlors, discontinue use of the color scheme in the restaurants, alter the parlors' offerings (although she changed the menu items' names), or immediately change the parlors' telephone listings." *Shakey's*, 704 F.2d at 429. Izzy's advertised that "We've changed our name, but not our style." *Id.* Despite the functional similarities that [*25] remained and evidence that 33% of a sample group still believed they were doing

business with Shakey's, the court held there was no basis for granting a preliminary injunction on plaintiff's federal unfair competition claim. The court held, "The law of unfair competition does not impose upon the Covalts a duty to ensure that all customers are aware that they are no longer affiliated with Shakey's, but merely a duty not to promote the perpetuation of the perception that they are." *Id.* at 432. Accord *Frisch's*, 759 F.2d at 1270; *Kampgrounds*, 415 F. Supp. at 1297. The court made clear that confusion merely related to the prior relationship was not a basis for a claim, only confusion caused by unfair or infringing action taken after the termination of the relationship could be the basis of a meritorious claim. See *Shakey's*, 704 F.2d at 432. The defendants' actions to avoid confusion were also relevant considerations in their favor. *Id.*

Madsen is presently taking no action to specifically associate his hotline with sponsorship by the Blackhawks. To the contrary, his hotline now carries an express disclaimer that it is not sponsored by or affiliated with the Blackhawks. [*26] The only action that defendant is presently taking that the Blackhawks claim is unfair competition is defendant's continued use of the phone number 736-4295. This is not significantly different than continuing to operate at the same physical location.⁷ In any event, that the parties' prior relationship has resulted in identification of 736-4295 with the Blackhawks is not a wrongful act upon which plaintiff can base its unfair competition claim. See *Shakey's*, *supra*.

7 The one difference is that it is probably easier and less expensive to change phone numbers than to change physical locations. If Madsen were to change phone numbers, however, there would still be an issue of whether he could leave forwarding information on the old phone number.

On the facts and pleadings presently before this court, there is an insufficient basis for entering a preliminary injunction requiring defendant to discontinue use of 736-4295 and transfer use of that telephone number to plaintiff.

The parties do not discuss the amount of [*27] a bond that is required by Fed. R. Civ. P. 65(c), from which the court concludes that neither party contends that the bond should be any more than required to cover moderate costs of possible wrongful restraint. Accordingly, the court finds that the injunction should be conditional upon

the filing of a bond in the amount of \$ 5,000.

IT IS THEREFORE ORDERED that:

(1) The magistrate judge's report and recommendations dated December 11, 1990 are adopted in part as modified herein.

(2) A preliminary injunction will be entered as set

forth in a separate order.

(3) The parties shall complete all discovery by April 30, 1991.

(4) Status hearing set for March 13, 1991 at 9:15 a.m.

Not Reported in F.Supp.2d, 2006 WL 3196928 (N.D.Ill.), 84 U.S.P.Q.2d 1389
(Cite as: 2006 WL 3196928 (N.D.Ill.))



United States District Court,
N.D. Illinois,
Eastern Division.
QSRSoft, INC., Plaintiff,
v.
RESTAURANT TECHNOLOGY, INC., et al., De-
fendants.

No. 06 C 2734.
Nov. 2, 2006.

Jonathan Mandel Weis, Josh Slater Kaplan,
Mitchell S. Chaban, Levin Ginsburg, Chicago, IL,
for Plaintiff.

Darren Steven Cahr, David J. Moorhead, Gardner
Carton & Douglas LLP, Chicago, IL, Jeanine Gibbs
, Joseph D. Wargo, Julie C. Jared, Michael S.
French, Wargo & French LLP, Atlanta, GA, for De-
fendants.

MEMORANDUM OPINION

SAMUEL DER-YEGHIAYAN, District Judge.

*1 This matter is before the court on Defendants James H. Clutter's ("Clutter"), and J. Neal Starkey's ("Starkey") (collectively referred to as "Individual Defendants") motion to dismiss Counts II through VII. For the reasons stated below, we deny Individual Defendants' motion to dismiss to the extent that it relates to Counts II, III, IV, VI, and VII, and grant the motion to dismiss to the extent that it relates to Count V.

BACKGROUND


QSRSoft contends that every McDonald's Restaurant has a McDonald's Corporation computer system, an in store processor ("ISP"), that stores data about the restaurant's sales performance and status. McDonald's Corporation allegedly provides restaurant operators with limited reports, called R2D2, but in no relation to Star Wars, generated from the ISP data. Additionally, QSRSoft alleges

that McDonald's Corporation has approved QSRSoft and Restaurant Technology, Inc. ("RTI") as back-office vendors, meaning that each has access to the data stored in the ISP. Both QSRSoft and RTI provide software tools to McDonald's Restaurant franchise owners and operators ("franchisees"). QSRSoft contends that both companies' software tools use data extracted from the ISP.

QSRSoft alleges that it developed the DotComm System, an internet-based computer system that assists franchisees in analyzing information collected from the restaurants. QSRSoft contends that the DotComm System differs from other competitors' systems in that it more quickly collects and processes information from restaurants, provides automatic information transfer backup, and provides underlying detail or reports. QSRSoft alleges that if a franchise wants to use the DotComm System, the franchisee must first obtain a licensing agreement, which includes a provision that only key management personnel are permitted to access the DotComm System due to its proprietary nature. According to QSRSoft, a franchisee is provided with the opportunity to evaluate the DotComm System for thirty days under the terms of a software evaluation licensing agreement. QSRSoft contends that once the franchisee agrees to the licensing agreement and identifies a list of the key personnel that will have access to the DotComm System, QSRSoft sends the franchisee an access code and unique password. QSRSoft alleges that the DotComm System automatically instructs the user to change the password when the franchisee accesses the system for the first time. According to QSRSoft, the franchisee informs QSRSoft of the updated password.

QSRSoft contends that Clutter is the President of RTI, as well as a shareholder, director, and employee of RTI, and that Starkey is a shareholder, officer, and director of RTI. QSRSoft further claims that in January 2006, RTI, who provides predominantly accounting software to fast food restaurants,

contacted F.A.F., Inc. d/b/a McDonald's Restaurant ("FAF"), which operates nine McDonald's restaurants in Fargo, North Dakota, to obtain information from QSRSoft about the DotComm System. QSRSoft contends that in February 2006, Gregg Matejka ("Matejka"), FAF's director of operations, contacted QSRSoft about evaluating the DotComm System in one of FAF's McDonald's restaurants. QSRSoft claims that it subsequently sent a licensing agreement ("Agreement") to FAF and requested that the Agreement be executed and returned to QSRSoft. QSRSoft further alleges that on February 8, 2006, QSRSoft sent an access code and password to FAF in anticipation of receiving the executed Agreement from FAF. Although FAF did not return the Agreement, QSRSoft contends that FAF understood that FAF was accepting the terms of the Agreement and would use the DotComm System subject to such terms. QSRSoft claims that on February 8, 2006, FAF accessed the DotComm System using the newly provided access code and password, a process that required FAF to change the initial password. According to QSRSoft, on or about February 9, 2006, FAF provided the Defendants with the access code and the recently changed password ("FAF password").

*2 QSRSoft alleges that the Defendants used the FAF password from February 2006 until April 30, 2006 in order to gain access to the DotComm System, view, download, save, print, and copy each web page on the DotComm System, as well as to download the QSRSoft Data Engine, the backbone of the DotComm System's ability to extract restaurant information. QSRSoft claims that the Defendants were able to use the information it received from accessing the DotComm System to develop Reports , a similar RTI product for McDonald's franchises.

On August 8, 2006, QSRSoft filed an amended complaint that includes claims alleging copyright infringement under the Copyright Act of 1976, 17 U.S.C. 101 *et seq.* ("Copyright Act") brought against RTI (Count I), James H. Clutter ("Clutter")

(Count II), and J. Neal Starkey ("Starkey") (Count III), claims alleging violations of the Illinois Trade Secret Act, 765 ILCS 1065/1 *et seq.*, ("ITSA") brought against RTI, Clutter, and Starkey (Count IV), conversion claims brought against RTI, Clutter, and Starkey (Count V), tortious interference with prospective business advantage claims brought against RTI, Clutter, and Starkey (Count VI), and tortious interference with contract claims brought against RTI, Clutter, and Starkey (Count VII).

On August 23, 2006, RTI filed a partial motion to dismiss Counts IV, V, and VII. On October 18, 2006 we denied RTI's partial motion to dismiss to the extent that it related to Counts IV and VII, and granted the motion to dismiss to the extent that it related to Count V.

A preliminary injunction hearing was held on September 19, 2006, and this court directed QSRSoft and RTI to file briefs in support of their positions. On October 19, 2006, we granted QSRSoft's motion for a preliminary injunction. The Individual Defendants now move for dismissal of the instant action.

LEGAL STANDARD

In ruling on a motion to dismiss brought pursuant to [Federal Rule of Civil Procedure 12\(b\)\(6\)](#) ("Rule 12(b)(6)"), the court must draw all reasonable inferences that favor the plaintiff, construe the allegations of the complaint in the light most favorable to the plaintiff, and accept as true all well-pleaded facts and allegations in the complaint. *Thompson v. Ill. Dep't of Prof'l Regulation*, 300 F.3d 750, 753 (7th Cir.2002); *Perkins v. Silverstein*, 939 F.2d 463, 466 (7th Cir.1991). The allegations of a complaint should not be dismissed for a failure to state a claim "unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957); *see also Baker v. Kingsley*, 387 F.3d 649, 664 (7th Cir.2004) (stating that although the "plaintiffs' allegations provide[d] little detail [the court could not] say at [that] early stage in the litigation that plaintiffs

[could] prove no set of facts in support of their claim that would entitle them to relief”). Nonetheless, in order to withstand a motion to dismiss, a complaint must allege the “operative facts” upon which each claim is based. *Kyle v. Morton High Sch.*, 144 F.3d 448, 454-55 (7th Cir.1998). Under the current notice pleading standard in federal courts, a plaintiff need not “plead facts that, if true, establish each element of a ‘cause of action....’” *Sanjuan v. Am. Bd. of Psychiatry & Neurology, Inc.*, 40 F.3d 247, 251 (7th Cir.1994)(stating that “[a]t this stage the plaintiff receives the benefit of imagination, so long as the hypotheses are consistent with the complaint” and that “[m]atching facts against legal elements comes later”). The plaintiff need not allege all of the facts involved in the claim and can plead conclusions. *Higgs v. Carver*, 286 F.3d 437, 439 (7th Cir.2002); *Kyle*, 144 F.3d at 455. However, any conclusions pled must “provide the defendant with at least minimum notice of claim,” *id.*, and the plaintiff cannot satisfy federal the pleading requirement merely “by attaching bare legal conclusions to narrated facts which fail to outline bases of [his] claims.” *Perkins*, 939 F.2d at 466-67. The Seventh Circuit has explained that “[o]ne pleads a ‘claim for relief’ by briefly describing the events.” *Sanjuan*, 40 F.3d at 251.

DISCUSSION

I. Sufficiency of Pleadings Generally

*3 The Individual Defendants argue that Counts II through VII must be dismissed because QSRSoft failed to allege “any facts relating to the Individual Defendants.” (Mot.4). As previously noted, under federal notice pleading rules, “the [Federal] Rules [of Civil Procedure] require ... a short and plain statement of the claim that will give the defendant fair notice of what the plaintiff’s claim is and the grounds upon which it rests.” *Leatherman v. Tarrant County Narcotics and Intelligence Coordination Unit*, 507 U.S. 163, 168 (1993); accord *Scott v. City of Chicago*, 195 F.3d 950, 951 (7th Cir.1999). In order to give fair notice, “a complaint must at least ‘include the operative facts upon which a plaintiff bases his claim.’” *Lu-*

cien v. Preiner, 967 F.2d 1166, 1168 (7th Cir.1992) (quoting *Rodgers v. Lincoln Towing Service, Inc.*, 771 F.2d 194, 198 (7th Cir.1985)). A plaintiff “need not plead facts; he can plead conclusions.” *Jackson v. Marion County*, 66 F.3d 151, 153-54 (7th Cir.1995). However, those “conclusions must provide the defendant with at least minimal notice of the claim.” *Id.* The Individual Defendants contend that dismissal of Counts II through VII is warranted because QSRSoft has “entirely omitted any facts that relate to the Individual Defendants, [individually by name],” and instead refers to the Individual Defendants and RTI collectively as “Defendants” throughout the Amended Complaint. The Individual Defendants argue that QSRSoft thereby fails “to provide the Individual Defendants with the fair and required notice of the grounds upon which [QSRSoft’s] claims are based.” (Mot.4). QSRSoft argues that the factual allegations set forth in the Amended Complaint “put the Individual Defendants on notice of [QSRSoft’s] claims against [the Individual Defendants]” because the Individual Defendants are incorporated by reference in the section entitled “Factual Allegations Common to All Claims” as “Defendants.” (Resp.3).

Although QSRSoft does not specify which Defendant, RTI or the Individual Defendants, committed each alleged act, QSRSoft’s allegations are more than adequate to state claims against the Individual Defendants. In Counts II and III, the Individual Defendants are identified by name as Clutter and Starkey, respectively. (A.Compl.12-14). Additionally, QSRSoft collectively asserts all of its claims against “Defendants” throughout the Amended Complaint, and does not deviate from this practice throughout the factual allegations set forth in the Amended Complaint. Simply because QSRSoft chose not to specifically name the Individual Defendants throughout the Amended Complaint does not impact the significance of QSRSoft’s legal claims. QSRSoft has adequately identified each Defendant (RTI, Clutter, and Starkey), the factual allegations related to all Defendants, and the claims pertinent to each Defendant to give notice of


the claims against the Individual Defendants. Further questions as to the specific legal theories and specific claims brought against the Individual Defendants is properly left to the discovery stage. Therefore, we find that QSRSoft's Amended Complaint simply and directly narrates Counts II through VII, which informs the Individual Defendants of the claims and bases of the claims contained in the Amended Complaint, and we deny the Individual Defendants' motion to dismiss Counts II through VII due to the insufficient pleadings.

II. Copyright Infringement Claims (Counts II and III)

*4 The Individual Defendants also argue that QSRSoft “does not state any facts, but merely quotes the elements of a claim for contributory and vicarious copyright infringement...” (Mot.5). In order to state a claim for contributory and vicarious copyright infringement, the plaintiff must plead sufficient facts for a valid claim of direct copyright infringement. *In re Aimster Copyright Litig.*, 334 F.3d 643, 654-55 (7th Cir.2003); *see also A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 n. 2 (9th Cir.2001)(stating that “[s]econdary liability for copyright infringement does not exist in the absence of direct infringement by a third party”). A direct copyright infringement claim is sufficiently pled when the plaintiff alleges that: (1) the plaintiff owned a valid copyright; and (2) the defendant copied original elements, or infringement, of the work. *Feist Publ'ns, Inc. v. Rural Telephone Serv. Co., Inc.*, 499 U.S. 340, 361 (1991). In order to state a claim for contributory copyright infringement, the plaintiff must allege that the defendant: (1) had knowledge of the direct infringer's conduct; and (2) materially contributed to the infringing conduct. *Monotype Imaging, Inc. v. Bitstream, Inc.*, 376 F.Supp.2d 877, 883 (N.D.Ill.2005); *see In re Aimster Copyright Litigation*, 252 F.Supp.2d 634, 654 (N.D.Ill.2002)(stating that a contributory copyright infringement occurs when the defendant “with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another”). Additionally, to state a claim

for vicarious copyright infringement, a plaintiff must allege that the defendant: (1) at all material times possessed the right and ability to supervise the infringing activity; and (2) has a direct financial interest in the infringer's activity. *Aimster*, 252 F.Supp.2d at 654.

The Individual Defendants contend that QSRSoft has pled no facts in support of QSRSoft's claims of contributory and vicarious copyright infringement against the Individual Defendants. QSRSoft counters by arguing that “the Amended Complaint is saturated with applicable facts and inferences supporting allegations of vicarious and contributory infringing activity, which ... have been incorporated into Counts II and III.” (Resp.4). We agree with QSRSoft. The fact that QSRSoft chose not to specifically name the Individual Defendants throughout the Amended Complaint does not impact the significance of QSRSoft's legal claims. QSRSoft has incorporated the Individual Defendants into the Amended Complaint, which is sufficient to plead the operative facts and place the Individual Defendants on notice of QSRSoft's claims against the Individual Defendants.

QSRSoft has also sufficiently pled claims against the Individual Defendants for contributory and vicarious copyright liability. QSRSoft includes a claim of direct copyright liability in Count I of the Amended Complaint, where it has pled that QSRSoft has “secured registration for the exclusive rights and privileges in and to the copyright[ed]” works, (A.Comp.9), that QSRSoft is the owner of the copyrights, and that RTI directly infringed QSRSoft's copyrighted works “by [RTI's] unauthorized use of [QSRSoft's] copyrighted materials in violation of QSRSoft's exclusive rights as the copyright owner, and by [RTI's] unauthorized creation of RTI Reports ...” (A.Comp.10). Additionally, Counts II and III allege:

*5 48. [and 52.] To the extent applicable, Plaintiff realleges Paragraphs 1 through 47 of this Complaint and makes the same a part of [these Counts] as if fully set forth.

49. [and 53.] Clutter [and Starkey], at all material times, possessed the right and ability to supervise the infringing activities of RTI.

50. [and 54.] Clutter [and Starkey] [had] and at all material times [have] a direct financial interest in RTI's infringing activities.

51. [and 55.] Clutter [and Starkey] had knowledge of RTI's infringing conduct and actively induced, caused and materially contributed to the infringing conduct of RTI.

Although the allegations set forth in Counts II and III do not list every fact of contributory and vicarious copyright liability, such detail is not necessary under the federal notice pleading requirement. See *Int'l Marketing, Ltd. v. Archer-Daniels-Midland, Co.*, 192 F.3d 724, 733 (7th Cir.1999)(stating that the “only function pleadings must serve is to give notice of the claim; the development of legal theories and correlation of facts to theory come later in the process”); see also *E.E.O. C. v. Park Ridge Public Library*, 856 F.Supp. 477, 479 (N.D.Ill.1994)(noting that “mere vagueness or lack of detail is not sufficient to justify a dismissal”). Drawing all reasonable inferences that favor QSRSoft, construing the allegations of the complaint in the light most favorable to QSRSoft, and accepting as true all well-pleaded facts and allegations in the complaint, the court finds that the allegations set forth in Counts II and III “provide the [Individual Defendants] with at least a minimal notice of the claim.” *Jackson*, 66 F.3d at 153-54 (stating that a plaintiff “need not plead facts; he can plead conclusions” if “the conclusions ... provide the defendant with at least minimal notice of the claim”). Therefore, we deny the Individual Defendants' motion to dismiss to the extent that it relates to Counts II and III.

III. Illinois Trade Secret Act Claim (Count IV)

Under the ITSA, trade secret misappropriation occurs when: (1) there is a trade secret; (2) the trade secret is misappropriated by the defendant; and (3) the defendant used the trade secret for busi-

ness purposes. See *Composite Marine Propellers, Inc. v. Van Der Woude*, 962 F.2d 1263, 1265-66 (7th Cir.1992)(citing 765 ILCS 1065/2). The ITSA defines a trade secret as:

[I]nformation, including but not limited to, technical or non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, or list of actual or potential customers or suppliers, that:

(1) is sufficiently secret to derive economic value, actual or potential, from not being generally known to other persons who can obtain economic value from its disclosure or use; and

(2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality.

*6 765 ILCS 1065/2(d). The ITSA therefore “precludes trade secret protection for information generally known or understood within an industry even if not to the public at large,” *Pope v. Alberto-Culver Co.*, 694 N.E.2d 615, 617 (Ill.App.Ct.1998), and “requires a plaintiff to take ‘affirmative measures’ to prevent others from using information.” *Jackson v. Hammer*, 653 N.E.2d 809, 816 (Ill.App.Ct.1995); see *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*, 342 F.3d 714, 722 (7th Cir.2003)(noting that the ITSA “prevents a plaintiff who takes no affirmative measures to prevent others from using its proprietary information from obtaining trade secret protection”).

A. Existence of Trade Secrets

Just as RTI argued in its partial motion to dismiss, the Individual Defendants contend that QSRSoft's ITSA claim in Count IV must be dismissed since QSRSoft disclosed its trade secret to a third-party. The Individual Defendants argue that since QSRSoft allowed FAF to access the DotComm System without a valid licensing agreement, QSRSoft's intellectual property has fallen into the public domain and is no longer considered a trade secret. However, as stated in our Memorandum Opinion,

dated October 18, 2006, QSRSoft has sufficiently pled numerous affirmative measures that prevent outsiders from learning the inner workings of the DotComm System. First, QSRSoft alleges that its trade secrets are located on a password protected website, which is not accessible to the public or QSRSoft's competitors. Second, QSRSoft alleges that it does not allow public access to the DotComm System and contends that customers are required to abide by licensing agreements before QSRSoft provides the required access codes and passwords to access the DotComm System. Third, QSRSoft alleges that it uses licensing agreements to restrict access to the DotComm System to "key management people who work for the [franchisee]." (A.Compl.Par.9). QSRSoft further requires the franchisee to inform QSRSoft of the specific restaurant and specific persons authorized by the franchisee to access the DotComm System. Fourth, QSRSoft has never released the DotComm System to the public at large. Fifth, QSRSoft maintains control of DotComm System access by requiring the licensee to inform QSRSoft of the updated password once the franchisee accesses the DotComm System. Finally, as discussed below, QSRSoft has pled sufficient facts to intimate that it is reasonably possible that a valid agreement exists between QSRSoft and FAF, thus limiting the exposure to key FAF personnel rather than to the public at large.

To support their contention, the Individual Defendants note that in *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1002 (1984), "the United States Supreme Court has stated *expressly* that trade secrets are extinguished" when provided to a third-party that is not obligated to protect the confidentiality of the trade secrets. (Mot.9)(emphasis in motion). The Individual Defendants contend that the Supreme Court has stated:

*7 Because of the intangible nature of a trade secret, the extent of the property right therein is defined by the extent to which the owner of the secret protects his interest from disclosure to oth-

ers. Information that is public knowledge or that is generally known in an industry cannot be a trade secret. *If an individual discloses his trade secret to others who are under no obligation to protect the confidentiality of the information, or otherwise publicly discloses the secret, his property right is extinguished.*

(Mot.9)(citing *Ruckelshaus*, 467 U.S. at 1002) (emphasis in motion). If the Supreme Court had been speaking directly of a single third-party disclosure of a trade secret, this quotation would be persuasive. However, as noted in this court's Memorandum Opinion, dated October 18, 2006, in *Ruckelshaus*, the Supreme Court was faced with the question of whether the Takings Clause of the Fifth Amendment applied to the Environmental Protection Agency's ("EPA") public disclosure of a trade secret, an intangible property, in the same way it would to tangible property. 467 U.S. at 1001-02. The particular phrase cited by the Individual Defendants was used by the Supreme Court to compare trade secrets to tangible property in finding that the plaintiff, Monsanto, had a property right that is protected by the Takings Clause since trade secrets have many of the characteristics of tangible property. *Id.* at 1001-04. Thus, the statement referred to by the Individual Defendants is merely a general statement of the law rather than support that QSRSoft waived its trade secrets.


Additionally, the Individual Defendants direct the court to *Skoog v. McCray Refrigerator Co.*, 211 F.2d 254, 257 (7th Cir.1954) and argue that QSRSoft's degree of disclosure extinguished QSRSoft's trade secret. In citing *Skoog*, the Individual Defendants note that "[t]he Seventh Circuit has held that the disclosure of a trade secret to those under no obligation to protect its confidentiality destroys the trade secret." (Mot.10). However, in *Skoog*, the court found that the defendant could not misappropriate the trade secret at issue, a refrigerated cabinet, because the trade secret was no longer hidden from the public. 211 F.2d at 257-58. Specifically, the trade secret was extinguished because the

plaintiff's refrigerated cabinet had been in unrestricted use in the plaintiff's grocery store, was visible to anyone that entered the store, and the defendant had expressly stated that it did not accept the plaintiff's nondisclosure agreement. *Id.* Based on the pleadings, we find that QSRSoft has sufficiently pled that its trade secrets have been hidden from the general public and competitors through use of licensing agreements and a password protected website. See *Stampede Tool Warehouse, Inc. v. May*, 651 N.E.2d 209, 216 (Ill.App.Ct.1995)(finding that trade secret had not been waived when reasonable efforts were taken to protect secrecy of trade secrets from competitors); cf. *Skoog*, 211 F.2d at 257 (stating that it is "well established that there can be no confidential disclosure where there has been a prior disclosure to the public without reservation")(emphasis added). Therefore, the instant action is distinguishable from *Skoog*.

*8 Just as RTI argued in its partial motion to dismiss, the Individual Defendants argue that *Web Communications Group, Inc. v. Gateway 2000, Inc.*, 889 F.Supp. 316, (N.D.Ill.1995), supports the proposition that QSRSoft did not make reasonable efforts to protect its trade secret. (Mot.8)(stating that "*this [c]ourt has found that under the [ITSA], the failure of [sic] party to protect the confidentiality of its trade secret will subject that claim to dismissal as a matter of law*")(emphasis in motion). In *Web Communications*, the court held that the plaintiff's trade secret misappropriation claim failed "because [plaintiff] took virtually no steps to protect the confidentiality" of the trade secret, a stepped advertising insert. 889 F.Supp. at 320. In finding that virtually no reasonable efforts had been taken, the court noted that none of the documents relating to the trade secret were marked as confidential (as was the plaintiff's policy with trade secrets), there was not a confidentiality agreement with the defendant, the plaintiff disclosed "either dummies or specifications" for the trade secret at issue to suppliers and competitors, and the plaintiff's president acknowledged that the competitor would be able to use the disclosed information

for its own benefit. *Id.* The Individual Defendants argue that QSRSoft's efforts to protect its trade secrets are identical to that of the plaintiff in *Web Communications*. However, unlike the plaintiff in *Web Communications* that "took virtually no steps to insure the confidentiality of the stepped insert," *id.* at 320, QSRSoft has pled a number of reasonable efforts to protect its trade secrets, including the use of licensing agreements and a password protected website. Therefore, QSRSoft has sufficiently pled the existence of a trade secret, and the trade secret has not been waived.

B. Sufficiency of Pleadings for ITSA Claim

Individual Defendants move to dismiss QSRSoft's claim for trade secret misappropriation on the basis that QSRSoft, again, failed to set forth operative facts in the Amended Complaint. The Individual Defendants argue that QSRSoft's complaint alleges "unsupported legal conclusions against an unspecified set of 'Defendants,' " rather than facts specific to the Individual Defendants. (Mot.2). QSRSoft contends that the factual allegations set forth in the Amended Complaint "put the Individual Defendants on notice of [QSRSoft's trade secret misappropriation] claims against [the Individual Defendants]" because the Individual Defendants are incorporated by reference in the section entitled "Factual Allegations Common to All Claims" as "Defendants." (Resp.3). As already noted, QSRSoft's use of "Defendants," rather than the Individual Defendants by name, is sufficient to give Individual Defendants notice of QSRSoft's claim of tortious interference with prospective business advantage and the ground upon which the claim rests. Additionally, QSRSoft has sufficiently pled: (1) the existence of valid trade secrets; (2) that the Individual Defendants misappropriated those trade secrets by improperly accessing and downloading QSRSoft's trade secrets by improperly accessing the DotComm System; and (3) that the Individual Defendants used QSRSoft's trade secrets for the purpose of developing Reports . QSRSoft has sufficiently pled a claim for trade secret misappropriation against the Individual Defendants.


*9 Therefore, because QSRSoft has sufficiently pled the existence of a claim for trade secret misappropriation against the Individual Defendants, sufficiently pled the existence of a trade secret, and the trade secret has not been waived, we deny the Individual Defendants' motion to dismiss to the extent that it relates to Count IV.

Additionally, we remind the Individual Defendants that in ruling on a [Rule 12\(b\)\(6\)](#) motion to dismiss, the court evaluates the sufficiency of the pleadings rather than decides the merits of the claims. As the court has stated, we draw all reasonable inferences that favor the plaintiff, construe the allegations of the complaint in the light most favorable to the plaintiff, and accept as true all well-pleaded facts and allegations in the complaint. *McMillan v. Collection Prof'ls, Inc.*, 455 F.3d 754, 758 (7th Cir.2006). In evaluating the sufficiency of the pleadings, the court cannot make factual inquiries. Arguments based on the merits of the case that ask this court to make factual inquiries into the sufficiency of the evidence are more appropriate at the summary judgment stage.

IV. Conversion Claim (Count V)


Individual Defendants argue that QSRSoft's conversion claim in Count V is preempted by the ITSA and moves to dismiss Count V. Section 8(a) of the ITSA reads: "[T]his Act is intended to displace conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret." [765 ILCS 1065/8\(a\)](#). The ITSA abolishes all common law causes of action based upon a theory of trade secret misappropriation, except for breach of contract actions. See *Composite Marine Propellers, Inc.*, 962 F.2d at 1265 (stating that "Illinois has abolished all common law theories of misuse" of trade secret information and that "[u]nless defendants misappropriated a (statutory) trade secret, they did no legal wrong"). Thus, if a cause of action can otherwise be brought under the ITSA, that cause of action is preempted. *AutoMed Techs., Inc. v. Eller*, 160 F.Supp.2d 915, 922 (N.D.Ill.2001).

QSRSoft fails to address the Individual Defendants' motion to dismiss Count V. On October 18, 2006, we granted RTI's partial motion to dismiss to the extent that it related to Count V based upon the same argument made by the Individual Defendants. (Mem.Op. Oct. 18, 2006). For similar reasons stated in our Memorandum Opinion dated October 18, 2006, we agree with the Individual Defendants. QSRSoft alleges that the Individual Defendants converted QSRSoft's "Proprietary Materials" located in the DotComm System, including:

- a) the source code;
- b) the Data Engine;
- c) the 100  web-page displays ...;
- d) the Specific ISP Data; and
- e) the type and method of polling the DotComm System utilizes.

(A.Compl.Par.67). These "Proprietary Materials" are identical to the trade secrets that QSRSoft alleges that the Individual Defendants misappropriated in Count IV, which reads:

*10 The following items located in Plaintiff's password protected DotComm System are confidential and proprietary, and constitute Plaintiff's trade secrets (collectively, "Trade Secrets"):

- a) the source code;
- b) the Data Engine;
- c) the 100  web-page displays ...;
- d) the Specific ISP Data; and
- e) the type and method of polling the DotComm System utilizes.

(A.Compl.Par.57). As stated in our Memorandum Opinion on October 18, 2006, by pleading in the alternative, QSRSoft's claim for conversion of its "Proprietary Materials" is simply another way of claiming that the Individual Defendants misap-



propriated QSRSoft's intellectual property, for which the ITSA is the sole remedy. Thus, QSRSoft's claim for conversion is preempted by the ITSA and we grant the Individual Defendants' motion to dismiss Count V.

V. Tortious Interference with Prospective Business Advantage (Count VI)

A. Sufficiency of Pleadings for Tortious Interference with Prospective Business Advantage Claim

The Individual Defendants move to dismiss QSRSoft's claim for tortious interference with prospective business advantage because QSRSoft failed to set forth operative facts to support the claim. Under Illinois law, the elements for a *prima facie* case for tortious interference with prospective business advantage claim are that: (1) the plaintiff had a reasonable expectancy of entering into a valid business relationship; (2) the defendant knew of the prospective business relationship; (3) the defendant intentionally interfered with the prospective business relationship; (4) the prospective business advantage did not come to fruition due to the defendant's intentional interference; and (5) the interference caused damage to the plaintiff. *Interim Health Care of Northern Ill., Inc. v. Interim Health Care, Inc.*, 225 F.3d 876, 886 (7th Cir.2000).


The Individual Defendants argue that QSRSoft's complaint contains "unsupported legal conclusions against an unspecified set of 'Defendants,' " rather than facts specific to the Individual Defendants. (Mot.2). QSRSoft contends that the factual allegations set forth in the Amended Complaint "put the Individual Defendants on notice of [QSRSoft's tortious interference with prospective business advantage] claims against [the Individual Defendants]" because the Individual Defendants are incorporated by reference in the section entitled "Factual Allegations Common to All Claims" as "Defendants." (Resp.3). As noted above, QSRSoft's use of the word "Defendants," rather than pointing to the Individual Defendants by name, is sufficient to give Individual Defendants notice of QSRSoft's

claim of tortious interference with prospective business advantage and the ground upon which the claim rests. Additionally, QSRSoft has sufficiently pled that QSRSoft had a reasonable expectation of entering into business relationships with franchisees, that the Individual Defendants had knowledge that QSRSoft used the DotComm System to attract franchisees as customers, that the Individual Defendants intentionally interfered with QSRSoft's business expectancy with franchisees by advertising, demonstrating, offering to license, and licensing Reports  to franchisees, that the franchisees did not purchase the DotComm System due to the Individual Defendants' sale of Reports , and that such activity by the Individual Defendants damaged QSRSoft. Thus, QSRSoft has sufficiently pled facts to put the Individual Defendants on notice of the claim and to survive the Individual Defendants' motion to dismiss.

B. Corporate Privilege

*11 The Individual Defendants also argue that QSRSoft's claim for intentional interference with prospective business advantage against the Individual Defendants must fail because both of the Individual Defendants are clothed in a privilege under Illinois law. Under Illinois law, "[c]orporate officers, directors, shareholders and agents are normally privileged against claims that their activities interfered in a third party's relationships with [the officers] principals." *Citylink Group v. Hyatt Corp.*, 729 N.E.2d 869, 877 (Ill.App.Ct.2000); *see also Swager v. Couri*, 395 N.E.2d 921 (Ill.1979). Where this privilege is applicable, a plaintiff can overcome it by showing that the defendant acted with malice. *3Com Corp. v. Elec. Recovery Specialists, Inc.*, 104 F.Supp.2d 932, 938 (2000). The privilege is only applicable to protect corporate officers and directors from actions taken during the scope of their employment that cause interference between a third-party and their employer or principal. *See Siakpere v. Boucher*, 1986 WL 5657, at *2 (N.D.Ill.1986) (holding qualified privilege for corporate officers is designed to defend against claims against individual corporate officers for interfering with their cor-

poration's own contracts); *see also Langer v. Becker*, 531 N.E.2d 830 (Ill.App.Ct.1988)(noting that the privilege extends to both the corporation's contracts and third-party's contracts that affect the corporation). The policy question in determining whether a corporate officer's actions are covered by privilege under Illinois law is "whether protection of the particular contractual interest at issue merits prohibition of the particular conduct at issue." *Swager*, 395 N.E.2d at 928.

This privilege is inapplicable in the instant case. The Individual Defendants have a relationship with RTI that is similar to the relationship between a corporate officer and a corporation. The particular "contractual interest at issue" is the prospective business advantage QSRSoft expected by being the first vendor to offer a software tool with the capabilities and advantages of the DotComm System to McDonald's franchisees. QSRSoft's expectancy of valid business relationships with McDonald's franchisees is a result of the time and resources QSRSoft has invested in producing the DotComm System. The "particular conduct at issue" is the Individual Defendants' alleged use of information they gathered from the DotComm System to produce a similar software tool, Reports , and compete with QSRSoft for the McDonald's franchisees' business without investing the same time and resources spent by QSRSoft. Protecting QSRSoft's business advantage prohibits the Individual Defendants' alleged conduct. If licensing agreements with RTI had been the subject of QSRSoft's prospective business advantage instead of licensing agreements with McDonald's franchisees, then the Individual Defendants, through their relationship to RTI, might be privileged in their decision to interfere if their actions were done to benefit RTI. This is not the case in the instant matter. Here, the Individual Defendants, on behalf of RTI, allegedly interfered with the prospective business advantage QSRSoft expected with third parties, i.e., McDonald's franchisees. The purpose and policy of the corporate officer privilege is not served here. Accordingly, QSRSoft was under no obligation to plead malice

with particularity against the Individual Defendants and has otherwise sufficiently pled the elements of intentional interference with prospective economic advantage. Therefore, the Individual Defendants' motion to dismiss with respect to Count VI is denied.

VI. Tortious Interference with Contract Claim (Count VII)

*12 Under Illinois law, elements for a *prima facie* case for tortious interference with contract claim are:

- (1) the existence of a valid and enforceable contract between the plaintiff and another; (2) the defendant's awareness of this contractual relation; (3) the defendant's intentional and unjustified inducement of a breach of the contract; (4) a subsequent breach by the other, caused by defendant's wrongful conduct; and (5) damages.

Voelker v. Porsche Cars North Am., Inc., 353 F.3d 516, 527-28 (7th Cir.2003)(citing *HPI Health Care Servs., Inc. v. Mt. Vernon Hosp., Inc.*, 545 N.E.2d 672, 676 (Ill.1989)).

A. Existence of Contract

The Individual Defendants move to dismiss QSRSoft's claims for tortious interference with contract on the basis that QSRSoft did not have a valid enforceable licensing agreement with FAF. The Individual Defendants argue that because the Agreement sent to FAF was not signed by representatives from either QSRSoft or FAF, was not dated by the parties, and did not reference FAF, that there was never a formally executed contract with which the Individual Defendants could interfere. QSRSoft responds that its allegation that FAF understood that it would be bound by the Agreement was sufficient to establish the existence of an oral contract. For similar reasons stated in our Memorandum Opinion, dated October 18, 2006, the court finds the arguments by both parties unpersuasive.

QSRSoft alleges that on February 8, 2006, FAF requested that QSRSoft implement the DotComm

System in FAF's Fargo, North Dakota McDonald's restaurant ("Fargo Restaurant") in order to evaluate the software. QSRSoft also contends that thereafter, QSRSoft sent FAF the Agreement, which contained confidentiality, non-disclosure, copyright, and licensing statements. QSRSoft also contends that it requested that FAF execute and return the agreement in return for an access code and password, which would allow FAF operations personnel at the Fargo Restaurant to access the DotComm System. Additionally, QSRSoft alleges that on February 8, 2006, QSRSoft sent an access code and password to FAF. QSRSoft further alleges that on that day, FAF personnel accessed the password protected website using the access code and password delivered by QSRSoft. The following day, FAF allegedly informed QSRSoft of the updated access code and the recently changed password. According to QSRSoft, however, FAF did not return the Agreement.

The pleadings do not indicate the existence of either an express written contract or an express oral contract, as QSRSoft suggests, between QSRSoft and FAF. However, the court finds that the pleadings do contain facts from which we can reasonably infer the existence of an implied-in-fact contract. An implied-in-fact contract is one in which an agreement may be inferred by performance of the parties. *Wood v. Wabash County*, 722 N.E.2d 1176, 1179 (Ill.App.Ct.1999). Furthermore, an implied-in-fact contract must contain all the elements of an express contract. *Razdan v. General Motors Corp.*, 2000 WL 1205990, at *2 (7th Cir.2002)(Table of Decisions Without Reported Opinions)(citing *Foiles v. North Greene Unit Dist. No. 3*, 633 N.E.2d 24, 27 (Ill.App.Ct.1994)). Thus, for an implied-in-fact contract to be valid, the contract "must contain offer, acceptance, and consideration." *Hal-loran v. Dickerson*, 679 N.E.2d 774, 782 (Ill.App.Ct.1997).

*13 Drawing all reasonable inferences in favor of QSRSoft, the court finds sufficient facts in the amended complaint that indicate the existence of an implied-in-fact contract between QSRSoft and

FAF. Alleging that FAF understood "that they were accepting and would use the access code and password subject to the terms of the license agreement," (A.Compl.Par.25), that FAF accessed the website and changed the password on February 8, 2006, and that FAF subsequently informed QSRSoft of the updated account and password information on February 9, 2006, QSRSoft provides sufficient facts to infer that an implied-in-fact contract existed between the parties and that FAF intended to be bound by the terms of the Agreement.

The Individual Defendants argue that the attached licensing agreement to the amended complaint establishes that QSRSoft's claim for tortious interference with contract must fail because the attached agreement is not formally executed. For the purpose of Rule 12(b)(6) motions, a "copy of any written instrument which is an exhibit to a pleading is a part thereof for all purposes" if the document is referred to in the complaint and is integral to the claims in the complaint. *Fed.R.Civ.P. 10(c)*; *Rosenblum v. Travelbyus.com Ltd.*, 299 F.3d 657 (7th Cir.2002)(citing *Wright v. Associated Ins. Cos. Inc.*, 29 F.3d 1244, 1248 (7th Cir.1994)); see *Beam v. IPCO Corp.*, 838 F.2d 242, 244 (7th Cir.1988) (stating that any exhibits attached to a complaint must be incorporated into the pleading). The use of exhibits to determine the sufficiency of the evidence is "aimed at cases interpreting, for example, a contract." *Levenstein v. Salafsky*, 164 F.3d 345, 347 (7th Cir.1998); see also *Centers v. Centennial Mortgage, Inc.*, 398 F.3d 930 (7th Cir.2005)(using attached document to construe assignment agreement). The Individual Defendants contend that since the attached licensing agreement represents "a true and correct copy of the contract" sent to FAF, and the attached contract is not signed by the parties to be bound, does not contain a date, and does not reference FAF, QSRSoft admits that no valid contract between the parties exists (Mot.8). We disagree.

Although QSRSoft makes reference to the attached licensing agreement, the particular attach-

ment is not pertinent to construing the material terms of a contract between QSRSoft and the Individual Defendants, nor is it integral to the claim for tortious interference with contract. Additionally, this court is allowed to “independently examine the document and form its own conclusions as to the proper construction and meaning to be given the material.” *Rosenblum*, 299 F.3d at 661. This court has previously stated in this opinion that QSRSoft has sufficiently pled the elements which may infer the existence of an implied-in-fact contract, the terms of which are contained in the attached licensing agreement. After reviewing the attachment in question, we are satisfied that the attached licensing agreement reasonably could be a representation of the Agreement that QSRSoft delivered to FAF, rather than the specific Agreement intended to show that an express contract existed.

B. Sufficiency of Pleadings for Tortious Interference with Contract Claim

*14 Individual Defendants also move to dismiss QSRSoft's claim for tortious interference with contract on the basis that QSRSoft failed to set forth operative facts in the Amended Complaint. Again, the Individual Defendants argue that QSRSoft's complaint alleges “unsupported legal conclusions against an unspecified set of ‘Defendants,’ “ rather than facts specific to the Individual Defendants. (Mot.2). QSRSoft contends that the factual allegations set forth in the Amended Complaint “put the Individual Defendants on notice of [QSRSoft's tortious interference with contract] claims against [the Individual Defendants]” because the Individual Defendants are incorporated by reference in the section entitled “Factual Allegations Common to All Claims” as “Defendants.” (Resp.3). As noted above, QSRSoft's use of the word “Defendants,” rather than pointing to the Individual Defendants by name, is sufficient to give Individual Defendants notice of QSRSoft's claim of tortious interference with contract and the ground upon which the claim rests. Additionally, as noted above, QSRSoft has sufficiently pled: (1) the existence of a valid implied-in-fact contract between QSRSoft and FAF;

(2) that the Individual Defendants knew of the existence of a contract between QSRSoft and FAF; (3) that the Individual Defendants induced FAF to breach the contract; (4) that FAF breached the contract between FAF and QSRSoft; and (5) that QSRSoft was damaged by the Individual Defendants' conduct. See *HPI Health Care Servs., Inc.*, 545 N.E.2d at 676 (stating elements for *prima facie* case under Illinois law for tortious interference with contract). Thus, QSRSoft has sufficiently pled facts to put the Individual Defendants on notice of the claim and to sustain the Individual Defendants' motion to dismiss.

Therefore, at this stage in the litigation, we find that QSRSoft has made sufficient allegations to survive a motion to dismiss Count VII and, thus, we deny the Individual Defendants' motion to dismiss to the extent that it relates to QSRSoft's claim for tortious interference with contract. We again note that this court is not deciding the merits of QSRSoft's claim against the Individual Defendants for tortious interference with contract. As such, QSRSoft will need to point to sufficient evidence supporting its allegations, which are accepted as true at this stage in the litigation, in order to survive a motion, if any, at the summary judgment stage.

CONCLUSION

Based on the foregoing analysis, we deny the Individual Defendants' motion to dismiss to the extent that it relates to Counts II, III, IV, VI, and VII, and grant the motion to dismiss to the extent that it relates to Count V.

N.D.Ill.,2006.

QSRSoft, Inc. v. Restaurant Technology, Inc.

Not Reported in F.Supp.2d, 2006 WL 3196928 (N.D.Ill.), 84 U.S.P.Q.2d 1389

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H

This case was not selected for publication in the Federal Reporter.

Not for Publication in West's Federal Reporter See Fed. Rule of Appellate Procedure 32.1 generally governing citation of judicial decisions issued on or after Jan. 1, 2007. See also Ninth Circuit Rule 36-3. (Find CTA9 Rule 36-3)

United States Court of Appeals,
 Ninth Circuit.
 QUIKSILVER, INC., a Delaware corporation,
 Plaintiff–Appellee,
 v.
 KYMSTA CORP., a California corporation, De-
 fendant–Appellant.

No. 08–55861.
 Argued and Submitted Dec. 8, 2009.
 Filed Dec. 30, 2009.

Background: In trademark infringement action, the United States District Court for the Central District of California, [Valerie Baker Fairbank](#), District Judge, issued permanent injunction requiring clothing manufacturer to completely phase-out of “Roxywear” and related marks. Manufacturer appealed.

Holdings: The Court of Appeals held that:

- (1) court independently and adequately assessed irreparable injury to trademark holder, thus supporting permanent injunction, and
- (2) scope of permanent injunction was not narrowly tailored.

Affirmed as modified.

West Headnotes

[1] Federal Civil Procedure 170A 2236

170A Federal Civil Procedure
 170AXV Trial

170AXV(J) Special Verdict

170Ak2236 k. Form and sufficiency of questions submitted. [Most Cited Cases](#)

Court acted within its discretion in resubmitting initial special verdict with supplemental instructions clarifying definition of “ordinary purchasers” in trademark infringement action; there was potential inconsistency in jury's responses in that jury found likelihood of confusion for trademark infringement, but not for false designation of origin, despite marked similarity between questions.

[2] Trademarks 382T 1437

382T Trademarks

382TVIII Violations of Rights

382TVIII(A) In General

382Tk1437 k. Knowledge, intent, and motives; bad faith. [Most Cited Cases](#)

Trademark holder, via its false designation of origin claim, asserted its common law rights, and thus alleged infringer was required to establish common law innocent use defense, including element of remoteness, rather than statutory innocent use defense, which did not require showing of remoteness. Lanham Act, §§ 33(b)(5), 43(a), 15 U.S.C.A. § 1115(b)(5), 1125(a).

[3] Courts 106 99(6)

106 Courts

106II Establishment, Organization, and Procedure

106II(G) Rules of Decision

106k99 Previous Decisions in Same Case as Law of the Case

106k99(6) k. Other particular matters, rulings relating to. [Most Cited Cases](#)

Court acted within its discretion in departing from law of case due to substantially different evidence presented at retrial of trademark infringement action, in which clothing manufacturer prevailed on laches defense; after first trial, manufacturer began

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to use trademarked name with new line and manufacturer admitted to interchangeability of lines, evidence of which was initially unavailable.

[4] Trademarks 382T 1716

382T Trademarks

382TIX Actions and Proceedings

382TIX(F) Injunctions

382Tk1712 Permanent Injunctions

382Tk1716 k. Evidence. [Most Cited](#)

Cases

Court independently and adequately assessed irreparable injury to trademark holder without relying on presumption of irreparable harm, thus supporting permanent injunction against clothing manufacturer, requiring complete phase-out of its use of “Roxywear” mark; court identified likelihood of future harm due to manufacturer's inability to control retailers' use of mark, conflicting internet marketing, and manufacturer's intent to change its price-point or distribution.

[5] Trademarks 382T 1717(2)

382T Trademarks

382TIX Actions and Proceedings

382TIX(F) Injunctions

382Tk1712 Permanent Injunctions

382Tk1717 Scope and Extent of Relief

382Tk1717(2) k. Infringement in general. [Most Cited Cases](#)

Permanent injunction in trademark infringement action, requiring clothing manufacturer to completely phase-out its use of “Roxywear” and related marks, was not narrowly tailored, thus warranting adoption of language from limited injunction, which did not require complete phase-out and allowed use of mark so long as accompanied by proper identifier; manufacturer had innocently adopted marks and trademark holder had delayed in bringing suit after lengthy period of coexistence in marketplace. Lanham Act, §§ 34(a), 43(a), [15 U.S.C.A. §§ 1116\(a\), 1125\(a\)](#).

Trademarks 382T 1800

382T Trademarks

382TXI Trademarks and Trade Names Adjudicated

382Tk1800 k. Alphabetical listing. [Most Cited Cases](#)

QUIKSILVER ROXY.

Trademarks 382T 1800

382T Trademarks

382TXI Trademarks and Trade Names Adjudicated

382Tk1800 k. Alphabetical listing. [Most Cited Cases](#)

Roxywear.

Trademarks 382T 1800

382T Trademarks

382TXI Trademarks and Trade Names Adjudicated

382Tk1800 k. Alphabetical listing. [Most Cited Cases](#)

ROXY.

***887 Jonathan Hacker**, O'Melveny & Myers LLP, Washington, DC, **Michael G. Yoder**, O'Melveny & Myers, LLP, Newport Beach, CA, for Plaintiff–Appellee.

William J. Robinson, Esquire, Foley & Lardner, LLP, **R. Rene Friedman**, Wildman, Harrold, Allen & Dixon LLP, Chicago, IL, **James D. Nguyen**, Esquire, Wildman, Harrold Allen & Dixon LLP, Beverly Hills, CA, **Scott Edward Rahn**, Esquire, Law Offices of Foley and Lardner, Los Angeles, CA, for Defendant–Appellant.

Appeal from the United States District Court for the Central District of California, **Valerie Baker Fairbank**, District Judge, Presiding. D.C. No. 2:02–cv–05497–VBF–RC.

Before: **THOMPSON** and **SILVERMAN**, Circuit Judges, and **BOLTON**, ^{FN*} District Judge.

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FN* The Honorable Susan R. Bolton, United States District Judge for the District of Arizona, sitting by designation.

MEMORANDUM ^{FN**}

FN** This disposition is not appropriate for publication and is not precedent except as provided by 9th Cir. R. 36–3.

****1** Defendant-appellant Kymsta Corp., a clothing manufacturer and wholesaler, appeals the issuance of a permanent injunction requiring the complete phase-out of its use of the name “Roxywear.” As the facts and procedural history are familiar to the parties and described by the courts, *see, e.g., Quiksilver, Inc. v. Kymsta Corp.*, 466 F.3d 749, 751–55 (9th Cir.2006), we do not recite them here except as necessary to explain our decision. We have jurisdiction pursuant to 28 U.S.C. § 1291, and we AFFIRM, but modify the scope of the injunction.

I. Resubmission With Supplemental Instructions

[1] Kymsta argues the district court erred in resubmitting an initial special verdict with supplemental instructions. We review such a decision for abuse of discretion. *Duk v. MGM Grand Hotel, Inc.*, 320 F.3d 1052, 1056–57, 1058 (9th Cir.2003) (explaining, “resubmitting an inconsistent verdict best comports with the fair and efficient administration of justice”).

In this case, the district court properly resubmitted the verdict due to a potential inconsistency in the jury's responses—the jury found a likelihood of confusion for trademark infringement, but not for false designation of origin, despite a marked similarity between the questions. As Quiksilver argues, the inconsistency may have been due to jury confusion as to the meaning of “ordinary purchasers.” Accordingly, the district court acted within its discretion in clarifying “ordinary purchasers” on resubmission. *See Bonner v. Guccione*, 178 F.3d 581, 587–88 (2d Cir.1999) (holding that resubmis-

sion to a jury with corrected instructions is proper because the trial judge is intimately aware of possible sources of jury confusion).

In addition, the district court properly determined that past harm was irrelevant ***888** to the claims. *See, e.g.*, Ninth Circuit Model Civil Jury Instructions 15.5 (2008) (excluding harm as an element of 15 U.S.C. § 1114(1) trademark infringement and § 1125(a)(1) false designation of origin claims). The district court, thus, acted within its discretion in instructing the jury to ignore the harm questions on redeliberation.

II. Innocent Use Defense

[2] Kymsta also argues the district court erred in holding that the § 1115(b)(5) statutory innocent use defense was inapplicable to the § 1125(a)(1) false designation of origin claim. We conclude that the district court did not err in this regard. In *Quiksilver, Inc.*, 466 F.3d at 761, we held that the statutory innocent use defense is distinguishable from the common law innocent use defense in that it does not require a showing of “remoteness.” In distinguishing these defenses, we implicitly concluded that the common law innocent use defense remained a viable defense where a claimant asserts common law trademark rights. *See also* 5 MC-CARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 26:4 (2009) (The common law innocent use defense “is followed when [§ 1125(a)] is used as the vehicle to assert *common law* rights in federal court.”). To claim false designation of origin, Quiksilver did not rely on proof of federal trademark registration, but instead showed that its marks were inherently distinctive or acquired secondary meaning before Kymsta used the ROXY-WEAR names. Thus, Quiksilver, via the false designation of origin claim, asserted its common law rights. To defeat such rights, Kymsta would have had to establish the common law innocent use defense, which it did not do.

III. Laches

****2** In the first district court proceeding, Kymsta prevailed on its laches defense. *See Quiksilver*,

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Inc. v. Kymsta Corp., No. 02–5497, at 3 ¶ 5 (C.D.Cal. Feb. 23, 2004). Quiksilver did not appeal that judgment. On remand, over Kymsta's objection, the district court departed from the law of the case and reversed the prior laches ruling. We review both determinations for abuse of discretion. *In re Beaty*, 306 F.3d 914, 921 (9th Cir.2002) (addressing laches); *Milgard Tempering, Inc. v. Selas Corp. of Am.*, 902 F.2d 703, 715 (9th Cir.1990) (addressing law of the case).

[3] The district court acted within its discretion in departing from the law of the case due to substantially different evidence presented at retrial. For example, evidence presented at retrial showed that, after the first trial, Kymsta began to use ROXYWEAR in connection with contemporary sportswear, targeting higher-end and slightly older females than the previous juniors' line. Evidence also showed that Kymsta owns other contemporary lines, which Kymsta's executives described as “interchangeable.” As the district court noted, this evidence is relevant to the extent of harm suffered by Kymsta because of Quiksilver's delay in bringing suit. Kymsta asserts that this evidence was presented at the first trial; however, in the second trial, Kymsta's officers admitted to the transition of the ROXYWEAR line and the interchangeability of the lines, evidence which was unavailable initially.

The district court also acted within its discretion in reversing the laches ruling on the merits. Quiksilver's delay beyond the period of the state statute of limitations raised a presumption of laches. The district court then weighed the *E-Systems* factors in concluding that Quiksilver overcame the presumption. The district court did not abuse its discretion in making these determinations.

IV. Permanent Injunction

Kymsta objects to the grant of a permanent injunction and challenges the district *889 court's application of the four factors from *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006). Kymsta also objects

to the scope of the injunction. “We review a district court's grant or denial of an injunction, as well as the scope of the injunction, for abuse of discretion.” *Internet Specialties W., Inc. v. Milon-DiGiorgio Enters., Inc.*, 559 F.3d 985, 993 (9th Cir.2009).

1. Grant of Permanent Injunction

[4] Kymsta primarily objects to the district court's finding that Quiksilver is likely to suffer irreparable injury if the injunction is denied. See *Winter v. NRDC*, 555 U.S. 7, 129 S.Ct. 365, 375, 172 L.Ed.2d 249 (2008) (requiring plaintiffs seeking preliminary injunctive relief to show “that irreparable injury is *likely* in the absence of an injunction”).

In finding irreparable injury, the district court cited *Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 612 n. 3 (9th Cir.1989), for the proposition that, “[O]nce the plaintiff establishes a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive relief is not granted.” As Kymsta argues, this presumption may have been called into question by *eBay*. However, the district court did not rely on this presumption. The district court identified likelihood of future harm due to: Kymsta's inability to control retailers' use of the ROXYWEAR mark; conflicting internet marketing; and Kymsta's intent to change its price-point or distribution, potentially damaging Quiksilver's brand. Thus, the district court independently and adequately assessed irreparable injury.

****3** Kymsta's other objections to the district court's grant of an injunction do not change this result.

2. Scope of the Permanent Injunction

[5] Kymsta argues that the injunction is not narrowly tailored, as required. Although the district court has “considerable discretion in fashioning the terms of an injunction,” an injunction must be “tailored to eliminate only the specific harm alleged.” *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1297 (9th Cir.1992). We conclude

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that the injunction appealed is overbroad.

Trademark law authorizes courts to apply “principles of equity” in granting injunctions “upon such terms as the court may deem reasonable ... to prevent a violation under [§ 1125(a)].” 15 U.S.C. § 1116(a). In determining the appropriateness and scope of injunctive relief, several factors may be relevant. See generally RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 35(2) (1995) (listing, for example, the “nature and extent of the wrongful conduct,” “any unreasonable delay by the plaintiff in bringing suit,” and “the relative harm likely to result” to the parties’ interests). We have also explained that “likelihood of confusion to consumers is the critical factor in our consideration of ... the breadth of the injunction.” *Internet Specialties W.*, 559 F.3d at 993 n. 5.

Here, the district court acknowledged that a “close[] question is raised whether a more limited injunction, such as the one the court is ordering during the phase-out period, would be the proper remedy.” Indeed, in 2004, the district court granted a similar limited injunction.^{FN1} Quiksilver did *890 not challenge the scope of that injunction, but instead argued to this court that the limited injunction was sufficient “to avoid confusion in the marketplace between ROXY and ROXYWEAR,” by “only bar[ring] Kymsta from new and different uses of the mark.” Appellee Quiksilver, Inc.’s Answering Brief 56, *Quiksilver, Inc. v. Kymsta Corp.*, 466 F.3d 749 (9th Cir.2006) (capitalization altered), 2004 WL 2294261.

^{FN1}. The only marked difference between the 2004 injunction and the 2008 phase-out period injunction is that the 2004 injunction additionally barred the use of ROXYWEAR marks on “a knock-off of any ROXY clothing product.” In the first appeal, we vacated the 2004 injunction, but also noted that the “ ‘knock-offs’ prohibition” impermissibly went “beyond the claims asserted in the complaint and the evidence presented at trial.” *Quiksilver,*

Inc., 466 F.3d at 754 n. 4. Thus, the district court properly addressed this concern in drafting the 2008 injunction.

Considering Kymsta’s innocent adoption of the ROXYWEAR marks, Quiksilver’s delay in bringing suit, the parties’ long period of coexistence in the market, and Quiksilver’s own admission that the limited injunction is sufficient to avoid confusion in the marketplace, we hold that the instant injunction should be equally limited.^{FN2} See, e.g., *E. & J. Gallo Winery*, 967 F.2d at 1297–98 (modifying the district court’s injunction due to overbreadth). In particular, we make two alterations to the injunction described on pages 7 through 9 of the district court’s judgment. See *Quiksilver, Inc. v. Kymsta Corp.*, No. 02–5497, at 6–9 (C.D.Cal. Apr. 15, 2008) (judgment). First, we strike the following language from the injunction described in paragraph 6 of pages 7 and 8:

^{FN2}. We also note that the ROXYWEAR names allude to Roxanne Heptner, president and part-owner of Kymsta, and we are “reluctant to preclude an individual’s business use of his own name when no attempt to confuse the public has been made.” *Friend v. H.A. Friend & Co.*, 416 F.2d 526, 531 (9th Cir.1969).

6. Kymsta and its directors, officers, employees and agents are hereby permanently enjoined and restrained, pursuant to 15 U.S.C. § 1116(a), from:

**4 (a) Using, or permitting the use of, the “Roxywear by Roxanne Heptner”, “Roxywear by Roxx” or “Roxywear” marks, or any other mark confusingly similar to Quiksilver’s QUIKSILVER ROXY and ROXY trademarks, to market, sell, advertise and/or identify any clothing products;

(b) Falsely designating the origin of any clothing products by using, or permitting the use of, the “Roxywear by Roxanne Heptner”, “Roxywear by Roxx” or “Roxywear” marks, or any other mark

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confusingly similar to Quiksilver's QUIKSILVER ROXY and ROXY trademarks.

(c) Provided, however, that Kymsta shall be permitted, for a period of 18 months from the date of this Judgment, to continue to use the "Roxywear by Roxanne Heptner" and "Roxywear by Roxx" marks to market, sell and identify contemporary sportswear products, while it phases out all use of said marks;

Second, we permanently impose the language of the limited injunction described in paragraph 7 of pages 8 and 9, and paragraph 8 of page 9, to provide:

7. Kymsta and its directors, officers, employees and agents are hereby permanently enjoined and restrained from using, or permitting the use of, the "Roxywear by Roxanne Heptner" and "Roxywear by Roxx" marks to market, sell or identify any clothing products other than in the wholesale market for the sale of young women's clothing to retail account buyers. Specifically, to designate the source and origin of the products and to avoid confusion in the marketplace, *inter alia*:

(a) The term "Roxywear" must be displayed, presented, shown or otherwise used as one word, with all letters*891 in the same font, same type-size, same color and same format;

(b) One of the following identifiers must be conspicuously displayed whenever the term "Roxywear" is displayed, presented, shown or otherwise used: "by Roxanne Heptner," "by Roxx," or "by Kymsta";

(c) The "Roxywear by Roxanne Heptner" and "Roxywear by Roxx" marks shall only be displayed, presented, shown or used on the interior labels affixed to the inside of any article of clothing, and specifically shall not be displayed, presented, shown or used on the outside of any article of clothing, such as imprinting on or incorporating in the design of the fabric the

"Roxywear by Roxanne Heptner" or "Roxywear by Roxx" marks as a logo or brand or using the "Roxywear by Roxanne Heptner" or "Roxywear by Roxx" marks on any badging, tags or labels affixed to the outside of any article of clothing;

(d) Clothing bearing the "Roxywear by Roxanne Heptner" or "Roxywear by Roxx" marks shall only be sold through Kymsta's current channels of distribution;

(e) Clothing bearing the "Roxywear by Roxanne Heptner" or "Roxywear by Roxx" marks shall not be advertised or promoted to consumers, except through co-op advertisements placed directly by retailers;

8. Further, Kymsta and its directors, officers, employees and agents are hereby permanently enjoined and restrained from selling or licensing or assigning to any third party any rights in or to the "Roxywear by Roxanne Heptner", "Roxywear by Roxx" or "Roxywear" marks.

CONCLUSION

****5** For the foregoing reasons, we AFFIRM the district court's resubmission of the first jury verdict and its judgments of false designation of origin and laches. The district court's grant of an injunction is also AFFIRMED, but that injunction is modified as described in Part IV.2. of this memorandum.

C.A.9 (Cal.),2009.

Quiksilver, Inc. v. Kymsta Corp.

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(Cite as: 2011 WL 940056 (S.D.N.Y.))

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Only the Westlaw citation is currently available.

United States District Court,
S.D. New York.

Sheila WOLK, Plaintiff,

v.

KODAK IMAGING NETWORK, INC., Eastman
Kodak Company, and Photobucket.com, Inc., De-
fendants.

No. 10 Civ. 4135(RWS).
March 17, 2011.

Sheila Wolk, New York, NY, pro se.

Norwick & Schad, by: [Kenneth P. Norwick, Esq.](#),
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Alan Lerner, Esq.](#), New York, NY, for Defendant
Photobucket.com, Inc.

Nixon Peabody LLP, by: [Mark D. Robins, Esq.](#),
New York, NY, by: [Gina M. McCreadie, Esq.](#), Bo-
ston, MA, by: Talley M. Henry, Esq., San Fran-
cisco, CA, for Defendants Kodak Imaging Network,
Inc. and Eastman Kodak Company.

OPINION

[SWEET](#), District Judge.

*1 Plaintiff Sheila Wolk (“Wolk” or “Plaintiff”) has moved for a preliminary injunction preventing Defendant Photobucket.com, Inc. (“Photobucket” or “Defendant”) from infringing on her copyrights. This motion was considered fully submitted on November 3, 2010. For the following reasons, Plaintiff’s motion is denied.

I. Summary of Facts

Plaintiff is a visual artist. Photobucket is an internet service provider (“ISP”) which hosts user-generated photos for storage and sharing. Users have uploaded upwards of 8 billion photos to Photobucket. Plaintiff claims that copies of her copyrighted images have been uploaded to Photobucket

without her permission. In response, Plaintiff has provided notices requesting that some of these images be taken down from Photobucket. Several of these notices have complied with the Digital Millennium Copyright Act (“DMCA”). Where Plaintiff has submitted a DMCA-compliant notice, Photobucket has taken down the allegedly infringing photo. Photobucket also has taken down photos where Plaintiff has sufficiently identified the alleged infringements, even if the notice was not DMCA-compliant. Despite the removal of these allegedly infringing photos, Plaintiff contends that more infringing photos remain on Photobucket’s site, though she has not provided DMCA-compliant notices of these allegedly infringing works to Photobucket.

II. Legal Standards

In order to obtain a preliminary injunction, a movant must satisfy a three-part test, including:

- 1) irreparable harm absent injunctive relief; 2) either a likelihood of success on the merits, or a serious question going to the merits to make them a fair ground for trial, with a balance of hardships tipping decidedly in the plaintiff’s favor; and 3) that the public’s interest weighs in favor of granting an injunction.

Metro Taxicab Bd. of Trade v. City of New York, 615 F.3d 152, 156 (2d Cir.2010), citing *Almontaser v. N.Y. City Dep’t of Educ.*, 519 F.3d 505, 508 (2d Cir.2008) (per curiam); *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 129 S.Ct. 365, 172 L.Ed.2d 249 (2008) (internal quotations omitted).

Plaintiffs are not entitled to a presumption of irreparable harm if they demonstrate a likelihood of success on the merits. *Salinger v. Colting*, 607 F.3d 68, 80–82 (2d Cir.2010). Rather, “plaintiffs must show that, on the facts of their case, the failure to issue an injunction would actually cause irreparable harm.” *Id.* at 82.

III. Plaintiff Does Not Demonstrate a Likelihood of Success on the Merits

Through the DMCA, Congress has provided a series of “safe harbors” for ISPs, including for displaying works residing on systems or networks at the direction of users. See *Ellison v. Robertson*, 357 F.3d 1072, 1076–77 (9th Cir.2004). Where an ISP meets safe harbor eligibility requirements, it is protected from all monetary and most equitable relief. See *Corbis Corp. v. Amazon.com, Inc.*, 351 F.Supp.2d 1090, 1098–99 (W.D.Wash.2004), abrogated on other grounds by *Cosmetic Ideas, Inc. v. IAC/Interactivecorp.*, 606 F.3d 612 (9th Cir.2010).

*2 In order for Photobucket to fall within the DMCA's safe harbor protection, it must meet the following criteria: (1) it must be a service provider as defined by the statute; (2) it must have adopted and reasonably implemented a policy for the termination in appropriate circumstances of users who are repeat infringers; and, (3) it must accommodate and not interfere with standard technical measures used by copyright owners to identify or protect copyrighted works. See *Id.* at 1099; *Io Group, Inc. v. Veoh Networks, Inc.*, 586 F.Supp.2d 1132, 1142–43 (N.D.Cal.2008); *Perfect 10, Inc. v. Google, Inc.*, 2010 U.S. Dist. LEXIS 75071, *11, 2010 WL 3617421 (C.D.Cal. Jul. 26, 2010); 17 U.S.C. §§ 512(1) & (k)(1)(B).

The DMCA safe harbor provision at issue here is found at 17 U.S.C. § 512(c), and it protects service providers for liability “ ‘for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.’ ” *Io Group*, 586 F.Supp.2d at 1146, quoting 17 U.S.C. § 512(c)(1).

a. Photobucket is a Service Provider under the DMCA

A “service provider” is broadly defined under the DMCA as a “provider of online services or network access, or the operator of facilities therefor....” 17 U.S.C. § 512(k)(1)(B). “This definition encompasses a broad variety of Internet activities.”

Corbis, 351 F.Supp.2d at 1100; see also *In re Aimster Copyright Litigation*, 252 F.Supp.2d 634, 658 (N.D.Ill.2002) (“ ‘service provider’ is defined so broadly that [the court would] have trouble imagining the existence of an online service that would not fall under the definition ...”). Where courts have dealt with services similar to Photobucket, namely Youtube.com, they have found those companies to be “service providers” under the statute. See *Viacom International, Inc. v. Youtube, Inc.*, 718 F.Supp.2d 514, 518 (S.D.N.Y.2010). Photobucket's hosting and allowance of online sharing of photos and video at the discretion of its users qualifies it as a service provider under the DMCA.

b. Photobucket Has Adopted and Reasonably Implemented a Policy for the Termination of Users Who Are Repeat Infringers

The DMCA requires a safe harbor service provider to demonstrate that it has:

adopted and reasonably implemented, and informs subscribers and account holders of the service provider's system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers.

17 U.S.C. § 512(i)(1)(A); see *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1109 (9th Cir.2007).

Photobucket has met this criteria by adopting, informing users of, and implementing a policy addressing the termination of users who repeatedly infringe copyrights. (Dana.Aff.¶ 22.)

c. Photobucket Does Not Interfere with Standard Technical Measures

*3 “Standard technical measures” are defined as “technical measures that are used by copyright owners to identify or protect copyrighted works” and which: (a) “have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process”; (b) “are available to any person

on reasonable and nondiscriminatory terms”; and (c) “do not impose substantial costs on service providers or substantial burdens on their systems or networks.” *Io Group*, 586 F.Supp.2d at 1143, quoting 17 U.S.C. § 512(i)(2)(A)-(C).

Photobucket contends, and Plaintiff does not dispute, that it accommodates and does not interfere with standard technical measures taken by copyright holders to protect their intellectual property, (Dana Aff. ¶ 23.)

d. The Infringement Alleged Here Invokes DMCA Section 512(c) Safe Harbor Protection

As noted above, 17 U.S.C. § 512(c) protects qualified service providers from liability for infringement which occurs “by reason of the storage at the direction of a user that resides on a system or network controlled or operated by or for the service provider.” 17 U.S.C. § 512(c)(1). This safe harbor was not intended by Congress to be limited “to merely storing material,” but was meant to encompass a broader range of services offered by internet companies. *Io Group*, 586 F.Supp.2d at 1147. However, the safe harbor does not apply to “material that resides on the system or network operated by or for the service provider through its own acts or decisions and not at the discretion of a user.” *Id.* (internal citations and quotations omitted). The protections offered by § 512(c) extend to where the service provider offers online tools permitting users to interact with user-submitted content. *See Id.* at 1146–47; *Viacom*, 718 F.Supp.2d at 527–28 (“Surely the provision of such service, access, and operation of facilities are within the safe harbor when they flow from the material's placement on the provider's system or network: it is inconceivable that they are left exposed to be claimed as unprotected infringements”).

e. Photobucket Meets All of the Requirements for Protection under Section 512(c)

A service provider may qualify for protection under § 512(c) if it:

(A) (i) does not have actual knowledge that the

material or an activity using the material on the system or network is infringing;

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent;

(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material.

(B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

(C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

***4 17 U.S.C. § 512(c)(1)(A)-(C).**

In order for ISP to be charged with notice of a claimed infringement, the notice “must be a written communication provided to the designated agent of a service provider that includes substantially the following”:

(A) (i) A physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

(ii) Identification of the copyrighted work claimed to have been infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site.

(iii) Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material.

(iv) Information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available, an electronic mail address at which the complaining party may be contacted.

(v) A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.

(vi) A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

(B) (i) Subject to clause (ii), a notification from a copyright owner or from a person authorized to act on behalf of the copyright owner that fails to comply substantially with the provisions of subparagraph (A) shall not be considered under paragraph (1)(A) in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent.

(ii) in a case in which the notification that is provided to the service provider's designated agent fails to comply substantially with all the provisions of subparagraph (A) but substantially complies with clauses (ii), (iii), and (iv) of subparagraph (A), clause (i) of this subparagraph applies only if the service provider promptly attempts to contact the person making the notification or takes other reasonable steps to assist in the receipt of notification that substantially complies with all the provisions of subparagraph (A).

17 U.S.C. § 512(c)(3)(A)-(B).

The ISP must also designate an agent to receive notifications of claimed infringement on its website in a publicly accessible location and with the Copyright Office. 17 U.S.C. § 512(c)(2).

1. Plaintiff's Non-Specific Notices of Infringe-

ment Were Insufficient to Give Photobucket Actual or Apparent Knowledge of Infringement

Photobucket has taken down all allegedly infringing photos where Plaintiff has supplied DMCA-compliant notice. Plaintiff's motion relies upon her contention that her past notices also serve as DMCA-compliant notice of other present and future alleged infringements of the same copyrighted works posted at different times and at different locations. In essence, Plaintiff contends that Photobucket is now aware that her copyrights are being infringed on its site, and it must now police its sight to uncover current infringements and prevent future infringements, without her providing DMCA-compliant notice in each instance.

*5 Plaintiff's position places a burden on Photobucket beyond what is required under the DMCA. Pursuant to § 512(c)(3)(A), DMCA-compliant notice must identify and reasonably locate the infringing activity in each instance. As the Court held in *Viacom*, “[a]n example of such sufficient information would be a copy or description of the allegedly infringing material and the so-called ‘uniform resource locator’ (URL) (i.e., web site address) which allegedly contains the infringing material.” 718 F.Supp.2d at 529 (rejecting plaintiff's complaint where the ISP removed only specific infringing material designated in DMCA-compliant notices and not other clips which infringed the same works), quoting House Committee on Commerce Report, H.R.Rep. No. 105-551 (Part 2), 105th Cong., 2d Sess., at 55 (July 22, 1998). Plaintiff cites *Viacom* in urging the Court to adopt a “common-sense, fact-based approach, not a formalistic one” in assessing Defendant's notice. (Pl. Mem. at 4, quoting *Viacom*, 718 F.Supp.2d at 521.) However, as shown above, *Viacom* indicates that such an approach would still require Plaintiff to provide the specific location of the allegedly infringing works in each instance for notice to be effective. See *Viacom*, 718 F.Supp.2d at 523, 529.

The requirement that DMCA-compliant notices identify and locate specific acts of infringement un-

dermines Plaintiff's position, as her past notices do not identify and locate other, and future, infringing activity. The Court does not accept her invitation to shift the burden from her to Photobucket, as the underlying purpose of the notice requirements is to "place the burden of policing copyright infringement—identifying the potentially infringing material and adequately documenting infringement—squarely on the owners of the copyright." *UMG Recordings, Inc. v. Veoh Networks Inc.*, 665 F.Supp.2d 1099, 1110 (C.D.Cal.2009), quoting *CCBill*, 488 F.3d at 1113. The Court in *CCBill* similarly "decline[d] to shift [the] substantial burden [of policing for infringement] from the copyright owner to the provider." *CCBill*, 488 F.3d at 1113. Furthermore, 17 U.S.C. § 512(m)(1) rejects any attempt to force ISPs to police their sites for copyright infringement:

Nothing in this section shall be construed to condition the applicability of subsections (a) through (d) on—

(1) a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with the provisions of subsection (i)....

See also *Viacom*, 718 F.Supp.2d at 524 ("The DMCA is explicit: it shall not be construed to condition 'safe harbor' protection on a service provider monitoring its service or affirmatively seeking facts indicating infringing activity") (internal quotations and citations omitted).

A similar argument was rejected in *UMG*. There, the plaintiff, a rights holder of various music recordings, provided notice of specific infringements and indicated that it believed other, non-specified infringement was taking place. 665 F.Supp.2d at 1109–10. The plaintiff argued that the ISP "should have sought out actual knowledge of other infringing videos by-searching its system for all videos by the artists identified in the [plaintiff's] notices." *Id.* at 1110. The court rejected

this argument, holding that an "artist's name is not 'information reasonably sufficient to permit the service provider to locate [infringing] material' " and noting that searches suggested by the plaintiff produced "false positives" which should not be taken down. *Id.* at 1110 & n. 13 (internal quotations and citations omitted).

*6 Without receiving notices identifying and locating each instance of infringement, Photobucket did not have "actual knowledge" of the complained of infringements or "aware[ness] of facts or circumstances from which infringing activity is apparent." 17 U.S.C. § 512(c)(1)(A)(ii). See *UMG*, 665 F.Supp.2d at 1110 ("notices that fail to comply substantially with § 512(c)(3)(A) 'shall not be considered ... in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent' "), quoting 17 U.S.C. § 512(c)(3)(B); *Hendrickson v. Ebay, Inc.*, 165 F.Supp.2d 1082 (C.D.Cal.2001) ("The DMCA expressly provides that if the copyright holder's attempted notification fails to 'comply substantially' with the elements of notification described in subsection (c)(3), that notification shall not be considered when evaluating whether the service provider had actual or constructive knowledge of the infringing activity under the first prong set forth in Section 512(c)(1) "), quoting 17 U.S.C. § 512(c)(3)(B)(i); *Viacom*, 718 F.Supp.2d at 524 ("The tenor of the foregoing provisions is that the phrases 'actual knowledge that the material or an activity' is infringing, and 'facts or circumstances' indicating infringing activity, describe knowledge of specific and identifiable infringements of particular individual items. Mere knowledge of prevalence of such activity in general is not enough."). Wolk has failed to point to other factors sufficient to establish that Photobucket knew or should have known of the specific infringing activity.

Finally, as noted above, it is undisputed that Photobucket has promptly taken down allegedly infringing materials when notified in compliance with

the DMCA, satisfying the third and final factor of § 512(c)(1)(A), as well as § 512(c)(1)(C).

2. Photobucket Does Not Have the Right and Ability to Control Infringing Activity and Does Not Receive Direct Financial Benefit from Alleged Infringing Activity

Turning to § 512(c)(1)(B), Photobucket may “not receive a financial benefit directly attributable to the infringing activity, in a case in which [it] has the right and ability to control such activity.” 17 U.S.C. § 512(c)(1)(B).

Photobucket allows users to upload and share photos and does not maintain the right or ability to control what is posted, including materials which infringe copyrights. “[T]he right and ability to control infringing activity, ‘as the concept is used in the DMCA, cannot simply mean the ability of a service provider to block or remove access to materials posted on its website or stored on its system.’” *Corbis*, 351 F.Supp.2d at 1110, quoting *CCBill*, 488 F.3d at 1098. *See also Hendrickson*, 165 F.Supp.2d at 1093; *Io Group*, 586 F.Supp.2d at 1151. Rather, such a right and ability to control may take the form of prescreening content, providing extensive advice to users regarding content, and editing user content. *See Corbis*, 351 F. Supp. 2d at 1110, citing *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F.Supp.2d 1146, 1181–82 (C.D.Cal.2002). Photobucket does not engage in such activities, and the size of its website curtails its ability to do so. (Dana Aff. ¶ 3.) In *Io Group*, the Court found that, where hundreds of thousands of videos had been uploaded to a site similar to Photobucket, no reasonable juror could conclude that a comprehensive review of every file would be feasible. 586 F.Supp.2d at 1153. Plaintiff has not pointed to any feasible method by which Photobucket can prescreen its content.^{FN1}

^{FN1} Plaintiff proposes that Photobucket uses video “fingerprinting” technology to search its website for infringing material. However, Plaintiff concedes that such technology is very burdensome to implement and notes Photobucket’s contention

that it would not be feasible to use such technology. (Pl. Reply Mem. at 2, citing *Dana Aff.* ¶ 50.)

*7 Furthermore, Photobucket does not receive “a financial benefit directly attributable to the infringing activity” Plaintiff seeks to enjoin. 17 U.S.C. § 512(c)(1)(B). As the Ninth Circuit has held, where there is no evidence that “[the service provider] attracted or retained subscriptions because of the infringement or lost subscriptions because of [its] eventual obstruction of the infringement,” no reasonable jury could conclude that the service provider received a direct financial benefit from providing access to the infringing material. *CCBill*, 488 F.3d at 1117, citing *Ellison*, 357 F.3d at 1079.

Plaintiff contends that Photobucket receives financial gain through its relationship with Kodak, under which it receives a share of sales derived from Photobucket.com. However, this financial gain is derived from allowing all users access to Kodak’s services, not directly and specifically from allowing users to print infringing material.

3. Photobucket Has Properly Designated an Agent to Receive Notifications of Claimed Infringements

The final requirement for safe harbor under § 512(c)(2) is for Photobucket to designate an agent for DMCA notifications, to post such agent’s contact information on its website in a publicly accessible location, and to provide the Copyright Office with this information. It is undisputed that Photobucket has complied with this requirement. (*See Dana Aff.* ¶ 16.)

f. The Limited Injunctive Relief Available under Section 512(j) Does Not Provide For Plaintiff’s Requested Relief

Because Photobucket qualifies for § 512(c)’s safe harbor, the relief available to Plaintiff is circumscribed to that provided by § 512(j). Only three forms of injunctive relief are available against Photobucket:

(i) An order restraining the service provider from providing access to infringing material or activity residing at a particular online site on the provider's system or network.

(ii) An order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is engaging in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order.

(iii) Such other injunctive relief as the court may consider necessary to prevent or restrain infringement of copyrighted material specified in the order of the court at a particular online location, if such relief is the least burdensome to the service provider among the forms of relief comparably effective for that purpose.

17 U.S.C. § 512(j)(1)(A). Plaintiff appears to seek relief under (i) and (iii).

An injunction under (i), which prevents Photobucket from “providing access to infringing material residing at a particular online site on the provider's system or network,” essentially requires Photobucket to block access to infringing material when given proper notice. 17 U.S.C. § 512(j)(1)(A)(i); see *Nimmer on Copyright*, § 12B.11 (2010), citing Report of the Committee on the Judiciary, H.R.Rep. No. 105–551 (Part 2), 105th Cong., 2d Sess., at 62 (July 22, 1998). It is undisputed Photobucket is already removing allegedly infringing works when given DMCA-compliant notice so that there is no need for an injunction requiring it to do the same.

*8 The third form of injunction under § 512(j)(1)(A) is a broader catch-all provision, but it requires that the injunction point to “a particular online location” and that the relief be the “least burdensome to the service provider” among other effective forms of relief. Plaintiff's argument is that she need not provide specific online locations for

infringements of her copyrights. Rather, Photobucket is to search for infringing activity itself, a task which both parties acknowledge to be burdensome. The injunctive relief Plaintiff seeks does not comport to § 512(j)(1)(A)(iii).

IV. Plaintiff Fails to Satisfy the Other Criteria for a Preliminary Injunction

Apart from being unable to establish a likelihood of success on the merits, Plaintiff does not demonstrate irreparable harm, that the balance of hardships falls in her favor, or that public policy supports her sought-after relief.

a. Plaintiff Fails to Demonstrate Irreparable Harm

Plaintiff relies on a presumption of irreparable harm for copyright plaintiffs, citing *Johnson Controls, Inc. v. Phoenix Control Sys., Inc.*, 886 F.2d 1173, 1174 (9th Cir.1989). However, this presumption has been abrogated. *Salinger*, 607 F.3d at 75. This court has found the following:

Irreparable harm is the “single most important prerequisite” for a preliminary injunction to issue. *Faiveley Transp. Malmö AB v. Wabtec Corp.*, 559 F.3d 110, 118 (2d Cir.2009) (citation omitted). The plaintiff must demonstrate that, without a preliminary injunction, he will suffer an injury that is “neither remote nor speculative, but actual and imminent, and one that cannot be remedied if a court waits until the end of trial to resolve the harm.” *Id.* (citation omitted). “Where there is an adequate remedy at law, such as an award of money damages, injunctions are unavailable except in extraordinary circumstances.” *Id.* (citation omitted). Thus, the “relevant harm is the harm that (a) occurs to the parties' legal interests and (b) cannot be remedied after a final adjudication, whether by damages or a permanent injunction.” *Salinger*, 607 F.3d at 81. A court must not presume that a plaintiff will suffer irreparable harm; it must “actually consider the injury the plaintiff will suffer if he or she loses on the preliminary injunction but ultimately prevails on the merits.” *Id.* at 80.

Morgan Stanley & Co. v. Seghers, 2010 U.S. Dist. LEXIS 107686, at *15–16, 2010 WL 3952853 (S.D.N.Y. Oct. 8, 2010). Plaintiff has not pointed to any damages which cannot be remedied after a final adjudication.

Furthermore, Plaintiff's delay in bringing her motion for a preliminary injunction belies her claim of irreparable harm. *Salinger*, 607 F.3d at 75–76. “An unreasonable delay suggests that the plaintiff may have acquiesced in the infringing activity or that any harm suffered is not so severe as to be ‘irreparable.’” *Feiner v. Turner Entertainment Co.*, 98 F.3d 33, 34 (2d Cir.1996) (18 month delay in bringing copyright infringement suit rebutted presumption of irreparable harm), abrogated on other grounds by *Salinger*, 607 F.3d at 75. According to Plaintiff, many of the alleged infringements have been on Photobucket's site since 2008. (Pl. Mem. at 3; Wolk Dep., p. 325.)

b. The Balance of Hardships Does Not Weigh in Plaintiff's Favor

*9 Where a plaintiff has failed to demonstrated a likelihood of success on the merits butts has demonstrated “sufficiently serious questions going to the merits,” the Court should issue an injunction where the “balance of hardship tip[s] decidedly in the plaintiff's favor.” *Salinger*, 607 F.3d at 79–80 (citations omitted). Due to Photobucket's eligibility for safe harbor protections under the DMCA, Plaintiff has not raised sufficiently serious questions going to the merits. Plaintiff also fails to show that the balance of hardships tips in her favor.

Plaintiff contends that failure to grant her relief will require her to find infringing activity on Photobucket's site and report it to them through DMCA-compliant notices. She contends that this will be difficult and labor intensive. However, the purpose of her motion is to shift that same burden to Photobucket, without Photobucket having the benefit of knowing whether Plaintiff has authorized any of her works to be displayed on its site. While, as Plaintiff points out, Photobucket is the larger enterprise, the burden it would bear in having to continually

search its site for infringing activity is heavy. Furthermore, saddling Photobucket with this responsibility is out of step with the DMCA, which, as noted above, places the burden of uncovering infringing activity on copyright holders.

c. The Public Interest Would Be Disserved By Issuing the Injunction

Finally, the Court must consider whether the “public's interest weighs in favor of granting an injunction.” *Metro Taxicab*, 615 F.3d at 156, citing *Winter*, 555 U.S. 7, 129 S.Ct. 365, 172 L.Ed.2d 249 .

As noted above, the DMCA provides a scheme under which copyright holders notify ISPs of alleged infringing material on their sites, and the ISPs act to remove such material. To the extent that Plaintiff has availed herself of this scheme, it has worked. However, Plaintiff seeks to shift the burden of finding infringing material to the ISP. Such a shift would render ISPs responsible for searching their sites for all infringing materials, a significant task. Plaintiff acknowledges that it would be expensive for Photobucket to search for her intellectual property, much less all other copyrighted works. (Pl. Reply Mem. at 2.) Placing such a debilitating burden on ISPs would defy the purpose of the DMCA, which was “to facilitate the growth of electronic commerce, not squelch it.” *Io Group*, 586 F.Supp.2d at 1154, citing *S.Rep. No. 105–190*, 105th Cong., 2d Sess., at 1–2 (May 11, 1998).

Conclusion

For the foregoing reasons, Plaintiff's motion for a preliminary injunction is denied.

It is so ordered.

S.D.N.Y., 2011.

Wolk v. Kodak Imaging Network, Inc.

Slip Copy, 2011 WL 940056 (S.D.N.Y.), 98 U.S.P.Q.2d 1152

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Nimmer on Copyright

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CHAPTER 12B Liability for Online Copyright Infringement
PART II INFORMATION POLICY

3-12B Nimmer on Copyright § 12B.10

§ 12B.10 Policy to Terminate Repeat Infringers

Section 512 sets forth various safe harbors for the benefit of service providers. n1 But before a service provider can take advantage of those safe harbors, it must "adopt" and "reasonably implement" "a policy" for terminating "repeat infringers" under "appropriate circumstances." n2 Unfortunately, the statute fails to set forth standards for meeting that policy. Even the most basic question at the heart of the statute does not lend itself to ready resolution: n3 "No one seems to know what makes one a 'repeat infringer'" n4 Acting in the face of that amorphous legacy from Congress, this writer has composed a sample policy, annotated with a fifty-page article. n5 The considerations set forth below draw heavily on that analysis. n6

[A] Past and Future

The structure of Section 512 contains a radical break between how it treats the fact of past infringement *versus* how it reacts to the threat of future infringement. It is essential to focus on those discontinuities to interpret the repeat infringers policy.

[1] Excising Past Infringement. Most notably, an elaborate feature of the statute specifies the procedures for copyright owners to follow when they believe that their works have been infringed online. Specifically, it provides for the filing of "a notification of claimed infringement," n7 the contents of which Section 512 minutely specifies. n8 Thereafter, the service provider must remove or disable access to the challenged material--unless, that is, the subscriber responds by filing a counter-notification, n9 the contents of which Section 512 also minutely specifies. n10 At that point, the statute instructs the service provider to "replace[] the removed material and cease[] disabling access to it not less than 10, nor more than 14, business days following receipt of the counter notice" n11 Yet even those steps do not end the minuet. There is no put-back requirement if the service provider "first receives notice from the person who submitted the notification ... that such person has filed an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the service provider's system or network." n12

In all these particulars, Section 512 regulates past infringements that may have occurred though the instrumentality of that provider or under its auspices. It creates a detailed mechanism whereby the affected copyright owner may require the elimination of that infringing material, while simultaneously protecting the provider from incurring additional liability through its efforts to cooperate in that eradication.

[2] Preventing Future Infringement. In addition, the statute mandates adoption of the repeat infringers policy currently under discussion. This provision is not geared at past acts of infringement. Instead, it is a prophylactic against future acts of infringement by actors whose past conduct renders them suspect. To illustrate the difference, let us imagine a subscriber named Joan. For some reason, the service provider knows that Joan in the past has engaged in copyright infringement with respect to twelve copyrighted songs, which she now intends to upload and store on the provider's facility. Under those circumstances, the provider cannot permit posting of those precise songs without jeopardizing its statutory safe harbor. n13 But it can allow Joan to post passages from the *Epic of Gilgamesh* and other ancient poetry without fear of losing its safe harbor. By contrast, imagine a subscriber named Mir'o. He intends to post a brand new painting that he has just executed, entitled "Woman Haunted by the Passage of the Bird-Dragonfly of Bad News." To the provider's knowledge, there is nothing infringing in that work. Nonetheless, the provider is aware that five separate courts have previously held Mir'o a copyright infringer regarding audiovisual works, wholly unrelated to that painting. On that basis, the provider is obligated to terminate him, so that he cannot commit copyright infringement in the future, by posting this new painting or anything else.

The contrast between OCILLA's past- and future-oriented regulation could not be more pronounced. The former sets forth elaborate standards, carefully calibrating their impact. n14 The latter, by contrast, is bereft of either details for how it should be implemented or protection for providers who do so imperfectly. The discussion below therefore attempts to fill in some of the standards about which Congress was wholly mute.

[B] Identifying an "Infringer"

We have just seen that the structure of Section 512 contains a radical break between how it treats the fact of past infringement *versus* how it reacts to the threat of future infringement. It is essential to focus on those discontinuities to interpret the repeat infringers policy. n15

[1] Infringement of What? Violators of many different types of laws could fairly be labeled "infringers." Nonetheless, in the context of the placement of Section 512 into the Copyright Act, an "infringer" most naturally refers to someone who infringes another's copyright. n16 Therefore, the operative assumption here is that copyright infringement is at issue. Still, it must be recognized that courts can and do give the term "infringement" a wider berth. n17

Must that infringement arise under Title 17 of the United States Code, as opposed to the copyright law of other nations or of the several states? Again, the statute itself offers no guidance. Given that Section 512 elsewhere--but not here--refers to conduct that is "infringing under this title," n18 as well as to "protecting rights under this title," n19 the imputation arises that the unembroidered reference here to "repeat infringers" is not so limited. Accordingly, one may conclude that the conduct at issue could be copyright infringement of any variety. n20

The House and Senate Reports describe the repeat infringers provision as requiring a service provider "to adopt and reasonably implement a policy for the termination in appropriate circumstances of the accounts of subscribers of the provider's service who are repeat *online* infringers of *copyright*." n21 That snippet cements the proposition that the infringement to which reference is made is of *copyright* only. It also limits consideration of infringement to that which occurs *online*. Yet neither of those limitations find support on the face of the statute. Although textualists would reject the gloss supplied by the legislative history, other schools of thought remain free to adopt those interpretations. n22

[2] Degree of Certainty. Many putative violations of copyright law take place every day. But courts often take many months or years of protracted hearings before they reach a final determination as to whether the challenged conduct amounts to infringement. n23 The question thus arises when a service provider must consider someone an "infringer."

[a] Allegation. To understand the reference to "infringer" in this context, it is invaluable to advert to the scores of instances throughout this statutory section in which that term and its cognates (*infringement*, *infringed*, *infringing*) are

used. Examination shows that, in crafting Section 512, Congress carefully delineated the difference between *allegation* and *proof*. As to the former, the statute refers to "material or activity claimed to be infringing" n24 among a total of twenty like references. n25 One such provision provides penalties for those who materially misrepresent that material or activity is infringing. n26 The "alleged infringer" n27 there is one whose status has been misrepresented to his harm. Given that the allegation of infringement is wrongful, Congress used that phraseology to denote one who is, in fact, innocent of any copyright infringement.

All the other references to "alleged" and "claimed" infringement may ultimately come to the same denouement. At the moment that a particular charge is proffered, one can know only that infringement has been alleged. In each instance, the charge may prove false and the penalties for misrepresentation thereby come into play. Conversely, that charge may prove true, in which case the situation progresses from claim to proof. The important point is that in each case canvassed above, the allegation of infringement is precisely that--an allegation.

[b] No Duty to Monitor. Congress was aware that allegations could assume many guises. It did not wish to saddle service providers with any duty to be pro-active in determining who is an infringer. Accordingly, it legislated that a service provider can claim immunity under Section 512 without any requirement of "monitoring its service or affirmatively seeking facts indicating infringing activity." n28 For it is difficult or impossible to know whether "facts indicating infringing activity" will prove benign or toxic. n29

Several courts have picked up on the point that service providers do not have to investigate possible infringements, monitor their services, or make judgment calls about whether something is in fact infringing. n30 In *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, n31 for example, the district court, determined that service providers do not have to address difficult infringement issues, and probably do not need to actively investigate or monitor their services for possible infringements. n32 It added, however, that a service provider might need to make some minimal investigations as part of a reasonable repeat infringement policy. n33 The court concluded that service providers, at a minimum, must terminate users when "given sufficient evidence to create *actual knowledge* of blatant, repeat infringement from particular users, particularly infringement of a willful and commercial nature." n34

[c] Proof. In contrast to the many provisions that refer to allegations of infringement, n35 Section 512 elsewhere refers to "infringers" (or a cognate term) without the qualification of "claimed" or "alleged." In all, the statute contains eighteen such instances. n36 The salient feature about each of these instances is that they refer to proven infringement, not to an allegation about which future disposition remains unclear. For instance, the fourfold language of each major provision of Section 512 grants a safe harbor "for infringement of copyright [under specified circumstances]." n37 That language arises solely when a copyright has actually been infringed; if such infringement were disproved, by contrast, there would be no need for a safe harbor at all.

[3] Application to Repeat Infringers Policy. With the benefit of the foregoing references to "infringement" throughout Section 512, we may now explicate its repeat infringers policy.

[a] Possible Options. In the abstract, one could construe a *repeat infringer* to be

(A) an adjudicated copyright infringer;

(B) someone against whom an unadjudicated charge of infringement has been preferred, as to whom the service provider has actual knowledge that that party has committed infringement;

(C) someone against whom an unadjudicated charge of infringement has been preferred, as to which the service provider lacks certainty but is aware of facts or circumstances from which such infringement seems apparent; or

(D) someone against whom an unadjudicated charge of infringement has been preferred, as to which

the service provider lacks actual knowledge of infringement or awareness of facts or circumstances from which such infringement seems apparent.

In any of those circumstances, it is possible that the copyright owner has (or has not) filed a notification of claimed infringement against that party. n38

To resolve these possibilities, an individual in circumstance (A) qualifies as an infringer. Let us imagine that a copyright owner alleges that *A* is a repeat infringer, and supplies the service provider with certified copies of five judgments of copyright infringement entered against *A*. Under those conditions, *A* is an "infringer" in the language of the statutory policy. Moreover, that conclusion follows regardless of whether the copyright owner has filed a notification of claimed infringement against *A*. In other words, the filing of such notification is simply cumulative with the antecedent conclusion that *A* is an infringer; the failure to file such notification does not derogate from *A*'s status as an infringer.

In addition, an individual in circumstance (B) qualifies as an infringer. Let us imagine that a copyright owner alleges that *B* is a repeat infringer, and the service provider has actual knowledge that *B* has committed copyright infringement. Under those conditions, *B* likewise qualifies as an "infringer" in the eyes of Section 512. Again, the same conclusions follow regardless of whether the copyright owner has filed a notification of claimed infringement against *B*.

Turning to (C), what if the provider lacks actual knowledge but is aware of facts or circumstances from which *C*'s infringement seems apparent? Those circumstances suffice to deprive the service provider of the Section 512 safe harbor from liability for acts of copyright infringement that have occurred in the past. n39 The instant question is whether they likewise require the provider to consider *C* an infringer insofar as her future-oriented conduct is at issue. n40

We have already seen that the razor to be applied here is that separating claimed infringement, which of necessity may ultimately fail to pan out, from established fact. n41 Along that spectrum, where does *C* fall? The answer to that question emerges from the statutory provision immunizing a service provider for its

good faith disabling of access to, or removal of, material or activity claimed to be infringing or based on facts or circumstances from which infringing activity is apparent, regardless of whether the material or activity is ultimately determined to be infringing. n42

That language recognizes that at times service providers will be aware of "facts or circumstances from which infringing activity seems apparent"--yet, at the end of the day, "the material or activity may ultimately be determined to be" non-infringing. Accordingly, although *C* may be provisionally deemed infringing as to her *past* conduct that apparently infringes, n43 she does not qualify as a certain infringer for the purpose of being disabled as to all *future* conduct, regardless of whether the material thereby excluded itself is apparently infringing. n44 In order to generally exclude someone for the future, Section 512 requires certainty, not allegation, and such certainty is lacking in the case of *C*.

The remaining question concerns circumstance (D). Let us imagine that a copyright owner alleges that *D* is a repeat infringer, but the service provider lacks actual knowledge that *D* has committed copyright infringement. In addition, the provider is unaware of facts or circumstances from which *D*'s infringement seems apparent. Under those circumstances, *D* fails to qualify as an "infringer" in the language of Section 512's repeat infringers policy.

[b] Inefficacy for These Purposes of Notifications of Claimed Infringement. We have already seen that *A* and *B* must be treated as infringers even if someone neglected to file a notification of claimed infringement about their conduct. n45 The converse question remains whether *C* and *D* need to be treated as infringers by dint of multiple notifications of claimed infringement about their conduct.

The answer is negative. n46 Users *A-D* must be judged on their own merits. It neither suffices to treat any as an

"infringer" for repeat infringer purposes that a copyright owner has filed a notification of claimed infringement against her, nor does it derogate from her status as a known infringer that a copyright owner has failed to file a notification of claimed infringement against her. In short, those notifications, albeit crucial to the statutory scheme for determining past infringement, do not meaningfully contribute to Section 512's disposition of future infringement in the policy that it mandates.

Any other reading traduces the statutory scheme. *A* and *B* are infringers, and do not cease to be so simply because someone neglected to file a notification with regard to their conduct. The detailed process of notice refers to notifications of "*claimed* infringement," thereby signaling that notification by itself cannot prove actual infringement. n47 That nomenclature signals Congress's intention to treat such documents on the allegation, rather than on the proof, side of the ledger. It therefore follows that *C* and *D*, even when the subjects of notifications, fail to qualify as "infringers" in the statutory sense. n48

When Congress wished to refer to individuals who were proven infringers, it knew how to do so. It routinely prefaced references to others as "alleged infringers" or "claimed infringers." n49 In the current context, by contrast, Congress used the term "repeat infringers" without any such qualification. n50 The meaning unmistakably denoted is those against whom infringement has been established, not against whom it is merely alleged.

Underwriting that last construction is the structure of Section 512's entire notification system. We have already seen the minuet between notifications of claimed infringement and counter-notifications in rebuttal. n51 In regulating mandatory take-down, there is no put-back requirement if the service provider "first receives notice from the person who submitted the notification ... that such person has filed an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the service provider's system or network." n52 If notifications of claimed infringement were sufficient on their own to establish infringement, no put-back and counter-notification provision would have needed to be included in the statute. Thus, the statutory structure signals Congress's desire for court adjudication of any disputed questions of copyright infringement.

Does a further wrinkle arise to the extent that a copyright owner serves multiple notifications on a service provider as to party *E*, to which *E* never responds? In the abstract, there could be myriad reasons why *E* might not wish to respond. Although one is that *E* indeed qualifies as a copyright infringer, benign explanations are also possible. For instance, she might have been on vacation for two months and not seen the notifications that arrived during that interval; she might have no longer cared about material that she had uploaded years earlier and that had lost its timeliness to her in the interim, and so not have bothered to respond to belated notifications concerning it; she might have preferred to file a declaratory relief action against the copyright owner that no infringement had taken place. It would seem impossible to come up with a formula to account for all variables. n53

The plaintiff in *Corbis Corp. v. Amazon.com, Inc.* argued that multiple notifications sufficed to show blatant copyright infringement. n53.1 The court disagreed, noting that a "copyright owner may have a good faith belief that her work is being infringed, but may still be wrong." n53.2 It therefore rejected Corbis's allegation regarding the blatant nature of the allegedly infringing listings, n53.3 and in the process rejected case authority that receipt of two or more DMCA compliant notices about a subscriber requires the service provider to terminate that subscriber. n53.4

Here, even if Amazon acted unreasonably when it failed to terminate Posternow, that unreasonable act is not the equivalent of having actual knowledge that Posternow was engaged in blatant, repeat infringement. *Actual knowledge of blatant, repeat infringement cannot be imputed merely from the receipt of notices of infringement.* Instead, there must be additional evidence available to the service provider to buttress the claim of infringement supplied by the notices. Here, Corbis provides no additional evidence that was available to Amazon that would have led Amazon to conclude that Posternow was a blatant, repeat infringer. n53.5

Nonetheless, the upshot of failing to adopt a policy to terminate those who are subject to myriad notifications of claimed infringement hardly means that they are ineluctably destined to remain subscribers in good standing. Presumably, every time a notification of claimed infringement is served as to subscriber *F*, the provider incurs a charge to take down the subject material and provide appropriate notifications. n54 If *F* replies with his own counter-notification, additional expenses presumably accrue as to put-back. Accordingly, even if *F* pays \$50/month for the privilege of being a subscriber, at a certain point the provider will be forced to consider him a money-losing proposition. It would likely then choose to exercise its contractual rights of pulling the plug on him. The only point here is that Congress did not command that providers must determine in advance where that point will be reached, through mandating its inclusion in a repeat infringers policy.

[c] Conclusion. Based on the foregoing considerations, an "infringer" in the statutory sense may be either a party who has been adjudicated to have committed copyright infringement, or a party about whom the service provider has actual knowledge that s/he has engaged in infringement. Not qualifying as an infringer for these purposes is a party about whose purportedly infringing conduct a copyright owner informs the service provider (including via multiple notifications of claimed infringement), in the absence of either of those circumstances. Likewise failing to meet the grade is a party as to whom the service provider is aware of facts or circumstances from which his/her infringement seems apparent, given that appearances may turn out to be deceptive at the end of the day.

[C] What Constitutes "Repeat"?

In the entire Copyright Act, the instant policy contains the only instance of the word "repeat." Hence, explication of this term requires reference to other sources.

[1] More Than One Occasion. The definition of "repeat" denotes that infringing twice is sufficient to make someone a repeat infringer. The *Oxford English Dictionary*, for example, defines the term as doing something for a second time or duplicating it. Thus, a *repeat* infringer would appear to be one who has infringed copyrights at two different times. Accordingly, a party's infringement of multiple copyrights simultaneously does not render him a "repeat infringer." The latter act would not be repeat infringement, but instead a single act of infringement of multiple copyrights.

In a different context, the Digital Millennium Copyright Act uses the variant term "repeated."

Repeated Violations.--In any case in which the injured party sustains the burden of proving, and the court finds, that a person has violated section 1201 or 1202 within 3 years after a final judgment was entered against the person for another such violation, the court may increase the award of damages up to triple the amount that would otherwise be awarded, as the court considers just. n55

That provision leaves no doubt as to a requirement of sequential lawsuits. n56 By contrast, Section 512(i) is not structured to require multiple suits, but instead sequential acts of infringement. n57 It could be satisfied by two separate judgments, or by one judgment that the defendant infringed different copyrights on two separate occasions. n58

[2] Innocent or Flagrant? Against the seeming clarity of the face of the statute, the legislative history clouds the issue. Both the House Report and the Senate Report suggest that "those who *repeatedly or flagrantly* abuse their access to the Internet through disrespect for the intellectual property rights of others should know that there is a realistic threat of losing that access." n59 This passage obscures the dictionary definition of "repeat," suggesting that "repeat" in the context of Section 512(i) requires something more than simply infringing copyrights more than once. The use of the word "flagrantly" suggests that the infringement must be shocking or notorious. Accordingly, the legislative history suggests that Congress had in mind a policy that would focus on egregious offenders, rather than on casual two-time offenders. n60

The Reports also suggest that "there are different degrees of online copyright infringement, from the inadvertent to the

noncommercial, to the willful and commercial." n61 But that observation fails to explain its practical import. Does it mean that inadvertent and noncommercial infringement does not count as infringement for purposes of being considered a "repeat infringer?" If so, then a party held culpable on two occasions for copyright infringement, but without any finding as to mental status, might escape characterization as a "repeat infringer." Does it mean that a service provider must develop a multi-tiered policy to address these different degrees of online infringement? The legislative history furnishes no answers.

Courts have focused on the "flagrant abuse" standard from the legislative history to evaluate repeat infringers policies. n62 One describes the policy as having been designed "so that flagrant repeat infringers, who abuse their access to the Internet through disrespect for the intellectual property rights of others should know there is a realistic threat of losing ... access." n63 That court denied summary judgment to the defendant service provider because there was alleged evidence of an "extensive history" of repeat infringers, none of whom had been terminated. n64 Another suggested that a "service provider might not need to take action for isolated infringing acts by single users," but would for more blatant, continued acts. n65

Corbis Corp. v. Amazon.com, Inc. n65.1 addresses this issue at length.

Although efforts to pin down exactly what amounts to knowledge of blatant copyright infringement may be difficult, it requires, at a minimum, that a service provider who receives notice of a copyright violation be able to tell merely from looking at the user's activities, statements, or conduct that copyright infringement is occurring. Examples of such blatant infringement may include statements from the vendor that a product is bootlegged or pirated, chat rooms hosted by the service provider in which users discuss how the service can be used to circumvent copyright laws, or the offering of hundreds of audio files in a single day for peer to peer copying. Corbis has presented no such examples of blatant infringing activity on the vendor defendants' zShops [s]ites. n65.2

[D] Scope of Exclusion

The requisite policy must provide "for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network." n66 Those terms remain to be explicated.

[1] Limitation to Subscribers. Turning to the legislative history's explications of this provision, the term "subscribers" should be construed liberally, "to include account holders that have a business relationship with the service provider that justifies treating them as subscribers ... even if no formal subscription agreement exists." n67 What are the "appropriate circumstances" to terminate recidivist infringers? Not terribly helpfully, the committee "recognizes that there are different degrees of on-line copyright infringement, from the inadvertent and noncommercial, to the willful and commercial." n68 One can readily acknowledge that those at the extreme end of the spectrum, "who repeatedly or flagrantly abuse their access to the Internet through disrespect for the intellectual property rights of others should know that there is a realistic threat of losing that access." n69 But how that standard illuminates middle cases is left unaddressed. n70 Moreover, it is unclear how, absent the flagrant abuse to which the above passage refers, an ISP is in the position to make the judgment as to who is a repeat infringer n70.1 versus who has a legitimate fair use defense, or can otherwise invoke any of the myriad other factors n71 that go into evaluating a copyright infringement claim. n72

[2] Nonapplication to Peer-to-Peer Services. Shortly after adoption of the Digital Millennium Copyright Act, a new phenomenon arose: peer-to-peer (P2P) file-sharing. n72.1 Given that Congress lacked clairvoyance when amending the Copyright Act, courts have had to muddle through this domain, in such cases as *A&M Records, Inc. v. Napster, Inc.*, n73 and *RIAA v. Verizon Internet Services*. n74 Insofar as it affects the instant domain, the question is how a service provider must treat individuals who are not its own subscribers or account holders, but whose activities habitually cross the provider's facilities, as can easily occur in the P2P context.

In terms of the obligations that service providers have towards P2P users who are not direct subscribers, the statute

speaks in unambiguous terms: The requisite policy must "provide[] for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers." n75 There is therefore no colorable basis on which to claim that a provider must defrock anyone other than its own subscribers or account holders. n75.1

[3] Summary of Statutory Requirements. In addition, it should be noted that Section 512 affords a service provider immunity from copyright infringement only if it

has adopted and reasonably implemented, and informs subscribers and account holders of the service provider's system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers. n76

The discussion above has limned the contours largely of the last two words. The ingredients conveyed by the language leading up to those final words would appear to be as follows:

- a. the service provider must adopt a termination policy;
- b. that policy must provide for termination from the service provider's system or network of subscribers and account holders who qualify as "repeat infringers";
- c. but only "in appropriate circumstances";
- d. the service provider must inform its subscribers and account holders about that policy; and
- e. it must "reasonably" implement the policy.

Pursuant to (a), (b), and (d), the service provider can discharge its duties by promulgating a compliant policy and duly notifying its customers. Those obligations are straightforward.

By contrast, (c) and (e) supply a great deal more wiggle room. The former may grant exceptions from termination. In other words, not all subscribers who are repeat infringers must be terminated; it is only when "appropriate circumstances" are present that termination becomes mandatory. Unfortunately, however, there is no indication what those circumstances might be.

Turning to the latter, even if the circumstances are appropriate to terminate a repeat infringer, the service provider may fail to do so on occasion. Given that the statutory requirement is satisfied if the service provider "has ... reasonably implemented" the termination policy, it would seem that occasional lapses are not fatal to the service provider's immunity. On the other hand, to the extent that the service provider were to promulgate a policy and then neglect to follow through on it, it has failed to implement that policy reasonably. It would therefore be expected to lose its immunity.

[E] Proper Canons Of Interpretation

[1] Effect of Legislation. Section 512 did not arise in a vacuum. Previously, a district court decision, *Playboy Enterprises, Inc. v. Frena*, n77 had inclined towards broad liability of service providers, whereas another, *Religious Technology Center v. Netcom On-line Communications Services, Inc.*, n78 had indicated that those providers should be held liable only to the extent that they act voluntarily and knowingly. n79 When enacting the Digital Millennium Copyright Act, Congress announced that Section 512 "essentially codifies the result in the leading and most thoughtful judicial decision to date," namely the latter, while overruling the former. n80 It further announced the intention of going further, such that *Netcom* would become "the law of the land." n81

The progression of case law to statute details that last expectation. The essence of Judge Whyte's ruling in *Netcom* was to construct, as common law courts have always done, a standard by which to gauge the conduct of the parties--on the one hand, the opinion declined to impose broad liability on service providers of the form recognized in *Frena*, but on the other it also ruled that providers subject to notification of copyright infringement would not escape liability. n82 After *Netcom*, the next case could have built organically on its logic to specify the types of notifications that would succeed to negate liability.

With enactment of Section 512, that common law freedom largely ended. n83 No longer is it within the purview of courts to evaluate the circumstances presented and pronounce, based on their sense of equity and the need for sound rule-making, that a given type of notification would succeed to negate liability. Instead, the task of courts is now to give effect to the Congressional mandate about the types of notification that succeed to create the statutory safe harbor negating liability. n84 In short, rather than the judicial freedom exemplified by *Netcom* becoming "the law of the land" as to the liability of service providers for copyright infringement, Congress has ensured that its own detailed statutory requirements (not the earlier court's ruling) now constitute "the law of the land" in this domain. Given that Congress incorporated very elaborate provisions (such as the minutiae of notifications and counter-notifications) into *Section 512 of Title 17 of the United States Code*, n85 courts are obligated to follow them in preference to the standards that they might otherwise have formulated. n85.1

[2] Early Court Constructions. By the same token that courts cannot invent new standards for the subdivisions of Section 512 in which Congress legislated detailed provisions, n86 courts are equally without authority to invent new standards for the subdivisions of Section 512 in which Congress simply enunciated a general principle. Specifically, Congress provided in Section 512(i) that providers simply must adopt and reasonably implement "a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers." n87 Courts are not at liberty to craft repeat infringers policies independently of those standards. Although the courts might have preferred the legislature to have supplied detailed provisions fleshing out that spare language, Congress itself made the opposite choice. That being the case, the role of the courts here is to respect the statute's wide latitude for service providers to adopt "a policy" of their liking.

Some courts have not respected the Congressional choice here. For instance, *A&M Records, Inc. v. Napster, Inc.* described the statute as requiring a "service provider to timely establish a detailed *copyright compliance policy*." n88 Taken at face value, this statement would appear significantly broader than Section 512(i), which limits itself to a repeat infringers policy. Because the Ninth Circuit did not analyze this portion of the statute, instead simply affirming the district court's conclusion that facts remained to be fleshed out as to compliance with Section 512(i), *Napster* should not be accorded precedential weight with regard to interpreting this provision. Moreover, the district court opinion upon which the Ninth Circuit relied made clear, in its more detailed analysis, that Section 512(i)(A) refers not to a general compliance policy, but only to a repeat infringers policy. n89

A further wrinkle of this case was that, although suit was filed on December 6, 1999, Napster did not inform its users about its repeat infringers policy until February 7, 2000. n90 The district court held that disputed issues precluded summary judgment whether Napster's policy qualified under the statute. n91 Napster remained subject to monetary relief for all conduct until that latter date. n92 A later case ruled that, once the requisite policy is adopted, the service provider becomes immune from liability from that moment forward. n93

Another Ninth Circuit case, *Ellison v. Robertson*, n94 held that a repeat infringers policy requires informing the public of the proper email address to which infringement notices can be sent. n95 The plaintiff there had appealed the dismissal of his copyright infringement action against one of the world's largest Internet Service Providers, n96 America Online, Inc. (AOL). n97 The copyright infringement action was based on the posting, by third-party Robertson, of Ellison's short stories on a peer-to-peer network that AOL subscribers could access. n98 Ellison contended that AOL did not qualify under the Section 512 safe harbors inasmuch as it failed to meet the repeat infringers policy requirements

contained in each safe harbor.

AOL's Terms of Service, to which all its members must accede, prohibits members from making unauthorized copies of copyrighted material and threatens termination in the event of breach. n99 Of all the millions of subscribers, not a single one had been defrocked when this case was decided in 2002--and AOL had not even determined precisely "how many times a user had to be guilty of infringement before that user could be classified as a 'repeat infringer.'" n100 Against the charge that those circumstances rendered AOL's repeat infringers policy inadequate, the district court validated that policy, finding that the statute's mandate is "only concerned with repeat-infringer termination policies, and not with copyright infringement in general." n101 Those observations accurately portray the statute.

But the district court would have gone further. It rejected the imputation that, for such a policy to be "reasonably implemented," it must "necessarily include some procedures for actually identifying such individuals in the first place, such as a mechanism whereby the public can notify an ISP of copyright infringement occurring on its system," n102 given that Section 512 elsewhere adopts a "no monitoring" policy. n103 Effectively, that ruling reads out of the statute any requirement that the mandated policy for termination of repeat infringers be "reasonably implemented" or even implemented at all. n104 Not surprisingly, the Ninth Circuit reversed this aspect of the ruling below. It ruled that there was at least "a triable issue of material fact" regarding AOL's compliance with this provision as a condition for its eligibility to invoke the statutory safe harbors. n105

In terms of affording an opportunity for identifying potential infringers to the service provider, the specific circumstances at play in *Ellison v. Robertson* were that AOL had changed its email address to which DMCA notices of alleged copyright infringement were sent. n106 AOL made no effort to ensure that notices sent to the old email address would be forwarded, or to inform those who sent emails to the defunct address that the emails would not be received. n107 The Ninth Circuit held that this failure meant that a reasonable jury could find that AOL had not reasonably implemented a compliant repeat infringers policy. n108 As part of its analysis, the court pointed to three requirements for complying with the repeat infringers policy: A service provider must "(1) adopt a policy that provides for the termination of service access for repeat copyright infringers in appropriate circumstances; (2) implement that policy in a reasonable manner; (3) inform its subscribers of the policy." n109 The court held that whether AOL had met element number two could not be determined as a matter of law because of AOL's failure to establish a seamless transition from one email address to another. n110 Though that ruling may be accurate in gross, it should be recalled that neither the text nor legislative history of Section 512 suggests that compliance with the future-oriented repeat infringers policy requires a functioning, publicly known email address. Instead, service providers must have such an email address to meet the *different* requirements of Section 512 n111 geared at past infringements. n112

Even before the Ninth Circuit's reversal in *Ellison v. Robertson*, other courts refused to follow that district court's approach. Another judge in the same district court ruled that the service provider did not "need to provide for active investigation of possible infringement," or "need to take action for isolated infringing acts by single users," and that courts cannot "require the service provider to actively monitor for copyright infringement." n113 But it equally concluded that, in order to reasonably implement termination, a service provider must redress, "at a minimum, instances where a service provider is given sufficient evidence to create actual knowledge of blatant, repeat infringement by particular users, particularly infringement of a willful and commercial nature." n114

[3] Courts Should Validate Any Policy Tracking the Statutory Language That a Service Provider Adopts in Good Faith. *Napster* and *Ellison* illustrate the danger latent in interpretation of the spare language of the repeat infringers policy. Given that Congress incorporated detailed strictures into the past-oriented provisions, n115 which are lacking from the future-oriented thrust of the repeat infringers policy, n116 and given further the superiority of a scheme that is well fleshed out, the temptation arises to fill in the gap with judicial legislation.

That temptation must be resisted. Given the laconic language of the statute, providers must, in some sense, pull out of thin air the language that they desire to implement as their repeat infringers policy. Having discharged their burden of

formulating a policy in good faith, service providers cannot fairly be punished for having alighted on specifics that differ from those that judges might have chosen in the abstract without facing any of the real-world pressures that constrain those providers.

Congress desired Section 512 to provide meaningful safe harbors. n116.1 The approach of those cases that invent out of whole cloth new criteria, which providers must have previously intuited, in order to take advantage of any of Section 512's safe harbors, n117 renders those harbors illusory. n118 Manifestly, it is impossible for a provider to have any confidence in its policy to terminate repeat infringers if every district and circuit court across the country can conjure up new and unanticipated (not to mention potentially conflicting) standards that those providers must have met, at the risk of losing any protection under the statute.

In short, just as Congress chose to impose detailed requirements in the context of excising past-oriented infringement, which the courts are now duty-bound to enforce, Congress likewise chose to impose no specific requirements in the context of deterring future-oriented infringement, a legislative choice that the courts are equally bound to enforce. Congress limited its command to requiring service providers to adopt "a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers." n119 Beyond that Delphic pronouncement, Congress did not speak. Therefore, *any* good faith policy meeting that plain language satisfies the statutory test. n119.1

[4] Modern Court Constructions. One of the most elaborate judicial interpretations of the repeat infringer policy reiterates the point just made:

The language of § 512(i) and the overall structure of the DMCA indicate that the user policy need not be as specific as [plaintiff] suggests. The language of § 512(i) is telling in this regard. The key term, "repeat infringer," is not defined and the subsection never elaborates on what circumstances merit terminating a repeat infringer's access. This open-ended language contrasts markedly with the specific requirements for infringement notices and take-down procedures set forth in § 512(c). The notice and take-down provisions demonstrate that Congress infused the statute with specific detail when it so chose. The fact that Congress chose not to adopt such specific provisions when defining a user policy indicates its intent to leave the policy requirements, and the subsequent obligations of the service providers, loosely defined. n119.2

That case, *Corbis Corp. v. Amazon.com, Inc.*, n119.3 ultimately concluded that Amazon had reasonably implemented an effective policy. Among 40 million listings, it had cancelled millions for violation of various user policies, which included alleged copyright infringement. n119.4 Moreover, it had terminated the access of hundreds of vendors for repeated violations. n119.5 Nonetheless, that termination did not prevent the reappearance of those same vendors under new aliases; Corbis showed that one entity, Posternow, was able to open two new accounts under slightly different names. n119.6 The court was unimpressed with that showing. "The mere fact that Posternow appeared on zShops under a different user name and identity does not, by itself, create a legitimate question of fact regarding the procedural implementation of Amazon's termination policy." n119.7

The case that examines the repeat infringer policy at greatest length is *Perfect 10, Inc. v. CCBill LLC*. n119.8 Perfect 10 published an adult magazine and maintained a subscription website; CCBill provided "services to websites that posted images stolen from Perfect 10's magazine and website." n119.9 After Perfect 10 provided notification of claimed infringement to CCBill without result, it filed suit, claiming that CCBill had failed to reasonably implement a policy to terminate repeat infringers. Noting that the statute itself does not define the crucial term "reasonably implemented," the Ninth Circuit held

that a service provider "implements" a policy if it has a working notification system, a procedure for dealing with DMCA-compliant notifications, and if it does not actively prevent copyright owners from

collecting information needed to issue such notifications. n119.10

It affirmed the holding below that defendants qualified. Although accepting the Seventh Circuit's holding that a service provider may lose its eligibility by a substantial failure to record the identity of offending webmasters, n119.11 the facts in this case showed that defendants kept good records about infringers, notwithstanding a few empty fields in the log. n119.12 Although CCBill failed to act in response to Perfect 10's notifications of infringement (of which there were well over 20,000!), n119.13 the defects in all those notices rendered them so deficient as to require no response whatsoever. n120 Nonetheless, the Ninth Circuit remanded, to determine whether third parties had served valid notifications of infringement, which could have provided the requisite knowledge to defendants. n120.1

[F] Ingredients of Repeat Infringers Policy

Based on the foregoing, the requisite elements for a repeat infringers policy that complies with the statute would include the following:

- an "infringer" is someone who has been adjudged an infringer or whose infringement is known to the service provider;
- a "repeat" infringer requires at least two separate acts of infringement; n120.2
- even a repeat infringer need not be terminated unless "appropriate";
- the provider must publicize the policy; n120.3
- the provider must reasonably implement the policy.

Attempting to resolve open questions in defining the proper bounds for a repeat infringers policy, this writer has drawn numerous conclusions based on extensive analysis:

- all acts of copyright infringement count (even if of state law or the law of a foreign country); n121
- infringing acts committed offline count; n122
- an adjudication becomes final upon entry of judgment even while an appeal is pending; n123
- an infringer could, at some point in time, become rehabilitated so as no longer to be considered a "repeat infringer"; n124
- a service provider should not exclude someone as a "repeat infringer" solely based on allegations that that person has been previously excluded by another provider; n125

- the "infringer" to be excluded is the named defendant, rather than the corporation that employed a named defendant, or the principal of a named corporate defendant; n126
- the service provider need not exclude an entire IP address from which infringement arises; n127
- the mere act of settling a suit or voluntarily taking down material that is challenged as infringing creates no imputation that the actor is thereby an infringer; n128
- even repeat infringers need not be excluded under "appropriate circumstances," which might include a requirement of proportionality, such that a subscriber who engages in widescale exploitation, a small percentage of which is determined to constitute copyright infringement (even if willfully so), need not be terminated, so long as that infringement appears aberrational in the entire context of the subscriber's exploitation. n129

Finally, one of the most challenging issues in this arena, pushing us into the realm of epistemology, is to inquire when a service provider "knows" that one of its subscribers has committed copyright infringement, absent being presented with a certified judgment. Two paragraphs of the legislative history explicate when *apparent infringement* exists. The first explains that

if the service provider becomes aware of a "red flag" from which infringing activity is apparent, it will lose the limitation of liability if it takes no action. The "red flag" test has both a subjective and an objective element. In determining whether the service provider was aware of a "red flag," the subjective awareness of the service provider of the facts or circumstances in question must be determined. However, in deciding whether those facts or circumstances constitute a "red flag"--in other words, whether infringing activity would have been apparent to a reasonable person operating under the same or similar circumstances--an objective standard should be used. n130

The second lists an example:

For instance, the copyright owner could show that the provider was aware of facts from which infringing activity was apparent if the copyright owner could prove that the location was clearly, at the time the directory provider viewed it, a "pirate" site of the type described below, where sound recordings, software, movies or books were available for unauthorized downloading, public performance or public display. Absent such "red flags" or actual knowledge, a directory provider would not be similarly aware merely because it saw one or more well known photographs of a celebrity at a site devoted to that person. n131

Those standards explicate the standards for liability relating to past infringement. n132

In the instant context of deterring future infringement, n133 by contrast, the "red flag" fails to suffice. n134 It is only when the circumstances go further, rising to the level of *known infringement*, n135 as opposed to appearances (however apparent they may seem), that the statutory repeat infringers policy comes into play. n136

Nonetheless, the Ninth Circuit in *Perfect 10, Inc. v. CCBill LLC* investigated the "red flag" test in the context of the repeat infringer policy. n137 Because the court did not advert in that context to the considerations adduced above, it is

respectfully submitted that its observations about the "red flag" test are actually apropos only where that substantive requirement actually arises in the statute. n138

Legal Topics:

For related research and practice materials, see the following legal topics:

Computer & Internet Law Copyright Protection Digital Millennium Copyright Act Safe Harbor Provisions Computer & Internet Law Internet Business Internet & Online Services General Overview Computer & Internet Law Internet Business Internet & Online Services Service Providers Copyright Law Digital Millennium Copyright Act Online Activities Copyright Law Digital Millennium Copyright Act Safe Harbor Provisions

FOOTNOTES:

(n1)Footnote 1. See §§ 12B.02-12B.05 *supra*.

(n2)Footnote 2. 17 U.S.C. § 512(i)(1)(A).

(n3)Footnote 3. See, e.g., Linda Pickering & Mauricio F. Paez, *Music on the Internet: How to Minimize Liability Risks While Benefiting from the Use of Music on the Internet*, 55 *Bus. Law.* 409, 427 (1999).

(n4)Footnote 4. Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 *Stan. L. Rev.* 1345, 1420 (2004), citing David Nimmer, *Appreciating Legislative History*, 23 *Cardozo L. Rev.* 909 (2002).

(n5)Footnote 5. David Nimmer, *Repeat Infringers*, 52 *J. Copyright Soc'y* 167 (2005).

(n6)Footnote 6. Note that, in a distinct context, other considerations arise as to "repeat plaintiffs." See § 8.12[B][1][d] N. 37.53a *supra*.

(n7)Footnote 7. 17 U.S.C. § 512(c)(3)(A).

(n8)Footnote 8. See § 12B.04[B] *supra*.

(n9)Footnote 9. 17 U.S.C. § 512(g)(3).

(n10)Footnote 10. See § 12B.07[B] *supra*.

(n11)Footnote 11. 17 U.S.C. § 512(g)(2)(C). Interestingly, that provision only requires put-back in order for the service provider to remain immune from liability to its subscriber for wrongful take-down. See 17 U.S.C. § 512(g)(1). But that immunity could equally arise from the provider's contract with its subscribers, so in this respect the statute fails to add a necessary ingredient (*i.e.*, one that could not equally exist in its absence). Yet the subject put-back is not required as a condition for the provider to obtain the four safe harbors from liability to aggrieved copyright proprietors. In other words, a provider could choose to simplify its own operations by only taking down challenged material and never putting it back--it would thereby obtain the safe harbor vis-a-vis the copyright owner, and could point to contractual safeguards whereby its subscribers authorize it to take down material at its own discretion.

(n12)Footnote 12. 17 U.S.C. § 512(g)(2)(C).

(n13)Footnote 13. See 17 U.S.C. § 512(c)(1)(A)(i).

(n14)Footnote 14. See § 12B.10[A][1] *supra*.

(n15)Footnote 15. Shortly after adoption of the Digital Millennium Copyright Act, this author confronted some of those questions, in an article of which the following is an excerpt:

Constanze Phairyouze runs a site called The Public Demesne, housed on Monostatos' server, which has drawn dozens of complaints. She has responded to those complaints by offering a lengthy defense of each and every posting, based on analyses of copyright doctrines ranging across the gamut. At the same time, she has voluntarily taken down all but three items; as to each of those, she mounted a full and vigorous defense. A lawsuit ensued as to those three items. After prevailing on all three counts before the district court, a divided panel of the court of appeals ruled against her on two counts (in the process forging new ground on such doctrines as constitutionality of the Uruguay Round Agreements Act, the impact of a conspiracy to infringe, and the current status of the *Winchell* doctrine). The Supreme Court denied *certiorari*. Thereafter, she posted several new matters, again drawing complaints, to which she again responded again by circling the bandwagons of higher copyright doctrine. One of the complainants from this last round has just informed Monostatos that it is now obliged to terminate Stanzy's account, given that she is a repeat infringer.

The Online Copyright Infringement Liability Limitation Act requires ISPs to adopt and reasonably implement "a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers." It must also inform "subscribers and account holders of the service provider's system or network" that it has adopted that policy.

Informing people of the policy seems straightforward. But how does one reasonably implement it? The current scenario points out difficulties in determining who is a repeat infringer. Is Phairyouze a "repeat" infringer because the case she ultimately lost involved a three-count complaint regarding three separately registered works? One could maintain that argument. Nonetheless, Monostatos can justifiably conclude that losing one case does not a "repeat infringer" make.

Monostatos can instead determine that the previous case, having been litigated to completion, makes Phairyouze a one-time infringer. The question on the table is whether the act of filing of a new complaint now renders her a recidivist.

Simple filing of the complaint does not prove that the plaintiff will prevail. In the previous case, litigation through the district court level eventuated in exoneration. But then a different result came down on appeal--one that could scarcely have been anticipated, given its unprecedented (not to mention contested) nature. Will the current complaint produce the same ultimate outcome at the court of appeals? Even if so, will the Supreme Court this time grant *certiorari*? If so, the odds are that Phairyouze will prevail.

The simple truth is that there is no way to tell who will prevail in any piece of copyright litigation--and particularly in those raising real and contested fair use issues--until the final level of review is completed. Accordingly, the only way to determine if someone is a repeat infringer is to observe that they have been held culpable of infringement on at least two occasions.

Accordingly, it is submitted that the best answer to the current puzzle is to construe Monostatos as acting justifiably to the extent that it declines to deactivate Phairyouze's account until such time as she loses the second case, in a final and permanent judgment.

Nimmer, *Puzzles of the Digital Millennium Copyright Act*, 46 J. Copyright Soc'y 401, 451-53 (1999) (footnotes omitted).

(n16)Footnote 16. See 17 U.S.C. § 501 (captioned: Infringement of Copyright).

(n17)Footnote 17. See, e.g., *Missouri v. Seibert*, 124 S. Ct. 2601, 2607 (2004) ("the *Fourteenth Amendment* secures against state invasion the same privilege that the *Fifth Amendment* guarantees against federal infringement--the right of a person to remain silent unless he chooses to speak in the unfettered exercise of his own will, and to suffer no

penalty for such silence.") (citations omitted).

(n18)Footnote 18. 17 U.S.C. § 512(l).

(n19)Footnote 19. 17 U.S.C. § 512(h)(2)(C).

(n20)Footnote 20. Cf. *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998) . (allowing suit to proceed for copyright infringement of *The Rite of Spring* in eighteen foreign countries, even though it was in the United States public domain); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) (as to pre-1972 sound recordings, upholding finding of copyright infringement under California state law).

(n21)Footnote 21. S. Rep. (DMCA), pp.51-52 (1998) (emphasis added); Commerce Rep. (DMCA), p.61 (1998) (same).

(n22)Footnote 22. See David Nimmer, *Appreciating Legislative History*, 23 *Cardozo L. Rev.* 909 (2002).

(n23)Footnote 23. See, e.g., *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 557 F. Supp. 1067, 1073 (S.D.N.Y. 1983) (over three years after complaint was filed, holding publication of April 7, 1979, issue of *The Nation* magazine to be copyright infringement), *rev'd*, 723 F.2d 195 (2d Cir. 1983) (concluding opposite), *rev'd*, 471 U.S. 539 (1985) (reaching final determination of infringement six years after publication).

(n24)Footnote 24. 17 U.S.C. § 512(f) *in fine*.

(n25)Footnote 25. For the full enumeration, see David Nimmer, *Repeat Infringers*, 52 J. Copyright Soc'y 167, 175-76, 181 n.75 (2005).

(n26)Footnote 26. 17 U.S.C. § 512(f)(1). See § 12B.08[A] *supra*.

(n27)Footnote 27. 17 U.S.C. § 512(f) *in fine*.

(n28)Footnote 28. 17 U.S.C. § 512(m)(1). See § 12B.02[B][3] *supra*.

(n29)Footnote 29. See § 12B.09[B] *supra*.

(n30)Footnote 30. See, e.g., *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1101 (W.D. Wash. 2004) ; *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146, 1176 (C.D. Cal. 2002) ; *Ellison v. Robertson*, 189 F. Supp. 2d 1051, 1065-1066 (C.D. Cal. 2002) , *rev'd on other grounds*, 357 F.3d 1072 (2004) . See also S. Rep. (DMCA), p.52; Commerce Rep. (DMCA), p.61.

(n31)Footnote 31. 213 F. Supp. 2d 1146 (C.D. Cal. 2002) .

(n32)Footnote 32. *Id.* at 1176-77 .

(n33)Footnote 33. See 213 F. Supp. 2d at 1176 n. 20 .

(n34)Footnote 34. *Id.* at 1177 (citing H. R. Rep. No. 105-551, pt.2, at 61 (1998)) (emphasis added). The district court's main thrust is that no policy should provide an incentive for a service provider to turn a "blind eye to the source of massive copyright infringement." *Id.* (emphasis original). Based on this position, the court rejected the defendants' request for summary judgment because it was not clear that the service provider had adopted or reasonably implemented a "policy directed at terminating repeat infringers." *Id.* at 1179 . Specifically, the court pointed to the fact that there was no proof that any action had been taken against individual webmasters or infringing sites that used the defendant's service, and to the fact that the defendants did not appear to have any policy in place to stop "known infringers." *Id.* at 1178-1179 (emphasis added).

(n35)Footnote 35. See § 12B.10[B][2][a] *supra*.

(n36)Footnote 36. For the full enumeration, see David Nimmer, *Repeat Infringers*, 52 J. Copyright Soc'y 167, 178-79 (2005).

(n37)Footnote 37. 17 U.S.C. §§ 512(a), 512(b)(1), 512(c)(1), 512(d).

(n38)Footnote 38. See § 12B.04[B] *supra*.

(n39)Footnote 39. See 17 U.S.C. § 512(c)(1)(A)(ii).

(n40)Footnote 40. See § 12B.10[A][2] *supra*.

(n41)Footnote 41. See § 21B.10[B][2][c] *supra*.

(n42)Footnote 42. 17 U.S.C. § 512(g)(1).

(n43)Footnote 43. In the language of the legislative history, a "red flag" is waving as to C's conduct. See § 12B.04[A][1] *supra*.

(n44)Footnote 44. Although the "red flag" standard governs those past determinations, the knowledge required as to future infringement is different. As the legislative history emphasizes, Section 512(i) is not intended to change the knowledge requirements of the rest of OCILLA. S. Rep. (DMCA), p.52; Commerce Rep. (DMCA), p.61.

(n45)Footnote 45. See § 12B.10[B][3][a] *supra*.

(n46)Footnote 46. Nonetheless, a service provider could voluntarily choose to implement a tougher policy, which treats C and D as infringers. The discussion below unveils that possibility.

(n47)Footnote 47. 17 U.S.C. § 512(c)(3)(A).

(n48)Footnote 48. One court ruled as follows:

[A]n internet service provider who receives repeat notifications that substantially comply with the requirements of § 512(c)(3)(A) about one of its clients but does not terminate its relationship with the client, has not reasonably implemented a repeat infringer policy.

Perfect 10 v. CCBill, 340 F. Supp. 2d 1077, 1088 (C.D. Cal. 2004) . That reasoning skips from "notifications of claimed infringement" under Section 512(c) to draw conclusions about "repeat infringers" for Section 512(i), without taking cognizance of the different orientations of those disparate subsections. See § 12B.10[A] *supra*. Note that the Court of Appeals reversed several aspects of the repeat infringer ruling. 488 F.3d 1102, 1109-1115 (9th Cir. 2007) .

(n49)Footnote 49. Among legions of examples, see 17 U.S.C. §§ 512(b)(2)(E), 512(c)(3)(A)(i).

(n50)Footnote 50. 17 U.S.C. § 512(i)(1)(A).

(n51)Footnote 51. See § 12B.10[A] *supra*.

(n52)Footnote 52. 17 U.S.C. § 512(g)(2)(C).

(n53)Footnote 53. See also § 12B.10[E][3] N. 118 *infra*.

(n54)Footnote 53.1. 351 F. Supp. 2d 1090, 1105 (W.D. Wash. 2004) .

(n55)Footnote 53.2. *Id. at 1105* (notwithstanding notification requirement, vendor may have legitimate fair use or other defense) (Treatise cited).

(n56)Footnote 53.3. "Although the notices have brought the listings to Amazon's attention, they did not, in themselves, provide evidence of blatant copyright infringement." *Id. at 1105* .

(n57)Footnote 53.4. *Id. at 1105 n.9* , disagreeing with *Perfect 10 v. CCBill*, 340 F. Supp. 2d 1077, 1088 (C.D. Cal. 2004) , *aff'd in part, rev'd in part*, 488 F.3d 1102, 1111 (9th Cir. 2007) .

(n58)Footnote 53.5. 351 F. Supp. 2d at 1105-1106 (emphasis added).

(n59)Footnote 54. See § 12B.07 *supra*.

(n60)Footnote 55. 17 U.S.C. § 1203(c)(4). See § 12A.13[B] *supra*.

(n61)Footnote 56. See also 17 U.S.C. § 1009(d)(2), discussed in § 8B.08[A][3][b] *supra*.

(n62)Footnote 57. Note that OCILLA itself elsewhere refers explicitly to "multiple copyrighted works at a single online site." 17 U.S.C. § 512(C)(3)(A)(ii).

(n63)Footnote 58. It is notoriously difficult to distinguish what constitutes a single "transaction." See David Nimmer, *The Double Jeopardy Clause as a Bar to Reintroducing Evidence*, 89 Yale L.J. 962 (1980). To avoid difficult line-drawing, a provider may wish to institute a formal rule, for instance, that infringements must take place as to two different works on two different days.

(n64)Footnote 59. S. Rep. (DMCA), p.52 (1998) (emphasis added); Commerce Rep. (DMCA), p.61 (same).

(n65)Footnote 60. One could take the legislative history to refer to posting a file of a yet-to-be-released movie, and then sending millions of emails inviting others to download it. Although such conduct would certainly be *flagrant*, in isolation it would not be *repeat*. Therefore, even somebody found liable for that activity would not need to be defrocked under the statutory language. We would then have an instance, not unusual for the Digital Millennium Copyright Act, of Congress failing to conform its handiwork to its intent. See David Nimmer, *Appreciating Legislative History*, 23 Cardozo L. Rev. 909, 942-43 (2002).

(n66)Footnote 61. S. Rep. (DMCA), p.52 (1998); Commerce Rep. (DMCA), p.61.

(n67)Footnote 62. See, e.g., *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146, 1176 (C.D. Cal. 2002) ; *Ellison v. Robertson*, 189 F. Supp. 2d 1051, 1065 (C.D. Cal. 2002) , *rev'd on other grounds*, 357 F.3d 1072 (2004) ; *Costar Group Inc. v. Loopnet, Inc.*, 164 F. Supp. 2d 688, 703 (D. Md. 2001) , *aff'd*, 373 F.3d 544 (4th Cir. 2004) .

(n68)Footnote 63. *Costar* 164 F. Supp. 2d at 703 (internal quotations omitted).

(n69)Footnote 64. *Id. at 703* .

(n70)Footnote 65. *Perfect 10*, 213 F. Supp. 2d at 1176 (relying on legislative history).

(n71)Footnote 65.1. 351 F. Supp. 2d 1090 (W.D. Wash. 2004) .

(n72)Footnote 65.2. *Id. at 1104-1105* (citations and footnote omitted).

(n73)Footnote 66. 17 U.S.C. § 512(i)(1)(A).

(n74)Footnote 67. Commerce Rep. (DMCA), p.61 n.3; S. Rep. (DMCA), p.52 n.24. Examples include students

who are granted access to a university's system, employees who have access to their employer's system network, and "household members with access to a consumer on-line service by virtue of a subscription agreement between the service provider and another member of that household." *Id.*

(n75)Footnote 68. Commerce Rep. (DMCA), p.61. That same language is quoted above to illuminate the separate issue of flagrant infringement. See § 12B.10[C][2] *supra*.

(n76)Footnote 69. Commerce Rep. (DMCA), p.61.

(n77)Footnote 70. The Committee adds, however, its intent not to undermine the principles of Section 512 protecting privacy, see § 12B.09[B] *infra*, or the notification strictures of Section 512, see § 12B.04[B] *infra*, "by suggesting that a provider must investigate possible infringements, monitor its service, or make difficult judgments as to whether conduct is or is not infringing." Commerce Rep. (DMCA), p.61. On monitoring, see § 12B.10[B][2][b] *supra*.

(n78)Footnote 70.1. The antipathy of ISPs to becoming the "Internet Police" has been noted previously. See § 12B.01[B][2] & N.88 *supra*. All the more problematic is empanelling ISPs to act as the "Internet Infringement Tribunal."

(n79)Footnote 71. See Chaps. 1-12 *supra*.

(n80)Footnote 72. *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1105 (W.D. Wash. 2004) (*Treatise quoted*) .

(n81)Footnote 72.1. "P2P software was not even a glimmer in anyone's eye when the DMCA was enacted." *Recording Indus. Ass'n of Am. v. Verizon Internet Servs., Inc.*, 351 F.3d 1229, 1238 (D.C. Cir. 2003) (internal citations omitted).

(n82)Footnote 73. See § 12B.05[C] *supra*.

(n83)Footnote 74. 351 F.3d 1229 (D.C. Cir. 2003) , *cert. denied*, 125 S. Ct. 309 (2004) . Moving from Section 512(i) to the previous subparagraph authorizing subpoenas, a question of statutory interpretation arose of 17 U.S.C. § 512(h). The D.C. Circuit construed that portion of the statute not to apply in the P2P context.

Infringing material obtained or distributed via P2P file sharing is located in the computer (or in an off-line storage device, such as a compact disc) of an individual user. No matter what information the copyright owner may provide, the ISP can neither "remove" nor "disable access to" the infringing material because that material is not stored on the ISP's servers. Verizon can not remove or disable one user's access to infringing material resident on another user's computer because Verizon does not control the content on its subscribers' computers.

Id. at 1235 . See § 12B.09[A] *supra*. Given that the detailed provisions at issue in Section 512(h) differ substantially from the spare language of Section 512(i) (which the opinion does not even mention), that case does not directly control here. But the opinion below did mention Section 512(i):

Here, Verizon certainly can disable access to the material by terminating the account altogether. Verizon makes clear to customers in its terms of service that the use of its network for copyright infringement is strictly forbidden, and can result in a variety of sanctions, including termination. In fact, the DMCA requires service providers, in order to obtain the various safe harbor protections, to implement "a policy that provides for termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers." 17 U.S.C. § 512(i)(1)(A). Verizon counters that terminating service is too harsh, and may prevent other family

members from having Internet service. But again, the requirement is only identification of infringing material, not actual removal or access denial. There is nothing, moreover, to prevent a family member from opening another account.

240 F. Supp. 2d 24, 34 n.5 (D.D.C. 2003) . Because the D.C. Circuit reversed, no reliance can be placed on that lower court ruling.

(n84)Footnote 75. *17 U.S.C. § 512(i)(1)(A)* (emphasis added).

(n85)Footnote 75.1. "IP address-blocking will not be effective against a user who, like most persons, does not have a permanent IP address, but is rather assigned one each time he connects to the Internet." *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, *380 F.3d 1154, 1165 n.12 (9th Cir. 2004)* , *vacated on other grounds*, *125 S. Ct. 2764, 2776 (2005)* .

(n86)Footnote 76. *17 U.S.C. § 512(i)(1)(A)*.

(n87)Footnote 77. *839 F. Supp. 1552 (M.D. Fla. 1993)* .

(n88)Footnote 78. *907 F. Supp. 1361 (N.D. Cal. 1995)* .

(n89)Footnote 79. See *§ 12B.01[A][1] supra*.

(n90)Footnote 80. H. Rep. (DMCA), p. 76.

(n91)Footnote 81. *Id.*

(n92)Footnote 82. See *907 F. Supp. at 1373-1377* .

(n93)Footnote 83. See generally Guido Calabresi, *A Common Law for the Age of Statutes* (1982).

(n94)Footnote 84. It is still possible for the common law to continue within narrow parameters. If a case proceeds against a service provider for vicarious liability or contributory infringement, like *Netcom*, and for some reason the provider does not invoke (or falls outside of) OCILLA's safe harbors, then courts in that realm could embroider on *Netcom's* standards.

(n95)Footnote 85. See *§ 12B.10[A][1] supra*.

(n96)Footnote 85.1. In addition to court-imposed standards, Internet Service Providers may define their own consequences, ranging from "suspension to termination of services, capping of bandwidth, and blocking of sites, portals, and protocols." Peter K. Yu, *The Graduated Response*, *62 Fla. L. Rev. 1373, 1374 (2010)*.

(n97)Footnote 86. See *§ 12B.10[E][1] supra*.

(n98)Footnote 87. *17 U.S.C. § 512(i)(1)(A)*.

(n99)Footnote 88. *239 F.3d 1004, 1025 (9th Cir. 2001)* (emphasis added).

(n100)Footnote 89. See *A&M Records, Inc. v. Napster, Inc.*, 2000 U.S. Dist. LEXIS 6243, *26 (N.D. Cal. May 12, 2000) .

(n101)Footnote 90. *A&M Records, Inc. v. Napster, Inc.*, *54 U.S.P.Q.2d 1746, 1746-47 (N.D. Cal. 1998)* .

(n102)Footnote 91. *Id. at 1752-1753* .

(n103)Footnote 92. *Id. at 1753* . Just because Napster was operational before February 7, 2000, is no reason that it should incur monetary liability for conduct occurring after that date, assuming that it could meet all other prerequisites of OCILLA. See § 12B.05[C] *infra* (Napster's OCILLA defense rejected for other reasons).

(n104)Footnote 93. See *Costar Group Inc. v. Loopnet, Inc.*, 164 F. Supp. 2d 688, 697 n.4 (D. Md. 2001) . Because defendant's liability was alleged to arise from plaintiff's notification, the only implicated interval in which liability could arise in *Costar* ran from the first date that plaintiff sent a notification of alleged infringement until the time defendant adopted its reasonable policy to terminate repeat infringers. *Id. at 705 n.10* .

(n105)Footnote 94. 357 F.3d 1072 (9th Cir. 2004) .

(n106)Footnote 95. *Id. at 1080* .

(n107)Footnote 96. Despite its size, AOL failed to properly invoke another feature of the statute. See § 12B.04[B][3] *supra*.

(n108)Footnote 97. *Id. at 1074* .

(n109)Footnote 98. *Id.* .

(n110)Footnote 99. *Ellison v. Robertson*, 189 F. Supp. 2d 1051, 1065 (C.D. Cal. 2002) , *rev'd*, 357 F.3d 1072 (2004) .

(n111)Footnote 100. 189 F. Supp. 2d at 1066 .

(n112)Footnote 101. *Id. at 1064* .

(n113)Footnote 102. *Id. at 1064* ("Although the text of section 512(i) could conceivably support such an interpretation, the legislative history demonstrates that Congress's intent was far more limited").

(n114)Footnote 103. See § 12B.10[B][2][b] *supra*.

(n115)Footnote 104. The court justified its ruling as follows:

As such, the "realistic threat of losing [Internet] access" that Congress wishes ISPs to impress upon would-be infringers remains just that--a mere threat--unless the ISP decides to implement procedures aimed at identifying, investigating, and remedying infringement in hopes of meeting the requirements of subsection (c)'s safe harbor. Such an arrangement makes a certain amount of sense. If subsection (i) obligated ISPs to affirmatively seek out information regarding infringement and then investigate, eradicate, and punish infringement on their networks, then most if not all of the notice and takedown requirements of the subsection (c) safe harbor would be indirectly imported and applied to subsections (a) and (b) as well. This would upset the carefully balanced, "separate function--separate safe harbor--separate requirements" architecture of the DMCA.

Id. at 1066 n.15 . In terms of mere threat, Congress actually adopted that expedient not here in OCILLA, but rather in a later amendment covering similar terrain. See § 8.15[C][2][d] *supra* (TEACH Act).

(n116)Footnote 105. 357 F.3d at 1080 .

(n117)Footnote 106. *Id. at 1080* .

(n118)Footnote 107. *Id.*

(n119)Footnote 108. *Id.*

(n120)Footnote 109. *Id.*

(n121)Footnote 110. *Id.*

(n122)Footnote 111. See, e.g., 17 U.S.C. § 512(c)(2)(A) (providers must include contact information on their website with email address of agent for receiving DMCA notices).

(n123)Footnote 112. See § 12B.10[A][1] *supra*.

(n124)Footnote 113. *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146, 1176-1177 (C.D. Cal. 2002).

The Court does not read section 512 to endorse business practices that would encourage content providers to turn a blind eye to the *source* of massive copyright infringement while continuing to knowingly profit, indirectly or not, from every single one of these same sources until a court orders the provider to terminate each individual account. * * * The Court thus views 512(i) as creating room for enforcement policies less stringent or formal than the "notice and take-down" provisions of section 512(c), but still subject to 512(i)'s "reasonably implemented" requirement. It therefore respectfully parts ways with the interpretation of 512(i) in *Ellison*, in order to maintain the "strong incentives" for service providers to prevent their services from becoming safe havens or conduits for known repeat copyright infringers, at the very least.

Id. at 1177-1178 (emphasis original).

(n125)Footnote 114. *Id.* at 1177. "Under this reading, section 512(i) is focused on infringing users, whereas 512(c) is focused primarily on the infringing material itself. This line of reasoning becomes particularly forceful when one considers the limitations on injunctive relief found in section 512(l)." *Id.* & n.21.

(n126)Footnote 115. See § 12B.10[A][1] *supra*.

(n127)Footnote 116. See § 12B.10[A][2] *supra*.

(n128)Footnote 116.1. See *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1111 (9th Cir. 2007) ("Were we to require service providers to terminate users under circumstances other than those specified in § 512(c), § 512(c)'s grant of immunity would be meaningless.").

(n129)Footnote 117. For an example, see § 12B.10[F] N. 127 *infra* (discussing aspect of *Napster* ruling).

(n130)Footnote 118. Consider that an institution of higher learning, in its role as service provider, loses its safe harbor if it has "within the preceding 3-year period, received more than 2 notifications ... of claimed infringement by such faculty member or graduate student." 17 U.S.C. § 512(e)(1)(B). A court that likes that approach could invent an obligation on non-university service providers to treat as repeat infringers anyone about whom it has received two notifications within the last three years. But that requirement reflects a legislative judgment--and, at that, one that Congress itself did not reach. See § 12B.10[B][3][b] *supra*.

(n131)Footnote 119. 17 U.S.C. § 512(i)(1)(A).

(n132)Footnote 119.1. The reference to a "good faith policy" is meant to connote that a sham policy designed to avoid compliance with the intent underlying the statute will not suffice. In all instances, the courts should simply scrutinize the policy that a service provider adopts to ensure that it is congruent with the thrust of the statute. See David

Nimmer, *Repeat Infringers*, 52 J. Copyright Soc'y 167, 193-94 (2005).

(n133)Footnote 119.2. *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1100-1101 (W.D. Wash. 2004) (citation omitted). "Given the complexities inherent in identifying and defining online copyright infringement, § 512(i) does not require a service provider to decide, *ex ante*, the specific types of conduct that will merit restricting access to its services. As Congress made clear, the DMCA was drafted with the understanding that service providers need not 'make difficult judgments as to whether conduct is or is not infringing.' " *Id. at 1101* , quoting Commerce Rep. (DMCA), p.44. Ultimately, this case vindicates Amazon's policy under the DMCA, even though it neither precisely tracked the language of the statute nor used the term "repeat infringer." *Id.*

(n134)Footnote 119.3. 351 F. Supp. 2d 1090 (W.D. Wash. 2004) .

(n135)Footnote 119.4. *Id. at 1103* .

(n136)Footnote 119.5. *Id. at 1103* .

(n137)Footnote 119.6. *Id. at 1103* .

(N138)Footnote 119.7. *Id. at 1104*

Although this type of behavior is understandably vexing for a copyright holder like Corbis, it is not clear how Posternow's efforts to sidestep Amazon's policies amount to a failure of implementation. Corbis has not alleged that Amazon intentionally allowed Posternow to open a zShops account or suggested that a more effective means of denying Posternow's access could have been implemented by Amazon.

Instead, Corbis merely asserts that Posternow's reappearance shows that the infringement policy is a failure. This argument, however, fails to pass summary judgment muster. *** An infringement policy need not be perfect; it need only be reasonably implemented. Here, Corbis has not brought forth any facts to suggest that Amazon could have used another, more effective and reasonable, method for preventing disingenuous users from re-accessing zShops. *** Corbis's silence in this regard is telling.

Id. at 1103-1104 (citations and footnote omitted).

(n139)Footnote 119.8. 488 F.3d 1102 (9th Cir. 2007) .

(n140)Footnote 119.9. *Id. at 1108* . Defendant CCBill allowed consumers to use their credit cards (or checks) "to pay for subscriptions or memberships to e-commerce venues." *Id.* Co-defendant CWIE provided webhosting and related Internet connectivity services to the owners of various websites. *Id.* ("CWIE provides 'ping, power, and pipe,' services to their clients by ensuring the 'box' or server is on").

(n141)Footnote 119.10. *Id. at 1109* . Of course, the ban on "actively prevent[ing] copyright owners from collecting information needed to issue such notifications" appears nowhere in the statute.

(n142)Footnote 119.11. *Id. at 1110* . Again, that qualification reflects nothing found in the statute itself. The opinion from which the Ninth Circuit quotes holds as follows:

The common element of [OCILLA's] safe harbors is that the service provider must do what it can reasonably be asked to do to prevent the use of its service by "repeat infringers." 17 U.S.C. § 512(i)(1)(A). Far from doing anything to discourage repeat infringers of the plaintiffs' copyrights, Aimster invited them to do so, showed them how they could do so with ease using its system, and by teaching its users how to encrypt their unlawful distribution of copyrighted materials disabled itself from

doing anything to prevent infringement.

In re Aimster Copyright Litigation, 334 F.3d 643, 655 (7th Cir. 2003), cert. denied, 540 U.S. 1107, 124 S. Ct. 1069, 157 L. Ed. 2d 893 (2004).

(n143)Footnote 119.12. 488 F.3d at 1110.

(n144)Footnote 119.13. *Id.* at 1112.

(n145)Footnote 120. *Id.* at 1111-1113. See § 12B.04[B][4][c] *supra*.

(n146)Footnote 120.1. *Id.* at 1113 ("A policy is unreasonable only if the service provider failed to respond when it had knowledge of the infringement.").

(n147)Footnote 120.2. See *Perfect 10 v. CCBill*, 340 F. Supp. 2d 1077, 1094 n.12 (C.D. Cal. 2004) (validating policy of termination after three notifications), *aff'd in part, rev'd in part*, 488 F.3d 1102, 1111 (9th Cir. 2007).

(n148)Footnote 120.3. The service provider need not, however, publicize its own internal criteria of when it will terminate users.

The statute does not suggest what criteria should be considered by a service provider, much less require the service provider to reveal its decision-making criteria to the user. Amazon need only put users on notice that they face exclusion from the service if they repeatedly violate copyright laws. Amazon has done so, and has satisfied this prong of the *Ellison* test.

Corbis Corp. v. Amazon.com, Inc., 351 F. Supp. 2d 1090, 1102 (W.D. Wash. 2004).

(n149)Footnote 121. *Id.* at 203-204.

(n150)Footnote 122. *Id.* at 204. Nonetheless, given that the caption of Section 512 as a whole is "Limitations on Liability Relating to Material Online," the opposite conclusion is also cognizable.

(n151)Footnote 123. See *Costar Group Inc. v. Loopnet, Inc.*, 164 F. Supp. 2d 688, 716-717 (D. Md. 2001), *aff'd*, 373 F.3d 544 (4th Cir. 2004). For the background, see David Nimmer, *Repeat Infringers*, 52 J. Copyright Soc'y 167, 204-05 (2005).

(n152)Footnote 124. *Id.* at 205-207.

(n153)Footnote 125. *Id.* at 209-210.

(n154)Footnote 126. *Id.* at 210-211.

(n155)Footnote 127. An early opinion in the *Napster* series addressed this issue:

If Napster is formally notified of infringing activity, it blocks the infringer's password so she cannot log on to the Napster service using that password. Napster does not block the IP addresses of infringing users, however, and the parties dispute whether it would, be feasible or effective to do so.

Plaintiffs aver that Napster wilfully turns a blind eye to the identity of its users--that is, their real names and physical addresses--because their anonymity allows Napster to disclaim responsibility for copyright infringement. Hence, plaintiffs contend, "infringers may readily reapply to the Napster system

to recommence their infringing downloading and uploading of MP3 music files." Plaintiffs' expert ... declared that he conducted tests in which he easily deleted all traces of his former Napster identity, convincing Napster that "it had never seen me or my computer before." [He] also cast doubt on Napster's contention that blocking IP addresses is not a reasonable means of terminating infringers. He noted that Napster bans the IP addresses of users who runs "bots" on the service.

A&M Records, Inc. v. Napster, Inc., 54 U.S.P.Q.2d 1746, 1753 (N.D. Cal. 1998) (citations and footnote omitted). As the litigation ultimately unfolded, it became unnecessary to resolve this wrinkle of the repeat infringers policy. See § 12B.05[C] *supra*. Still, it must be borne in mind that far more scenarios are implicated than a one-size-fits-all policy can accommodate.

Given that Congress elected not to legislate differential standards in this realm, it is inappropriate for judges to adopt the lawmaking role here. In particular, Congress chose elsewhere in Section 512 to adopt language contemplating the exclusion of IP addresses, limited to sites outside the United States. Specifically, OCILLA authorizes courts to enter injunctions restraining service providers

from providing access, by taking reasonable steps specified in the order to block access, to a specific, identified, online location outside the United States.

17 U.S.C. § 512(j)(1)(B)(ii). See § 12B.11[A][1] *supra*. By contrast, OCILLA contains no such reference to IP addresses in its repeat infringers policy.

(n156)Footnote 128. See David Nimmer, *Repeat Infringers*, 52 J. Copyright Soc'y 167, 214-16 (2005).

(n157)Footnote 129. If a Hollywood studio wins a hundred such suits but loses two in a decade, it scarcely seems to fall within Congress's contemplation as a "repeat infringer" that forever deserves to be defrocked. The language of the statute, however, could sustain such an interpretation.

Consider an inflexible policy with no latitude for the exercise of discretion: Parties with two strikes for copyright infringement at any time are excluded thereunder, with no further qualifications. Though copyright holders, such as motion picture studios, might at first blush reflexively support such a policy, a bit of deliberation suffices to debunk that reaction. For those studios themselves are the frequent targets of infringement lawsuits--indeed, the price for a successful film typically includes multiple suits brought by the "true" originator of the script (regardless of their own conflicting claims!) who has been "deliberately ripped off" by heartless Hollywood; a few of those claims actually succeed. But it only takes a few to tar each studio as a "repeat infringer" if no further thought goes into the calculus. Indeed, already by 1940, MGM had suffered two strikes for deliberate infringement, one at the Supreme Court level. A similar story applies to the other studios. As litigation has grown over the decades, the tally of adjudicated infringements as to every studio has only grown.

The language proposed above would remit a strike when evidence exists that a subscriber infringed "unintentionally or in the good faith belief that its conduct did not constitute infringement, or that the adjudicating court considered the issue of infringement to be open to divergent interpretations." Yet even that language is not enough to protect the MGMs and Foxes of the world, inasmuch as their conduct is occasionally ruled deliberate, and twice is all it takes.

What should be done? It hardly seems consonant with Congress' intent to conclude that AOL has the obligation to defrock Warner Bros. and each of its instrumentalities from all online access simply because, while turning back scores of meritless infringement claims, the studio has suffered two defeats

along the way. Accordingly, the need arises to imbue enforcement of the repeat infringers policy with room for discretion. Yet a service provider opens itself to challenge precisely at the juncture where it exercises such discretion. Acting conservatively, the provider might just tell the hapless party to ask Congress to amend the statute if it wants relief.

Dissatisfied with that mechanical answer, it strikes me as better to [require proportionality].

Id. at 216-18 (footnotes omitted).

(n158)Footnote 130. S. Rep. (DMCA), p.53; Commerce Rep. (DMCA), p.44.

(n159)Footnote 131. S. Rep. (DMCA), p.57; Commerce Rep. (DMCA), p. 48. The reference to "a 'pirate' site of the type described below" refers, in turn, to the following:

The important intended objective of this standard is to exclude sophisticated "pirate" directories--which refer Internet users to other selected Internet sites where pirate software, books, movies, and music can be downloaded or transmitted--from the safe harbor. Such pirate directories refer Internet users to sites that are obviously infringing because they typically use words such as "pirate," "bootleg," or slang terms in their uniform resource locator (URL) and header information to make their illegal purpose obvious to the pirate directories and other Internet users. Because the infringing nature of such sites would be apparent from even a brief and casual viewing, safe harbor status for a provider that views such a site and then establishes a link to it would not be appropriate.

Id.

(n160)Footnote 132. See § 12B.10[A][1] *supra*.

(n161)Footnote 133. See § 12B.10[A][2] *supra*.

(n162)Footnote 134. See § 12B.10[B][2][c] *supra*.

(n163)Footnote 135. One example of "known infringement" might unfold when a subscriber admits (or proclaims) to the service provider that she is intentionally committing copyright infringement, as a protest against the tyranny of media conglomeration. See Peter K. Yu, *The Escalating Copyright Wars*, 32 *Hofstra L. Rev.* 907, 940 (2004). Of course, even here a philosopher might find room to quibble. ("Was she drunk? Was she saying it to get back at the jilted lover who shared her account? How does the provider *really* know that *she* was the one talking, as opposed to a malevolent ventriloquist?") But for current purposes, we may brush aside those cavils.

(n164)Footnote 136. Note that the last sentence of the long excerpt from the legislative history quoted above in the text contrasts "such 'red flags' or actual knowledge." The disjunctive connotes that even a red flag is distinct from the type of actual knowledge needed to trigger the repeat infringers policy.

(n165)Footnote 137. 488 *F.3d* 1102, 1113-1115 (9th Cir. 2007) .

(n166)Footnote 138. See §§ 12B.04[A][1], 12B.05[B][1] *supra* .

DIGITAL MILLENNIUM COPYRIGHT ACT OF 1998

JULY 22, 1998.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BLILEY, from the Committee on Commerce,
submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany H.R. 2281]

[Including cost estimate of the Congressional Budget Office]

The Committee on Commerce, to whom was referred the bill (H.R. 2281) to amend title 17, United States Code, to implement the World Intellectual Property Organization Copyright Treaty and Performances and Phonograms Treaty, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Digital Millennium Copyright Act of 1998”.

SEC. 2. TABLE OF CONTENTS.

Sec. 1. Short title.
Sec. 2. Table of contents.

TITLE I—WIPO TREATIES IMPLEMENTATION

Sec. 101. Short title.
Sec. 102. Circumvention of copyright protection systems.
Sec. 103. Integrity of copyright management information.
Sec. 104. Civil remedies.
Sec. 105. Criminal offenses and penalties.
Sec. 106. Savings clause.
Sec. 107. Development and implementation of technological protection measures.
Sec. 108. Technical amendments.
Sec. 109. Effective date.

TITLE II—INTERNET COPYRIGHT INFRINGEMENT LIABILITY

Sec. 201. Short title.
Sec. 202. Limitations on liability for Internet copyright infringement.
Sec. 203. Limitations on exclusive rights; computer programs.
Sec. 204. Liability of educational institutions for online infringement of copyright.
Sec. 205. Evaluation of impact of copyright law and amendments on electronic commerce and technological development.
Sec. 206. Effective date.

TITLE III—EPHEMERAL RECORDINGS; DISTANCE EDUCATION; EXEMPTION FOR LIBRARIES AND ARCHIVES

Sec. 301. Ephemeral recordings.
Sec. 302. Limitations on exclusive rights; distance education.
Sec. 303. Exemption for libraries and archives.

TITLE IV—RELATED PROVISIONS

Sec. 401. Report by National Telecommunications and Information Administration.

TITLE I—WIPO TREATIES IMPLEMENTATION

SEC. 101. SHORT TITLE.

This title may be cited as the “WIPO Copyright Treaties Implementation Act”.

SEC. 102. CIRCUMVENTION OF COPYRIGHT PROTECTION SYSTEMS.

(a) VIOLATIONS REGARDING CIRCUMVENTION OF TECHNOLOGICAL PROTECTION MEASURES.—(1)(A) The Secretary of Commerce shall issue regulations prohibiting any person from circumventing a technological protection measure that effectively controls access to a work protected under title 17, United States Code, to the extent provided in this subsection, effective at the end of the 2-year period beginning on the date of the enactment of this Act.

(B) During the 2-year period described in subparagraph (A), and in each succeeding 2-year period, the Secretary of Commerce, in consultation with the Assistant Secretary of Commerce for Communications and Information, the Commissioner of Patents and Trademarks, and the Register of Copyrights, shall conduct a rulemaking on the record to determine whether users of copyrighted works have been, or are likely to be in the succeeding 2-year period, adversely affected by the implementation of technological protection measures that effectively control access to works protected under title 17, United States Code, in their ability to make lawful uses under title 17, United States Code, of copyrighted works. In conducting such rulemaking, the Secretary shall examine—

- (i) the availability for use of copyrighted works;
- (ii) the availability for use of works for archival, preservation, and educational purposes;
- (iii) the impact of the application of technological protection measures to copyrighted works on criticism, comment, news reporting, teaching, scholarship, or research;
- (iv) the effect of circumvention of technological protection measures on the market for or value of copyrighted works; and

- (v) such other factors as the Secretary, in consultation with the Assistant Secretary of Commerce for Communications and Information, the Commissioner of Patents and Trademarks, and the Register of Copyrights, considers appropriate.
- (C) The Secretary, with respect to each particular class of copyrighted works for which the Secretary has determined, pursuant to the rulemaking conducted under subparagraph (B), that lawful uses have been, or are likely to be, adversely affected, shall waive the applicability of the regulations issued under subparagraph (A) for the ensuing 2-year period. The determinations made in the rulemaking shall not be admissible in any action to enforce any provision of this Act other than this paragraph.
- (2) No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that—
- (A) is primarily designed or produced for the purpose of circumventing a technological protection measure that effectively controls access to a work protected under title 17, United States Code;
- (B) has only limited commercially significant purpose or use other than to circumvent a technological protection measure that effectively controls access to a work protected under title 17, United States Code; or
- (C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing a technological protection measure that effectively controls access to a work protected under title 17, United States Code.
- (3) As used in this subsection—
- (A) to “circumvent a technological protection measure” means to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological protection measure, without the authority of the copyright owner; and
- (B) a technological protection measure “effectively controls access to a work” if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work.
- (b) ADDITIONAL VIOLATIONS.—(1) No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that—
- (A) is primarily designed or produced for the purpose of circumventing protection afforded by a technological protection measure that effectively protects a right of a copyright owner under title 17, United States Code, in a work or a portion thereof;
- (B) has only limited commercially significant purpose or use other than to circumvent protection afforded by a technological protection measure that effectively protects a right of a copyright owner under title 17, United States Code, in a work or a portion thereof; or
- (C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing protection afforded by a technological protection measure that effectively protects a right of a copyright owner under title 17, United States Code, in a work or a portion thereof.
- (2) As used in this subsection—
- (A) to “circumvent protection afforded by a technological protection measure” means avoiding, bypassing, removing, deactivating, or otherwise impairing a technological protection measure; and
- (B) a technological protection measure “effectively protects a right of a copyright owner under title 17, United States Code” if the measure, in the ordinary course of its operation, prevents, restricts, or otherwise limits the exercise of a right of a copyright owner under title 17, United States Code.
- (c) OTHER RIGHTS, ETC., NOT AFFECTED.—(1) Nothing in this section shall affect rights, remedies, limitations, or defenses to copyright infringement, including fair use, under title 17, United States Code.
- (2) Nothing in this section shall enlarge or diminish vicarious or contributory liability for copyright infringement in connection with any technology, product, service, device, component, or part thereof.
- (3) Nothing in this section shall require that the design of, or design and selection of parts and components for, a consumer electronics, telecommunications, or computing product provide for a response to any particular technological protection measure.
- (4) Nothing in this section shall enlarge or diminish any rights of free speech or the press for activities using consumer electronics, telecommunications, or computing products.

(d) EXEMPTION FOR NONPROFIT LIBRARIES, ARCHIVES, AND EDUCATIONAL INSTITUTIONS.—(1) A nonprofit library, archives, or educational institution which gains access to a commercially exploited copyrighted work solely in order to make a good faith determination of whether to acquire a copy of that work for the sole purpose of engaging in conduct permitted under title 17, United States Code, shall not be in violation of the regulations issued under subsection (a)(1)(A). A copy of a work to which access has been gained under this paragraph—

(A) may not be retained longer than necessary to make such good faith determination; and

(B) may not be used for any other purpose.

(2) The exemption made available under paragraph (1) shall only apply with respect to a work when an identical copy of that work is not reasonably available in another form.

(3) A nonprofit library, archives, or educational institution that willfully for the purpose of commercial advantage or financial gain violates paragraph (1)—

(A) shall, for the first offense, be subject to the civil remedies under section 104; and

(B) shall, for repeated or subsequent offenses, in addition to the civil remedies under section 104, forfeit the exemption provided under paragraph (1).

(4) This subsection may not be used as a defense to a claim under subsection (a)(2) or (b), nor may this subsection permit a nonprofit library, archives, or educational institution to manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, component, or part thereof, which circumvents a technological protection measure.

(5) In order for a library or archives to qualify for the exemption under this subsection, the collections of that library or archives shall be—

(A) open to the public; or

(B) available not only to researchers affiliated with the library or archives or with the institution of which it is a part, but also to other persons doing research in a specialized field.

(e) LAW ENFORCEMENT AND INTELLIGENCE ACTIVITIES.—This section does not prohibit any lawfully authorized investigative, protective, or intelligence activity of an officer, agent, or employee of the United States, a State, or a political subdivision of a State, or a person acting pursuant to a contract with the United States, a State, or a political subdivision of a State.

(f) REVERSE ENGINEERING.—(1) Notwithstanding the regulations issued under subsection (a)(1)(A), a person who has lawfully obtained the right to use a copy of a computer program may circumvent a technological protection measure that effectively controls access to a particular portion of that program for the sole purpose of identifying and analyzing those elements of the program that are necessary to achieve interoperability of an independently created computer program with other programs, and that have not previously been readily available to the person engaging in the circumvention, to the extent any such acts of identification and analysis do not constitute infringement under title 17, United States Code.

(2) Notwithstanding the provisions of subsections (a)(2) and (b), a person may develop and employ technological means to circumvent a technological protection measure, or to circumvent protection afforded by a technological protection measure, in order to make the identification and analysis permitted under paragraph (1), or for the limited purpose of achieving interoperability of an independently created computer program with other programs, if such means are necessary to achieve such interoperability, to the extent that doing so does not constitute infringement under title 17, United States Code.

(3) The information acquired through the acts permitted under paragraph (1), and the means permitted under paragraph (2), may be made available to others if the person referred to in paragraph (1) or (2), as the case may be, provides such information or means solely for the purpose of achieving interoperability of an independently created computer program with other programs, and to the extent that doing so does not constitute infringement under title 17, United States Code, or violate other applicable law.

(4) For purposes of this subsection, the term “interoperability” means the ability of computer programs to exchange information, and of such programs mutually to use the information which has been exchanged.

(g) ENCRYPTION RESEARCH.—

(1) DEFINITIONS.—For purposes of this subsection—

(A) the term “encryption research” means activities necessary to identify and analyze flaws and vulnerabilities of encryption technologies applied to copyrighted works, if these activities are conducted to advance the state of

knowledge in the field of encryption technology or to assist in the development of encryption products; and

(B) the term “encryption technology” means the scrambling and descrambling of information using mathematical formulas or algorithms.

(2) PERMISSIBLE ACTS OF ENCRYPTION RESEARCH.—Notwithstanding the provisions of subsection (a)(1)(A), it is not a violation of the regulations issued under that subsection for a person to circumvent a technological protection measure as applied to a copy, phonorecord, performance, or display of a published work in the course of an act of good faith encryption research if—

(A) the person lawfully obtained the encrypted copy, phonorecord, performance, or display of the published work;

(B) such act is necessary to conduct such encryption research;

(C) the person made a good faith effort to obtain authorization before the circumvention; and

(D) such act does not constitute infringement under title 17, United States Code, or a violation of applicable law other than this section, including section 1030 of title 18, United States Code, and those provisions of title 18, United States Code, amended by the Computer Fraud and Abuse Act of 1986.

(3) FACTORS IN DETERMINING EXEMPTION.—In determining whether a person qualifies for the exemption under paragraph (2), the factors to be considered shall include—

(A) whether the information derived from the encryption research was disseminated, and if so, whether it was disseminated in a manner reasonably calculated to advance the state of knowledge or development of encryption technology, versus whether it was disseminated in a manner that facilitates infringement under title 17, United States Code, or a violation of applicable law other than this section, including a violation of privacy or breach of security;

(B) whether the person is engaged in a legitimate course of study, is employed, or is appropriately trained or experienced, in the field of encryption technology; and

(C) whether the person provides the copyright owner of the work to which the technological protection measure is applied with notice of the findings and documentation of the research, and the time when such notice is provided.

(4) USE OF TECHNOLOGICAL MEANS FOR RESEARCH ACTIVITIES.—Notwithstanding the provisions of subsection (a)(2), it is not a violation of that subsection for a person to—

(A) develop and employ technological means to circumvent a technological protection measure for the sole purpose of performing the acts of good faith encryption research described in paragraph (2); and

(B) provide the technological means to another person with whom he or she is working collaboratively for the purpose of conducting the acts of good faith encryption research described in paragraph (2) or for the purpose of having that other person verify his or her acts of good faith encryption research described in paragraph (2).

(5) REPORT TO CONGRESS.—Not later than 1 year after the date of the enactment of this Act, the Assistant Secretary of Commerce for Communications and Information shall report to the Congress on the effect this subsection has had on—

(A) encryption research and the development of encryption technology;

(B) the adequacy and effectiveness of technological protection for copyrighted works; and

(C) protection of copyright owners against the unauthorized access to their encrypted copyrighted works.

The Assistant Secretary shall include in such report recommendations, if any, on proposed amendments to this Act.

(h) COMPONENTS OR PARTS TO PREVENT ACCESS OF MINORS TO THE INTERNET.—In applying subsection (a) and the regulations issued under subsection (a)(1)(A) to a component or part, the court may consider the necessity for its intended and actual incorporation in a technology, product, service, or device, which—

(1) does not itself violate the provisions of title 17, United States Code; and

(2) has the sole purpose to prevent the access of minors to material on the Internet.

(i) PROTECTION OF PERSONALLY IDENTIFYING INFORMATION.—

(1) CIRCUMVENTION PERMITTED.—Notwithstanding the provisions of subsection (a)(1)(A), it is not a violation of the regulations issued under that sub-

section for a person to circumvent a technological protection measure that effectively controls access to a work protected under title 17, United States Code, if—

(A) the technological protection measure, or the work it protects, contains the capability of collecting or disseminating personally identifying information reflecting the online activities of a natural person who seeks to gain access to the work protected;

(B) in the normal course of its operation, the technological protection measure, or the work it protects, collects or disseminates personally identifying information about the person who seeks to gain access to the work protected, without providing conspicuous notice of such collection or dissemination to such person, and without providing such person with the capability to prevent or restrict such collection or dissemination;

(C) the act of circumvention has the sole effect of identifying and disabling the capability described in subparagraph (A), and has no other effect on the ability of any person to gain access to any work; and

(D) the act of circumvention is carried out solely for the purpose of preventing the collection or dissemination of personally identifying information about a natural person who seeks to gain access to the work protected, and is not in violation of any other law.

(2) INAPPLICABILITY TO CERTAIN TECHNOLOGICAL PROTECTION MEASURES.—

This subsection does not apply to a technological protection measure, or a work it protects, that does not collect or disseminate personally identifying information and that is disclosed to a user as not having or using such capability.

SEC. 103. INTEGRITY OF COPYRIGHT MANAGEMENT INFORMATION.

(a) FALSE COPYRIGHT MANAGEMENT INFORMATION.—No person shall knowingly and with the intent to induce, enable, facilitate, or conceal infringement—

(1) provide copyright management information that is false, or

(2) distribute or import for distribution copyright management information that is false.

(b) REMOVAL OR ALTERATION OF COPYRIGHT MANAGEMENT INFORMATION.—No person shall, without the authority of the copyright owner or the law—

(1) intentionally remove or alter any copyright management information,

(2) distribute or import for distribution copyright management information knowing that the copyright management information has been removed or altered without authority of the copyright owner or the law, or

(3) distribute, import for distribution, or publicly perform works, copies of works, or phonorecords, knowing that copyright management information has been removed or altered without authority of the copyright owner or the law, knowing, or, with respect to civil remedies under section 104, having reasonable grounds to know, that it will induce, enable, facilitate, or conceal an infringement of any right under title 17, United States Code.

(c) DEFINITIONS.—As used in this section—

(1) the terms “distribute”, “publicly perform”, “copies”, and “phonorecords” have the meanings given those terms in title 17, United States Code; and

(2) the term “copyright management information” means any of the following information conveyed in connection with copies or phonorecords of a work or performances or displays of a work, including in digital form, except that such term does not include any personally identifying information about a user of a work or of a copy, phonorecord, performance, or display of a work:

(A) The title and other information identifying the work, including the information set forth on a notice of copyright.

(B) The name of, and other identifying information about, the author of a work.

(C) The name of, and other identifying information about, the copyright owner of the work, including the information set forth in a notice of copyright.

(D) With the exception of public performances of works by radio and television broadcast stations, the name of, and other identifying information about, a performer whose performance is fixed in a work other than an audiovisual work.

(E) With the exception of public performances of works by radio and television broadcast stations, in the case of an audiovisual work, the name of, and other identifying information about, a writer, performer, or director who is credited in the audiovisual work.

(F) Terms and conditions for use of the work.

(G) Identifying numbers or symbols referring to such information or links to such information.

(H) Such other information as the Register of Copyrights may prescribe by regulation, except that the Register of Copyrights may not require the provision of any information concerning the user of a copyrighted work.

(d) **LAW ENFORCEMENT AND INTELLIGENCE ACTIVITIES.**—This section does not prohibit any lawfully authorized investigative, protective, or intelligence activity of an officer, agent, or employee of the United States, a State, or a political subdivision of a State, or a person acting pursuant to a contract with the United States, a State, or a political subdivision of a State.

(e) **LIMITATIONS ON LIABILITY.**—

(1) **ANALOG TRANSMISSIONS.**—In the case of an analog transmission, a person who is making transmissions in its capacity as a broadcast station, or as a cable system (as defined in section 602 of the Communications Act of 1934), or someone who provides programming to such station or system, shall not be liable for a violation of subsection (b) if—

(A) avoiding the activity that constitutes such violation is not technically feasible or would create an undue financial hardship on such person; and

(B) such person did not intend, by engaging in such activity, to induce, enable, facilitate, or conceal infringement of a right under title 17, United States Code.

(2) **DIGITAL TRANSMISSIONS.**—

(A) If a digital transmission standard for the placement of copyright management information for a category of works is set in a voluntary, consensus standard-setting process involving a representative cross-section of broadcast stations or cable systems and copyright owners of a category of works that are intended for public performance by such stations or systems, a person identified in paragraph (1) shall not be liable for a violation of subsection (b) with respect to the particular copyright management information addressed by such standard if—

(i) the placement of such information by someone other than such person is not in accordance with such standard; and

(ii) the activity that constitutes such violation is not intended to induce, enable, facilitate, or conceal infringement of a right under title 17, United States Code.

(B) Until a digital transmission standard has been set pursuant to subparagraph (A) with respect to the placement of copyright management information for a category of works, a person identified in paragraph (1) shall not be liable for a violation of subsection (b) with respect to such copyright management information, if the activity that constitutes such violation is not intended to induce, enable, facilitate, or conceal infringement of a right under title 17, United States Code, and if—

(i) the transmission of such information by such person would result in a perceptible visual or aural degradation of the digital signal; or

(ii) the transmission of such information by such person would conflict with—

(I) an applicable government regulation relating to transmission of information in a digital signal;

(II) an applicable industry-wide standard relating to the transmission of information in a digital signal that was adopted by a voluntary consensus standards body prior to the effective date of this title; or

(III) an applicable industry-wide standard relating to the transmission of information in a digital signal that was adopted in a voluntary, consensus standards-setting process open to participation by a representative cross-section of broadcast stations or cable systems and copyright owners of a category of works that are intended for public performance by such stations or systems.

(3) **DEFINITIONS.**—As used in this subsection—

(A) the term “broadcast station” has the meaning given that term in section 3 of the Communications Act of 1934 (47 U.S.C. 153); and

(B) the term “cable system” has the meaning given that term in section 602 of the Communications Act of 1934 (47 U.S.C. 522)).

SEC. 104. CIVIL REMEDIES.

(a) **CIVIL ACTIONS.**—Any person injured by a violation of section 102 or 103, or of any regulation issued under section 102(a)(1), may bring a civil action in an appropriate United States district court for such violation.

(b) **POWERS OF THE COURT.**—In an action brought under subsection (a), the court—

(1) may grant temporary and permanent injunctions on such terms as it deems reasonable to prevent or restrain a violation, but in no event shall impose a prior restraint on free speech or the press protected under the 1st amendment to the Constitution;

(2) at any time while an action is pending, may order the impounding, on such terms as it deems reasonable, of any device or product that is in the custody or control of the alleged violator and that the court has reasonable cause to believe was involved in a violation;

(3) may award damages under subsection (c);

(4) in its discretion may allow the recovery of costs by or against any party other than the United States or an officer thereof;

(5) in its discretion may award reasonable attorney's fees to the prevailing party; and

(6) may, as part of a final judgment or decree finding a violation, order the remedial modification or the destruction of any device or product involved in the violation that is in the custody or control of the violator or has been impounded under paragraph (2).

(c) **AWARD OF DAMAGES.**—

(1) **IN GENERAL.**—Except as otherwise provided in this title, a person committing a violation of section 102 or 103, or of any regulation issued under section 102(a)(1), is liable for either—

(A) the actual damages and any additional profits of the violator, as provided in paragraph (2), or

(B) statutory damages, as provided in paragraph (3).

(2) **ACTUAL DAMAGES.**—The court shall award to the complaining party the actual damages suffered by the party as a result of the violation, and any profits of the violator that are attributable to the violation and are not taken into account in computing the actual damages, if the complaining party elects such damages at any time before final judgment is entered.

(3) **STATUTORY DAMAGES.**—

(A) At any time before final judgment is entered, a complaining party may elect to recover an award of statutory damages for each violation of section 102, or of a regulation issued under section 102(a)(1), in the sum of not less than \$200 or more than \$2,500 per act of circumvention, device, product, component, offer, or performance of service, as the court considers just.

(B) At any time before final judgment is entered, a complaining party may elect to recover an award of statutory damages for each violation of section 103 in the sum of not less than \$2,500 or more than \$25,000.

(4) **REPEATED VIOLATIONS.**—In any case in which the injured party sustains the burden of proving, and the court finds, that a person has violated section 102 or 103, or any regulation issued under section 102(a)(1), within three years after a final judgment was entered against the person for another such violation, the court may increase the award of damages up to triple the amount that would otherwise be awarded, as the court considers just.

(5) **INNOCENT VIOLATIONS.**—

(A) **IN GENERAL.**—The court in its discretion may reduce or remit the total award of damages in any case in which the violator sustains the burden of proving, and the court finds, that the violator was not aware and had no reason to believe that its acts constituted a violation.

(B) **NONPROFIT LIBRARY, ARCHIVES, OR EDUCATIONAL INSTITUTIONS.**—In the case of a nonprofit library, archives, or educational institution, the court shall remit damages in any case in which the library, archives, or educational institution sustains the burden of proving, and the court finds, that the library, archives, or educational institution was not aware and had no reason to believe that its acts constituted a violation.

SEC. 105. CRIMINAL OFFENSES AND PENALTIES.

(a) **IN GENERAL.**—Any person who violates section 102 or 103, or any regulation issued under section 102(a)(1), willfully and for purposes of commercial advantage or private financial gain—

(1) shall be fined not more than \$500,000 or imprisoned for not more than 5 years, or both, for the first offense; and

(2) shall be fined not more than \$1,000,000 or imprisoned for not more than 10 years, or both, for any subsequent offense.

(b) LIMITATION FOR NONPROFIT LIBRARY, ARCHIVES, OR EDUCATIONAL INSTITUTION.—Subsection (a) shall not apply to a nonprofit library, archives, or educational institution.

(c) STATUTE OF LIMITATIONS.—No criminal proceeding shall be brought under this section unless such proceeding is commenced within five years after the cause of action arose.

SEC. 106. SAVINGS CLAUSE.

Nothing in this title abrogates, diminishes, or weakens the provisions of, nor provides any defense or element of mitigation in a criminal prosecution or civil action under, any Federal or State law that prevents the violation of the privacy of an individual in connection with the individual's use of the Internet.

SEC. 107. DEVELOPMENT AND IMPLEMENTATION OF TECHNOLOGICAL PROTECTION MEASURES.

(a) STATEMENT OF CONGRESSIONAL POLICY AND OBJECTIVE.—It is the sense of the Congress that technological protection measures play a crucial role in safeguarding the interests of both copyright owners and lawful users of copyrighted works in digital formats, by facilitating lawful uses of such works while protecting the private property interests of holders of rights under title 17, United States Code. Accordingly, the expeditious implementation of such measures, developed by the private sector through voluntary industry-led processes, is a key factor in realizing the full benefits of making available copyrighted works through digital networks, including the benefits set forth in this section.

(b) TECHNOLOGICAL PROTECTION MEASURES.—The technological protection measures referred to in subsection (a) shall include, but not be limited to, those which—

(1) enable nonprofit libraries, for nonprofit purposes, to continue to lend to library users copies or phonorecords that such libraries have lawfully acquired, including the lending of such copies or phonorecords in digital formats in a manner that prevents infringement;

(2) effectively protect against the infringement of exclusive rights under title 17, United States Code, and facilitate the exercise of those exclusive rights; and

(3) promote the development and implementation of diverse methods, mechanisms, and arrangements in the marketplace for making available copyrighted works in digital formats which provide opportunities for individual members of the public to make lawful uses of copyrighted works in digital formats.

(c) PROCEDURES FOR DEVELOPING AND IMPLEMENTING TECHNOLOGICAL PROTECTION MEASURES.—The technological protection measures whose development and implementation the Congress anticipates are those which—

(1) are developed pursuant to a broad consensus in an open, fair, voluntary, and multi-industry process;

(2) are made available on reasonable and nondiscriminatory terms; and

(3) do not impose substantial costs or burdens on copyright owners or on manufacturers of hardware or software used in conjunction with copyrighted works in digital formats.

(d) OVERSIGHT AND REPORTING.—(1) The Secretary of Commerce, in consultation with the Assistant Secretary of Commerce for Communications and Information and the Register of Copyrights, shall review the impact of the enactment of section 102 of this Act on the access of individual users to copyrighted works in digital formats and shall report annually thereon to the Committees on Commerce and on the Judiciary of the House of Representatives and the Committees on Commerce, Science, and Transportation and on the Judiciary of the Senate.

(2) Each report under paragraph (1) shall address the following issues:

(A) The status of the development and implementation of technological protection measures, including measures that advance the objectives of this section, and the effectiveness of technological protection measures in protecting the private property interests of copyright owners under title 17, United States Code.

(B) The degree to which individual lawful users of copyrighted works—

(i) have access to the Internet and digital networks generally;

(ii) are dependent upon such access for their use of copyrighted works;

(iii) have available to them other channels for obtaining and using copyrighted works, other than the Internet and digital networks generally;

(iv) are required to pay copyright owners or intermediaries for each lawful use of copyrighted works in digital formats to which they have access; and

(v) are able to utilize nonprofit libraries to obtain access, through borrowing without payment by the user, to copyrighted works in digital formats.

(C) The degree to which infringement of copyrighted works in digital formats is occurring.

(D) Whether and the extent to which section 102, and the regulations issued under section 102(a)(1), are asserted as a basis for liability in claims brought against persons conducting research and development, including reverse engineering of copyrighted works, and the extent to which such claims constitute a serious impediment to the development and production of competitive goods and services.

(E) The degree to which individual users of copyrighted materials in digital formats are able effectively to protect themselves against the use of technological protection measures to carry out or facilitate the undisclosed collection and dissemination of personally identifying information concerning the access to and use of such materials by such users.

(F) Such other issues as the Secretary of Commerce, in consultation with the Assistant Secretary of Commerce for Communications and Information and the Register of Copyrights, identifies as relevant to the impact of the enactment of section 102 on the access of individual users to copyrighted works in digital formats.

(3) The first report under this subsection shall be submitted not later than one year after the date of the enactment of this Act, and the last such report shall be submitted not later than three years after the date of the enactment of this Act.

(4) The reports under this subsection may include such recommendations for additional legislative action as the Secretary of Commerce and the Register of Copyrights consider advisable in order to further the objectives of this section.

SEC. 108. TECHNICAL AMENDMENTS.

(a) DEFINITIONS.—Section 101 of title 17, United States Code, is amended—

(1) by striking the definition of “Berne Convention work”;

(2) in the definition of “The ‘country of origin’ of a Berne Convention work”—
(A) by striking “The ‘country of origin’ of a Berne Convention work, for purposes of section 411, is the United States if” and inserting “For purposes of section 411, a work is a ‘United States work’ only if”;

(B) in paragraph (1)—

(i) in subparagraph (B) by striking “nation or nations adhering to the Berne Convention” and inserting “treaty party or parties”;

(ii) in subparagraph (C) by striking “does not adhere to the Berne Convention” and inserting “is not a treaty party”; and

(iii) in subparagraph (D) by striking “does not adhere to the Berne Convention” and inserting “is not a treaty party”; and

(C) in the matter following paragraph (3) by striking “For the purposes of section 411, the ‘country of origin’ of any other Berne Convention work is not the United States.”;

(3) by inserting after the definition of “fixed” the following:

“The ‘Geneva Phonograms Convention’ is the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, concluded at Geneva, Switzerland, on October 29, 1971.”;

(4) by inserting after the definition of “including” the following:

“An ‘international agreement’ is—

“(1) the Universal Copyright Convention;

“(2) the Geneva Phonograms Convention;

“(3) the Berne Convention;

“(4) the WTO Agreement;

“(5) the WIPO Copyright Treaty;

“(6) the WIPO Performances and Phonograms Treaty; and

“(7) any other copyright treaty to which the United States is a party.”;

(5) by inserting after the definition of “transmit” the following:

“A ‘treaty party’ is a country or intergovernmental organization other than the United States that is a party to an international agreement.”;

(6) by inserting after the definition of “widow” the following:

“The ‘WIPO Copyright Treaty’ is the WIPO Copyright Treaty concluded at Geneva, Switzerland, on December 20, 1996.”;

(7) by inserting after the definition of “The ‘WIPO Copyright Treaty’” the following:

“The ‘WIPO Performances and Phonograms Treaty’ is the WIPO Performances and Phonograms Treaty concluded at Geneva, Switzerland, on December 20, 1996.”; and

(8) by inserting after the definition of “work made for hire” the following:

“The terms ‘WTO Agreement’ and ‘WTO member country’ have the meanings given those terms in paragraphs (9) and (10), respectively, of section 2 of the Uruguay Round Agreements Act.”.

(b) SUBJECT MATTER OF COPYRIGHT; NATIONAL ORIGIN.—Section 104 of title 17, United States Code, is amended—

(1) in subsection (b)—

(A) in paragraph (1) by striking “foreign nation that is a party to a copyright treaty to which the United States is also a party” and inserting “treaty party”;

(B) in paragraph (2) by striking “party to the Universal Copyright Convention” and inserting “treaty party”;

(C) by redesignating paragraph (5) as paragraph (6);

(D) by redesignating paragraph (3) as paragraph (5) and inserting it after paragraph (4);

(E) by inserting after paragraph (2) the following:

“(3) the work is a sound recording that was first fixed in a treaty party; or”;

(F) in paragraph (4) by striking “Berne Convention work” and inserting “pictorial, graphic, or sculptural work that is incorporated in a building or other structure, or an architectural work that is embodied in a building and the building or structure is located in the United States or a treaty party”; and

(G) by inserting after paragraph (6), as so redesignated, the following:

“For purposes of paragraph (2), a work that is published in the United States or a treaty party within 30 days after publication in a foreign nation that is not a treaty party shall be considered to be first published in the United States or such treaty party, as the case may be.”; and

(2) by adding at the end the following new subsection:

“(d) EFFECT OF PHONOGRAMS TREATIES.—Notwithstanding the provisions of subsection (b), no works other than sound recordings shall be eligible for protection under this title solely by virtue of the adherence of the United States to the Geneva Phonograms Convention or the WIPO Performances and Phonograms Treaty.”.

(c) COPYRIGHT IN RESTORED WORKS.—Section 104A(h) of title 17, United States Code, is amended—

(1) in paragraph (1), by striking subparagraphs (A) and (B) and inserting the following:

“(A) a nation adhering to the Berne Convention;

“(B) a WTO member country;

“(C) a nation adhering to the WIPO Copyright Treaty;

“(D) a nation adhering to the WIPO Performances and Phonograms Treaty; or

“(E) subject to a Presidential proclamation under subsection (g).”;

(2) by amending paragraph (3) to read as follows:

“(3) The term ‘eligible country’ means a nation, other than the United States, that—

“(A) becomes a WTO member country after the date of the enactment of the Uruguay Round Agreements Act;

“(B) on such date of enactment is, or after such date of enactment becomes, a nation adhering to the Berne Convention;

“(C) adheres to the WIPO Copyright Treaty;

“(D) adheres to the WIPO Performances and Phonograms Treaty; or

“(E) after such date of enactment becomes subject to a proclamation under subsection (g).”;

(3) in paragraph (6)—

(A) in subparagraph (C)(iii) by striking “and” after the semicolon;

(B) at the end of subparagraph (D) by striking the period and inserting “; and”; and

(C) by adding after subparagraph (D) the following:

“(E) if the source country for the work is an eligible country solely by virtue of its adherence to the WIPO Performances and Phonograms Treaty, is a sound recording.”;

(4) in paragraph (8)(B)(i)—

(A) by inserting “of which” before “the majority”; and

(B) by striking “of eligible countries”; and

(5) by striking paragraph (9).

(d) REGISTRATION AND INFRINGEMENT ACTIONS.—Section 411(a) of title 17, United States Code, is amended in the first sentence—

(1) by striking “actions for infringement of copyright in Berne Convention works whose country of origin is not the United States and”; and

(2) by inserting “United States” after “no action for infringement of the copyright in any”.

(e) STATUTE OF LIMITATIONS.—Section 507(a) of title 17, United State Code, is amended by striking “No” and inserting “Except as expressly provided otherwise in this title, no”.

SEC. 109. EFFECTIVE DATE.

(a) IN GENERAL.—Subject to subsection (b), the amendments made by this title shall take effect on the date of the enactment of this Act.

(b) AMENDMENTS RELATING TO CERTAIN INTERNATIONAL AGREEMENTS.—(1) The following shall take effect upon the entry into force of the WIPO Copyright Treaty with respect to the United States:

(A) Paragraph (5) of the definition of “international agreement” contained in section 101 of title 17, United States Code, as amended by section 108(a)(4) of this Act.

(B) The amendment made by section 108(a)(6) of this Act.

(C) Subparagraph (C) of section 104A(h)(1) of title 17, United States Code, as amended by section 108(c)(1) of this Act.

(D) Subparagraph (C) of section 104A(h)(3) of title 17, United States Code, as amended by section 108(c)(2) of this Act.

(2) The following shall take effect upon the entry into force of the WIPO Performances and Phonograms Treaty with respect to the United States:

(A) Paragraph (6) of the definition of “international agreement” contained in section 101 of title 17, United States Code, as amended by section 108(a)(4) of this Act.

(B) The amendment made by section 108(a)(7) of this Act.

(C) The amendment made by section 108(b)(2) of this Act.

(D) Subparagraph (D) of section 104A(h)(1) of title 17, United States Code, as amended by section 108(c)(1) of this Act.

(E) Subparagraph (D) of section 104A(h)(3) of title 17, United States Code, as amended by section 108(c)(2) of this Act.

(F) The amendments made by section 108(c)(3) of this Act.

TITLE II—INTERNET COPYRIGHT INFRINGEMENT LIABILITY

SEC. 201. SHORT TITLE.

This title may be cited as the “Internet Copyright Infringement Liability Clarification Act of 1998”.

SEC. 202. LIMITATIONS ON LIABILITY FOR INTERNET COPYRIGHT INFRINGEMENT.

(a) IN GENERAL.—Chapter 5 of title 17, United States Code, is amended by adding after section 511 the following new section:

“§ 512. Liability of service providers for online infringement of copyright

“(a) DIGITAL NETWORK COMMUNICATIONS.—A service provider shall not be liable for monetary relief, or except as provided in subsection (i) for injunctive or other equitable relief, for infringement for the provider’s transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or the intermediate and transient storage of such material in the course of such transmitting, routing or providing connections, if—

“(1) it was initiated by or at the direction of a person other than the service provider;

“(2) it is carried out through an automatic technical process without selection of such material by the service provider;

“(3) the service provider does not select the recipients of such material except as an automatic response to the request of another;

“(4) no such copy of such material made by the service provider is maintained on the system or network in a manner ordinarily accessible to anyone other than anticipated recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to the anticipated recipients for a longer period than is reasonably necessary for the communication; and

“(5) the material is transmitted without modification to its content.

“(b) SYSTEM CACHING.—A service provider shall not be liable for monetary relief, or except as provided in subsection (i) for injunctive or other equitable relief, for infringement for the intermediate and temporary storage of material on the system or network controlled or operated by or for the service provider: *Provided*, That—

“(1) such material is made available online by a person other than such service provider,

“(2) such material is transmitted from the person described in paragraph (1) through such system or network to someone other than that person at the direction of such other person,

“(3) the storage is carried out through an automatic technical process for the purpose of making such material available to users of such system or network who subsequently request access to that material from the person described in paragraph (1);

Provided further, That—

“(4) such material is transmitted to such subsequent users without modification to its content from the manner in which the material otherwise was transmitted from the person described in paragraph (1);

“(5) such service provider complies with rules concerning the refreshing, reloading or other updating of such material when specified by the person making that material available online in accordance with an accepted industry standard data communications protocol for the system or network through which that person makes the material available: *Provided further*, That the rules are not used by the person described in paragraph (1) to prevent or unreasonably impair such intermediate storage;

“(6) such service provider does not interfere with the ability of technology associated with such material that returns to the person described in paragraph (1) the information that would have been available to such person if such material had been obtained by such subsequent users directly from such person: *Provided further*, That such technology—

“(A) does not significantly interfere with the performance of the provider’s system or network or with the intermediate storage of the material;

“(B) is consistent with accepted industry standard communications protocols; and

“(C) does not extract information from the provider’s system or network other than the information that would have been available to such person if such material had been accessed by such users directly from such person;

“(7) either—

“(A) the person described in paragraph (1) does not currently condition access to such material; or

“(B) if access to such material is so conditioned by such person, by a current individual pre-condition, such as a pre-condition based on payment of a fee, or provision of a password or other information, the service provider permits access to the stored material in significant part only to users of its system or network that have been so authorized and only in accordance with those conditions; and

“(8) if the person described in paragraph (1) makes that material available online without the authorization of the copyright owner, then the service provider responds expeditiously to remove, or disable access to, the material that is claimed to be infringing upon notification of claimed infringements described in subsection (c)(3): *Provided further*, That the material has previously been removed from the originating site, and the party giving the notification includes in the notification a statement confirming that such material has been removed or access to it has been disabled or ordered to be removed or have access disabled.

“(c) INFORMATION STORED ON SERVICE PROVIDERS.—

“(1) IN GENERAL.—A service provider shall not be liable for monetary relief, or except as provided in subsection (i) for injunctive or other equitable relief, for infringement for the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider—

“(A)(i) does not have actual knowledge that the material or activity is infringing,

“(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent, or

“(iii) if upon obtaining such knowledge or awareness, the service provider acts expeditiously to remove or disable access to, the material;

“(B) does not receive a financial benefit directly attributable to the infringing activity, where the service provider has the right and ability to control such activity; and

“(C) in the instance of a notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

“(2) DESIGNATED AGENT.—The limitations on liability established in this subsection apply only if the service provider has designated an agent to receive notifications of claimed infringement described in paragraph (3), by substantially making the name, address, phone number, electronic mail address of such agent, and other contact information deemed appropriate by the Register of Copyrights, available through its service, including on its website, and by providing such information to the Copyright Office. The Register of Copyrights shall maintain a current directory of agents available to the public for inspection, including through the Internet, in both electronic and hard copy formats.

“(3) ELEMENTS OF NOTIFICATION.—

“(A) To be effective under this subsection, a notification of claimed infringement means any written communication provided to the service provider’s designated agent that includes substantially the following—

“(i) a physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed;

“(ii) identification of the copyrighted work claimed to have been infringed, or, if multiple such works at a single online site are covered by a single notification, a representative list of such works at that site;

“(iii) identification of the material that is claimed to be infringing or to be the subject of infringing activity that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material;

“(iv) information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available an electronic mail address at which the complaining party may be contacted;

“(v) a statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, or its agent, or the law; and

“(vi) a statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party has the authority to enforce the owner’s rights that are claimed to be infringed.

“(B) A notification from the copyright owner or from a person authorized to act on behalf of the copyright owner that fails substantially to conform to the provisions of paragraph (3)(A) shall not be considered under paragraph (1)(A) in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent: *Provided*, That the provider promptly attempts to contact the complaining party or takes other reasonable steps to assist in the receipt of notice under paragraph (3)(A) when the notice is provided to the service provider’s designated agent and substantially satisfies the provisions of paragraphs (3)(A) (ii), (iii), and (iv).

“(d) INFORMATION LOCATION TOOLS.—A service provider shall not be liable for monetary relief, or except as provided in subsection (i) for injunctive or other equitable relief, for infringement for the provider referring or linking users to an online location containing infringing material or activity by using information location tools, including a directory, index, reference, pointer or hypertext link, if the provider—

“(1) does not have actual knowledge that the material or activity is infringing or, in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent;

“(2) does not receive a financial benefit directly attributable to the infringing activity, where the service provider has the right and ability to control such activity; and

“(3) responds expeditiously to remove or disable the reference or link upon notification of claimed infringement as described in subsection (c)(3): *Provided*, That for the purposes of this paragraph, the element in subsection (c)(3)(A)(iii) shall be identification of the reference or link, to material or activity claimed to be infringing, that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate such reference or link.

“(e) MISREPRESENTATIONS.—Any person who knowingly materially misrepresents under this section—

“(1) that material or activity is infringing, or

“(2) that material or activity was removed or disabled by mistake or misidentification,

shall be liable for any damages, including costs and attorneys’ fees, incurred by the alleged infringer, by any copyright owner or copyright owner’s authorized licensee,

or by the service provider, who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing, or in replacing the removed material or ceasing to disable access to it.

“(f) REPLACEMENT OF REMOVED OR DISABLED MATERIAL AND LIMITATION ON OTHER LIABILITY.—

“(1) Subject to paragraph (2) of this subsection, a service provider shall not be liable to any person for any claim based on the service provider’s good faith disabling of access to, or removal of, material or activity claimed to be infringing or based on facts or circumstances from which infringing activity is apparent, regardless of whether the material or activity is ultimately determined to be infringing.

“(2) Paragraph (1) of this subsection shall not apply with respect to material residing at the direction of a subscriber of the service provider on a system or network controlled or operated by or for the service provider that is removed, or to which access is disabled by the service provider pursuant to a notice provided under subsection (c)(1)(C), unless the service provider—

“(A) takes reasonable steps promptly to notify the subscriber that it has removed or disabled access to the material;

“(B) upon receipt of a counter notice as described in paragraph (3), promptly provides the person who provided the notice under subsection (c)(1)(C) with a copy of the counter notice, and informs such person that it will replace the removed material or cease disabling access to it in ten business days; and

“(C) replaces the removed material and ceases disabling access to it not less than 10, nor more than 14, business days following receipt of the counter notice, unless its designated agent first receives notice from the person who submitted the notification under subsection (c)(1)(C) that such person has filed an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the service provider’s system or network.

“(3) To be effective under this subsection, a counter notification means any written communication provided to the service provider’s designated agent that includes substantially the following:

“(A) A physical or electronic signature of the subscriber.

“(B) Identification of the material that has been removed or to which access has been disabled and the location at which such material appeared before it was removed or access was disabled.

“(C) A statement under penalty of perjury that the subscriber has a good faith belief that the material was removed or disabled as a result of mistake or misidentification of the material to be removed or disabled.

“(D) The subscriber’s name, address and telephone number, and a statement that the subscriber consents to the jurisdiction of Federal Court for the judicial district in which the address is located, or if the subscriber’s address is outside of the United States, for any judicial district in which the service provider may be found, and that the subscriber will accept service of process from the person who provided notice under subsection (c)(1)(C) or agent of such person.

“(4) A service provider’s compliance with paragraph (2) shall not subject the service provider to liability for copyright infringement with respect to the material identified in the notice provided under subsection (c)(1)(C).

“(g) IDENTIFICATION OF DIRECT INFRINGER.—The copyright owner or a person authorized to act on the owner’s behalf may request an order for release of identification of an alleged infringer by filing—

“(1) a copy of a notification described in subsection (c)(3)(A), including a proposed order, and

“(2) a sworn declaration that the purpose of the order is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of this title, with the clerk of any United States district court.

The order shall authorize and order the service provider receiving the notification to disclose expeditiously to the copyright owner or person authorized by the copyright owner information sufficient to identify the alleged direct infringer of the material described in the notification to the extent such information is available to the service provider. The order shall be expeditiously issued if the accompanying notification satisfies the provisions of subsection (c)(3)(A) and the accompanying declaration is properly executed. Upon receipt of the order, either accompanying or subsequent to the receipt of a notification described in subsection (c)(3)(A), a service provider shall expeditiously give to the copyright owner or person authorized by the

copyright owner the information required by the order, notwithstanding any other provision of law and regardless of whether the service provider responds to the notification.

“(h) CONDITIONS FOR ELIGIBILITY.—

“(1) ACCOMMODATION OF TECHNOLOGY.—The limitations on liability established by this section shall apply only if the service provider—

“(A) has adopted and reasonably implemented, and informs subscribers of the service of, a policy for the termination of subscribers of the service who are repeat infringers; and

“(B) accommodates and does not interfere with standard technical measures as defined in this subsection.

“(2) DEFINITION.—As used in this section, ‘standard technical measures’ are technical measures, used by copyright owners to identify or protect copyrighted works, that—

“(A) have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process;

“(B) are available to any person on reasonable and nondiscriminatory terms; and

“(C) do not impose substantial costs on service providers or substantial burdens on their systems or networks.

“(i) INJUNCTIONS.—The following rules shall apply in the case of any application for an injunction under section 502 against a service provider that is not subject to monetary remedies by operation of this section.

“(1) SCOPE OF RELIEF.—

“(A) With respect to conduct other than that which qualifies for the limitation on remedies as set forth in subsection (a), the court may only grant injunctive relief with respect to a service provider in one or more of the following forms—

“(i) an order restraining it from providing access to infringing material or activity residing at a particular online site on the provider’s system or network;

“(ii) an order restraining it from providing access to an identified subscriber of the service provider’s system or network who is engaging in infringing activity by terminating the specified accounts of such subscriber; or

“(iii) such other injunctive remedies as the court may consider necessary to prevent or restrain infringement of specified copyrighted material at a particular online location: *Provided*, That such remedies are the least burdensome to the service provider that are comparably effective for that purpose.

“(B) If the service provider qualifies for the limitation on remedies described in subsection (a), the court may only grant injunctive relief in one or both of the following forms—

“(i) an order restraining it from providing access to an identified subscriber of the service provider’s system or network who is using the provider’s service to engage in infringing activity by terminating the specified accounts of such subscriber; or

“(ii) an order restraining it from providing access, by taking specified reasonable steps to block access, to a specific, identified, foreign online location.

“(2) CONSIDERATIONS.—The court, in considering the relevant criteria for injunctive relief under applicable law, shall consider—

“(A) whether such an injunction, either alone or in combination with other such injunctions issued against the same service provider under this subsection, would significantly burden either the provider or the operation of the provider’s system or network;

“(B) the magnitude of the harm likely to be suffered by the copyright owner in the digital network environment if steps are not taken to prevent or restrain the infringement;

“(C) whether implementation of such an injunction would be technically feasible and effective, and would not interfere with access to noninfringing material at other online locations; and

“(D) whether other less burdensome and comparably effective means of preventing or restraining access to the infringing material are available.

“(3) NOTICE AND EX PARTE ORDERS.—Injunctive relief under this subsection shall not be available without notice to the service provider and an opportunity for such provider to appear, except for orders ensuring the preservation of evi-

dence or other orders having no material adverse effect on the operation of the service provider's communications network.

“(j) DEFINITIONS.—

“(1)(A) As used in subsection (a), the term ‘service provider’ means an entity offering the transmission, routing or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received.

“(B) As used in any other subsection of this section, the term ‘service provider’ means a provider of online services or network access, or the operator of facilities therefor, and includes an entity described in the preceding paragraph of this subsection.

“(2) As used in this section, the term ‘monetary relief’ means damages, costs, attorneys’ fees, and any other form of monetary payment.

“(k) 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.

“(l) PROTECTION OF PRIVACY.—Nothing in this section shall be construed to condition the applicability of subsections (a) through (d) on—

“(1) a service provider monitoring its service or affirmatively seeking facts indicating infringing activity except to the extent consistent with a standard technical measure complying with the provisions of subsection (h); or

“(2) a service provider accessing, removing, or disabling access to material where such conduct is prohibited by law.

“(m) RULE OF CONSTRUCTION.—Subsections (a), (b), (c), and (d) are intended to describe separate and distinct functions for purposes of analysis under this section. Whether a service provider qualifies for the limitation on liability in any one such subsection shall be based solely on the criteria in each such subsection and shall not affect a determination of whether such service provider qualifies for the limitations on liability under any other such subsection.”.

(b) CONFORMING AMENDMENT.—The table of sections for chapter 5 of title 17, United States Code, is amended by adding at the end the following:

“512. Liability of service providers for online infringement of copyright.”.

SEC. 203. LIMITATIONS ON EXCLUSIVE RIGHTS; COMPUTER PROGRAMS.

Section 117 of title 17, United States Code, is amended—

(1) by striking “Notwithstanding” and inserting the following:

“(a) MAKING OF ADDITIONAL COPY OR ADAPTATION BY OWNER OF COPY.—Notwithstanding”;

(2) by striking “Any exact” and inserting the following:

“(b) LEASE, SALE, OR OTHER TRANSFER OF ADDITIONAL COPY OR ADAPTATION.—Any exact”; and

(3) by adding at the end the following:

“(c) MACHINE MAINTENANCE OR REPAIR.—Notwithstanding the provisions of section 106, it is not an infringement for the owner or lessee of a machine to make or authorize the making of a copy of a computer program if such copy is made solely by virtue of the activation of a machine that lawfully contains an authorized copy of the computer program, for purposes only of maintenance or repair of that machine, if—

“(1) such new copy is used in no other manner and is destroyed immediately after the maintenance or repair is completed; and

“(2) with respect to any computer program or part thereof that is not necessary for that machine to be activated, such program or part thereof is not accessed or used other than to make such new copy by virtue of the activation of the machine.

“(d) DEFINITIONS.—For purposes of this section—

“(1) the ‘maintenance’ of a machine is the servicing of the machine in order to make it work in accordance with its original specifications and any changes to those specifications authorized for that machine; and

“(2) the ‘repair’ of a machine is the restoring of the machine to the state of working in accordance with its original specifications and any changes to those specifications authorized for that machine.”.

SEC. 204. LIABILITY OF EDUCATIONAL INSTITUTIONS FOR ONLINE INFRINGEMENT OF COPYRIGHT.

(a) RECOMMENDATIONS BY REGISTER OF COPYRIGHTS.—Not later than six months after the date of the enactment of this Act, the Register of Copyrights, after con-

sultation with representatives of copyright owners and nonprofit educational institutions, shall submit to the Congress recommendations regarding the liability of nonprofit educational institutions for copyright infringement committed with the use of computer systems for which such an institution is a service provider, as that term is defined in section 512 of title 17, United States Code (as added by section 202 of this Act), including recommendations for legislation that the Register of Copyrights considers appropriate regarding such liability, if any.

(b) FACTORS.—In formulating recommendations under subsection (a), the Register of Copyrights shall consider, where relevant—

(1) current law regarding the direct, vicarious, and contributory liability of nonprofit educational institutions for infringement by faculty, administrative employees, students, graduate students, and students who are employees of such nonprofit educational institutions;

(2) other users of their computer systems for whom nonprofit educational institutions may be responsible;

(3) the unique nature of the relationship between nonprofit educational institutions and faculty;

(4) what policies nonprofit educational institutions should adopt regarding copyright infringement by users of their computer systems;

(5) what technological measures are available to monitor infringing uses;

(6) what monitoring of their computer systems by nonprofit educational institutions is appropriate;

(7) what due process nonprofit educational institutions should afford in disabling access by users of their computer systems who are alleged to have committed copyright infringement;

(8) what distinctions, if any, should be drawn between computer systems which may be accessed from outside the nonprofit educational systems, those which may not, and combinations thereof;

(9) the tradition of academic freedom; and

(10) such other issues relating to the liability of nonprofit educational institutions for copyright infringement committed with the use of computer systems for which such an institution is a service provider that the Register considers appropriate.

SEC. 205. EVALUATION OF IMPACT OF COPYRIGHT LAW AND AMENDMENTS ON ELECTRONIC COMMERCE AND TECHNOLOGICAL DEVELOPMENT.

(a) FINDINGS.—In order to maintain strong protection for intellectual property and promote the development of electronic commerce and the technologies to support that commerce, the Congress must have accurate and current information on the effects of intellectual property protection on electronic commerce and technology. The emergence of digital technology and the proliferation of copyrighted works in digital media, along with the amendments to copyright law contained in this Act, make it appropriate for the Congress to review these issues to ensure that neither copyright law nor electronic commerce inhibits the development of the other.

(b) EVALUATION BY SECRETARY OF COMMERCE.—The Secretary of Commerce, in consultation with the Assistant Secretary of Commerce for Communications and Information and the Register of Copyrights, shall evaluate—

(1) the effects of this Act and the amendments made by this Act on the development of electronic commerce and associated technology; and

(2) the relationship between existing and emergent technology and existing copyright law.

(c) REPORT TO CONGRESS.—The Secretary of Commerce shall, not later than 1 year after the date of the enactment of this Act, submit to the Congress a report on the evaluation conducted under subsection (b), including any legislative recommendations the Secretary may have.

SEC. 206. EFFECTIVE DATE.

This title and the amendments made by this title shall take effect on the date of the enactment of this Act.

TITLE III—EPHEMERAL RECORDINGS; DISTANCE EDUCATION; EXEMPTION FOR LIBRARIES AND ARCHIVES

SEC. 301. EPHEMERAL RECORDINGS.

Section 112(a) of title 17, United States Code, is amended—

- (1) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively;
- (2) by inserting “(1)” after “(a)”; and
- (3) by inserting after “114(a),” the following: “or for a transmitting organization that is a broadcast radio or television station licensed as such by the Federal Communications Commission that broadcasts a performance of a sound recording in a digital format on a nonsubscription basis,”; and
- (4) by adding at the end the following:

“(2) In a case in which a transmitting organization entitled to make a copy or phonorecord under paragraph (1) in connection with the transmission to the public of a performance or display of a work described in that paragraph is prevented from making such copy or phonorecord by reason of the application by the copyright owner of technical measures that prevent the reproduction of the work, the copyright owner shall make available to the transmitting organization the necessary means for permitting the making of such copy or phonorecord within the meaning of that paragraph, if it is technologically feasible and economically reasonable for the copyright owner to do so. If the copyright owner fails to do so in a timely manner in light of the transmitting organization’s reasonable business requirements, the transmitting organization shall not be liable for a violation of the regulations issued under section 102(a)(1)(A) of the WIPO Copyright Treaties Implementation Act for engaging in such activities as are necessary to make such copies or phonorecords as permitted under paragraph (1) of this subsection.”

SEC. 302. LIMITATIONS ON EXCLUSIVE RIGHTS; DISTANCE EDUCATION.

(a) **RECOMMENDATIONS BY NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION.**—Not later than 6 months after the date of the enactment of this Act, the Assistant Secretary of Commerce for Communications and Information, after consultation with representatives of copyright owners, nonprofit educational institutions, and nonprofit libraries and archives, shall submit to the Congress recommendations on how to promote distance education through digital technologies, including interactive digital networks, while maintaining an appropriate balance between the rights of copyright owners and the needs of users of copyrighted works. Such recommendations shall include any legislation the Assistant Secretary considers appropriate to achieve the foregoing objective.

(b) **FACTORS.**—In formulating recommendations under subsection (a), the Assistant Secretary of Commerce for Communications and Information shall consider—

- (1) the need for an exemption from exclusive rights of copyright owners for distance education through digital networks;
- (2) the categories of works to be included under any distance education exemption;
- (3) the extent of appropriate quantitative limitations on the portions of works that may be used under any distance education exemption;
- (4) the parties who should be entitled to the benefits of any distance education exemption;
- (5) the parties who should be designated as eligible recipients of distance education materials under any distance education exemption;
- (6) whether and what types of technological measures can or should be employed to safeguard against unauthorized access to, and use or retention of, copyrighted materials as a condition to eligibility for any distance education exemption, including, in light of developing technological capabilities, the exemption set out in section 110(2) of title 17, United States Code;
- (7) the extent to which the availability of licenses for the use of copyrighted works in distance education through interactive digital networks should be considered in assessing eligibility for any distance education exemption; and
- (8) such other issues relating to distance education through interactive digital networks that the Assistant Secretary considers appropriate.

SEC. 303. EXEMPTION FOR LIBRARIES AND ARCHIVES.

Section 108 of title 17, United States Code, is amended—

- (1) in subsection (a)—
 - (A) by striking “Notwithstanding” and inserting “Except as otherwise provided in this title and notwithstanding”;
 - (B) by inserting after “no more than one copy or phonorecord of a work” the following: “, except as provided in subsections (b) and (c)”;
 - (C) in paragraph (3) by inserting after “copyright” the following: “that appears on the copy or phonorecord that is reproduced under the provisions of this section, or includes a legend stating that the work may be protected by copyright if no such notice can be found on the copy or phonorecord that is reproduced under the provisions of this section”;

- (2) in subsection (b)—
 - (A) by striking “a copy or phonorecord” and inserting “three copies or phonorecords”;
 - (B) by striking “in facsimile form”; and
 - (C) by striking “if the copy or phonorecord reproduced is currently in the collections of the library or archives.” and inserting “if—
 - “(1) the copy or phonorecord reproduced is currently in the collections of the library or archives; and
 - “(2) any such copy or phonorecord that is reproduced in digital format is not otherwise distributed in that format and is not made available to the public in that format outside the premises of the library or archives.”; and
 - (3) in subsection (c)—
 - (A) by striking “a copy or phonorecord” and inserting “three copies or phonorecords”;
 - (B) by striking “in facsimile form”;
 - (C) by inserting “or if the existing format in which the work is stored has become obsolete,” after “stolen,”; and
 - (D) by striking “if the library or archives has, after a reasonable effort, determined that an unused replacement cannot be obtained at a fair price.” and inserting “if—
 - “(1) the library or archives has, after a reasonable effort, determined that an unused replacement cannot be obtained at a fair price; and
 - “(2) any such copy or phonorecord that is reproduced in digital format is not made available to the public in that format except for use on the premises of the library or archives in lawful possession of such copy.”; and
 - (E) by adding at the end the following:
- “For purposes of this subsection, a format shall be considered obsolete if the machine or device necessary to render perceptible a work stored in that format is no longer manufactured or is no longer reasonably available in the commercial marketplace.”.

TITLE IV—RELATED PROVISIONS

SEC. 401. REPORT BY NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION.

Not later than 6 months after the date of the enactment of this Act, the Assistant Secretary of Commerce for Communications and Information shall report to the Congress on appropriate mechanisms to encourage the development of access protocols, encryption testing methods, and security testing methods which would allow lawful access to, with appropriate safeguards to prevent the unlawful copying of, encrypted works. The Assistant Secretary shall include in such report recommendations on proposed amendments to this Act, if any, for achieving such result and for mechanisms to ensure that such safeguards—

- (1) would be developed pursuant to a broad consensus of copyright owners and cryptographic researchers and security administrators in an open, fair, voluntary standards-setting process;
- (2) to the extent feasible, would protect copyright owners against the unauthorized distribution or reproduction of their encrypted works; and
- (3) would not limit encryption research, to the extent such research is permitted by law as of the enactment of this Act.

PURPOSE AND SUMMARY

The purpose of H.R. 2281, the Digital Millennium Copyright Act of 1998, is to implement two international treaties (i.e., the “Copyright Treaty,” and the “Performances and Phonograms Treaty”) signed by the United States and more than 125 other countries before the World Intellectual Property Organization (WIPO). The Clinton Administration’s WIPO Treaties implementing legislation would have amended Title 17 of the United States Code to grant copyright owners a new right against “circumvention” of “technological protection measures,” and to establish new provisions dealing with the integrity of “copyright management information.” As reported by the Committee on the Judiciary, H.R. 2281 included

two titles: Title I would implement the two WIPO treaties; and Title II would provide for limitations on copyright infringement liability for on-line and other service providers.

Title I of H.R. 2281, as reported by the Committee on Commerce, also would implement the WIPO treaties, but through free-standing provisions of law rather than as amendments to Title 17. Title II, as amended by the Committee on Commerce, includes comprehensive provisions addressing copyright infringement liability for on-line and other service providers. Title III, as added by the Committee on Commerce, would address ephemeral recordings, the use of computer and other networks to foster distance learning, and exemptions for libraries and archives to permit them to use the latest technology to preserve deteriorating manuscripts and other works. With these proposed revisions, the Committee believes it has appropriately balanced the interests of content owners, on-line and other service providers, and information users in a way that will foster the continued development of electronic commerce and the growth of the Internet.

BACKGROUND AND NEED FOR LEGISLATION

LEGISLATIVE HISTORY

Much like the agricultural and industrial revolutions that preceded it, the digital revolution has unleashed a wave of economic prosperity and job growth. Today, the information technology industry is developing versatile and robust products to enhance the lives of individuals throughout the world, and our telecommunications industry is developing new means of distributing information to these consumers in every part of the globe. In this environment, the development of new laws and regulations will have a profound impact on the growth of electronic commerce and the Internet.

In recognition of these developments, and as part of the effort to begin updating national laws for the digital era, delegates from over 150 countries (including the United States) convened in December 1996 to negotiate the Copyright Treaty and the Performances and Phonograms Treaty under the auspices of the World Intellectual Property Organization (WIPO). In July 1997, the Clinton Administration submitted the treaties to the Senate for ratification and submitted proposed implementing legislation to both the House and the Senate.

On May 22, 1998, the Committee on the Judiciary reported H.R. 2281, the "WIPO Copyright Treaties Implementation Act" to the House. H.R. 2281 was sequentially referred to the Committee on Commerce for its consideration, initially for a period not to extend beyond June 19, 1998. Meanwhile, on May 14, 1998, the Senate adopted S. 2037, the "Digital Millennium Copyright Act." The Senate included provisions to explicitly authorize reverse engineering for purposes of achieving interoperability between computer products. The Senate also added a provision to ensure that librarians and archivists could use the latest technology to preserve deteriorating manuscripts and other works. It also added a so-called "no mandate" provision with respect to the design of consumer electronics, telecommunications, and computer products.

On June 5, 1998, the Subcommittee on Telecommunications, Trade, and Consumer Protection held a legislative hearing on H.R. 2281. The Committee had been advised that both H.R. 2281, as reported by the Committee on the Judiciary, and S. 2037, as passed by the Senate, were “compromises” that enjoyed “broad support.” But it became apparent at the hearing that both bills faced significant opposition from many private and public sector interests, including libraries, institutions of higher learning, consumer electronics and computer product manufacturers, and others with a vital stake in the growth of electronic commerce and the Internet. In light of the serious concerns raised at the hearing, and in recognition of the complexity of the issues posed by the legislation, Chairman Bliley requested that the Committee’s referral be further extended. The Committee’s referral was subsequently extended, for a period not to extend beyond July 22, 1998.

PROMOTING ELECTRONIC COMMERCE

The Committee on Commerce is in the midst of a wide-ranging review of all issues relating to electronic commerce, including the issues raised by this legislation. The growth of electronic commerce is having a profound impact on the nation’s economy. Over the past decade, the information technology sector of our economy has grown rapidly and is seen by many as playing a leading role in the current economic expansion. According to *The Emerging Digital Economy*, a recent Department of Commerce report on electronic commerce, the information technology sector now constitutes 8.2 percent of the Nation’s gross domestic product, up from 4.5 percent in 1985. At the end of 1997, approximately 7.4 million Americans were employed in this field. It is expected that estimates of the total value of economic activity conducted electronically in 2002 will range from \$200 billion to more than \$500 billion, compared to just \$2.6 billion in 1996.

H.R. 2281 is one of the most important pieces of legislation affecting electronic commerce that the 105th Congress will consider. It establishes a wide range of rules that will govern not only copyright owners in the marketplace for electronic commerce, but also consumers, manufacturers, distributors, libraries, educators, and on-line service providers. H.R. 2281, in other words, is about much more than intellectual property. It defines whether consumers and businesses may engage in certain conduct, or use certain devices, in the course of transacting electronic commerce. Indeed, many of these rules may determine the extent to which electronic commerce realizes its potential.

The Committee on Commerce’s role in considering this legislation is therefore critical. The Committee has a long-standing interest in addressing all issues relating to interstate and foreign commerce, including commerce transacted over all electronic mediums, such as the Internet, and regulation of interstate and foreign communications. This legislation implicates each of those interests in numerous ways.

UNDERSTANDING THE NEXUS BETWEEN ELECTRONIC COMMERCE AND
INTELLECTUAL PROPERTY

The debate on this legislation highlighted two important priorities: promoting the continued growth and development of electronic commerce; and protecting intellectual property rights. These goals are mutually supportive. A thriving electronic marketplace provides new and powerful ways for the creators of intellectual property to make their works available to legitimate consumers in the digital environment. And a plentiful supply of intellectual property—whether in the form of software, music, movies, literature, or other works—drives the demand for a more flexible and efficient electronic marketplace.

As electronic commerce and the laws governing intellectual property (especially copyright laws) change, the relationship between them may change as well. To ensure that Congress continues to enact policies that promote both of the above goals, it is important to have current information about the effects of these changes. For example, many new technologies for distributing real-time audio and video through the Internet function by storing small parts of copyrighted works in the memory of the recipient's computer. This technology is increasingly commonplace, but some providers of the technology are concerned that the making of these transient copies may subject them or their customers to liability under current copyright law. In another example, an increasing number of intellectual property works are being distributed using a "client-server" model, where the work is effectively "borrowed" by the user (e.g., infrequent users of expensive software purchase a certain number of uses, or viewers watch a movie on a pay-per-view basis). To operate in this environment, content providers will need both the technology to make new uses possible and the legal framework to ensure they can protect their work from piracy.

The Committee on Commerce believes it is important to more precisely define the relationship between intellectual property and electronic commerce, and to understand the practical implications of this relationship on the development of technology to be used in promoting electronic commerce. To that end, the Committee adopted an amendment that directs the Secretary of Commerce (the Secretary) to report on the effects of this legislation on the development of electronic commerce and the relationship between technology and copyright law. In the course of preparing the report, the Secretary is directed to consult with both the Assistant Secretary of Commerce for Communications and Information (given the Assistant Secretary's expertise in the area of telecommunications and information services and technologies) and the Register of Copyrights (given the Register's expertise in the field of copyright).

PROHIBITING CERTAIN DEVICES

H.R. 2281, as reported by the Committee on the Judiciary, would regulate—in the name of copyright law—the manufacture and sale of devices that can be used to improperly circumvent technological protection measures. The Committee on Commerce adopted an amendment that moves the anti-circumvention provisions out of Title 17 and establishes them as free-standing provisions of law.

The Committee believes that this is the most appropriate way to implement the treaties, in large part because these regulatory provisions have little, if anything, to do with copyright law. The anti-circumvention provisions (and the accompanying penalty provisions for violations of them) would be separate from, and cumulative to, the existing claims available to copyright owners. In the Committee's judgment, it therefore is more appropriate to implement the treaties through free-standing provisions of law rather than codifying them in Title 17.

Article 1, Section 8, Clause 8 of the United States Constitution authorizes the Congress to promulgate laws governing the scope of proprietary rights in, and use privileges with respect to, intangible "works of authorship." As set forth in the Constitution, the fundamental goal is "[t]o promote the Progress of Science and useful Arts. * * *." In the more than 200 years since enactment of the first Federal copyright law in 1790, the maintenance of this balance has contributed significantly to the growth of markets for works of the imagination as well as the industries that use such works.

Congress has historically advanced this constitutional objective by regulating the use of information—not the devices or means by which the information is delivered or used by information consumers—and by ensuring an appropriate balance between the interests of copyright owners and information users. For example, Section 106 of the Copyright Act (17 U.S.C. § 106) establishes certain rights copyright owners have in their works, including limitations on the use of these works without their authorization. Likewise, Sections 107 through 121 of the Copyright Act (17 U.S.C. §§ 107–121) set forth the circumstances in which such uses will be deemed permissible, or otherwise lawful even though unauthorized. And Sections 501 through 511, as well as Section 602 of the Copyright Act (17 U.S.C. §§ 501–511, 602) specify rights of action for copyright infringement, and prescribe penalties in connection with those actions.

In general, all of these provisions are technology neutral. They do not regulate commerce in information technology, i.e., products and devices for transmitting, storing, and using information. Instead, they prohibit certain actions and create exceptions to permit certain conduct deemed to be in the greater public interest, all in a way that balances the interests of copyright owners and users of copyrighted works. In a September 16, 1997, letter to Congress, 62 copyright law professors expressed their concern about the implications of regulating devices in the name of copyright law. They said in relevant part:

Although [they] would be codified in Title 17, [the anti-circumvention provisions] would not be an ordinary copyright provision; liability under the section would result from conduct separate and independent from any act of copyright infringement or any intent to promote infringement. Thus, enactment of [the anti-circumvention provisions] would represent an unprecedented departure into the zone of what might be called paracopyright—an uncharted new domain of legislative provisions designed to strengthen copyright protection by regulating conduct

which traditionally has fallen outside the regulatory sphere of intellectual property law.

While the Committee on Commerce agrees with these distinguished professors, the Committee also recognizes that the digital environment poses a unique threat to the rights of copyright owners, and as such, necessitates protection against devices that undermine copyright interests. In contrast to the analog experience, digital technology enables pirates to reproduce and distribute perfect copies of works—at virtually no cost at all to the pirate. As technology advances, so must our laws. The Committee thus seeks to protect the interests of copyright owners in the digital environment, while ensuring that copyright law remain technology neutral. Hence, the Committee has removed the anti-circumvention provisions from Title 17, and established them as free-standing provisions of law.

FAIR USE IN THE DIGITAL ENVIRONMENT

H.R. 2281, as reported by the Committee on the Judiciary, provided that “[n]o person shall circumvent a technological protection measure that effectively controls access to a work protected under Title 17, United States Code.” The Committee on Commerce devoted substantial time and resources to analyzing the implications of this broad prohibition on the traditional principle of “fair use.” A recent editorial by the Richmond Times-Dispatch succinctly states the Committee’s dilemma:

Copyrights traditionally have permitted public access while protecting intellectual property. The U.S. approach—known as “fair use”—benefits consumers and creators. A computer revolution that has increased access to information also creates opportunities for the holders of copyrights to impose fees for, among other things, research and the use of excerpts from published works. And digital technology—whatever that means—could be exploited to erode fair use.¹

The principle of fair use involves a balancing process, whereby the exclusive interests of copyright owners are balanced against the competing needs of users of information. This balance is deeply embedded in the long history of copyright law. On the one hand, copyright law for centuries has sought to ensure that authors reap the rewards of their efforts and, at the same time, advance human knowledge through education and access to society’s storehouse of knowledge on the other. This critical balance is now embodied in Section 106 of the Copyright Act (17 U.S.C. § 106), which grants copyright holders a “bundle” of enumerated rights, and in Section 107, which codifies the “fair use” doctrine. Under the Copyright Act, “fair use” may be made of a copyrighted work “for purposes such as criticism, comment, news reporting, teaching * * * scholarship or research” under certain circumstances without the permission of the author.

Fair use, thus, provides the basis for many of the most important day-to-day activities in libraries, as well as in scholarship and edu-

¹ Fair Use, Richmond Times-Dispatch, July 13, 1998, at A-6.

cation. It also is critical to advancing the personal interests of consumers. Moreover, as many testified before the Committee, it is no less vital to American industries, which lead the world in technological innovation. As more and more industries migrate to electronic commerce, fair use becomes critical to promoting a robust electronic marketplace. The Committee on Commerce is in the midst of a wide-ranging review of all issues relating to electronic commerce, including the issues raised by this legislation. The digital environment forces this Committee to understand and, where necessary, modernize the rules of commerce as they apply to a digital environment—including the rules that ensure that consumers have a stake in the growth in electronic commerce.

The Committee was therefore concerned to hear from many private and public interests that H.R. 2281, as reported by the Committee on the Judiciary, would undermine Congress' long-standing commitment to the concept of fair use. A June 4, 1998, letter to the Committee from the Consumers' Union is representative of the concerns raised by the fair use community in reaction to H.R. 2281, as reported by the Committee on the Judiciary. The letter states in part:

These newly-created rights will dramatically diminish public access to information, reducing the ability of researchers, authors, critics, scholars, teachers, students, and consumers to find, to quote for publication and otherwise make fair use of them. It would be ironic if the great popularization of access to information, which is the promise of the electronic age, will be short-changed by legislation that purports to promote this promise, but in reality puts a monopoly stranglehold on information.

The Committee on Commerce felt compelled to address these risks, including the risk that enactment of the bill could establish the legal framework that would inexorably create a "pay-per-use" society. At the same time, however, the Committee was mindful of the need to honor the United States' commitment to effectively implement the two WIPO treaties, as well as the fact that fair use principles certainly should not be extended beyond their current formulation. The Committee has struck a balance that is now embodied in Section 102(a)(1) of the bill, as reported by the Committee on Commerce. The Committee has endeavored to specify, with as much clarity as possible, how the right against anti-circumvention would be qualified to maintain balance between the interests of content creators and information users. The Committee considers it particularly important to ensure that the concept of fair use remains firmly established in the law. Consistent with the United States' commitment to implement the two WIPO treaties, H.R. 2281, as reported by the Committee on Commerce, fully respects and extends into the digital environment the bedrock principle of "balance" in American intellectual property law for the benefit of both copyright owners and users.

PROMOTING ENCRYPTION RESEARCH

H.R. 2281, as reported by the Committee on the Judiciary, provided no exception for the field of encryption research to the bill's

broad prohibition against the circumvention of technological protection measures. Recognizing the importance of the field of encryption research to electronic commerce, the Committee on Commerce crafted a provision that provides for an exception to the bill's anti-circumvention provisions.

The effectiveness of technological protection measures to prevent theft of works depends, in large part, on the rapid and dynamic development of better technologies, including encryption-based technological protection measures. The development of encryption sciences requires, in part, ongoing research and testing activities by scientists of existing encryption methods, in order to build on those advances, thus promoting and advancing encryption technology generally. This testing could involve attempts to circumvent or defeat encryption systems for the purpose of detecting flaws and learning how to develop more impregnable systems. The goals of this legislation would be poorly served if these provisions had the undesirable and unintended consequence of chilling legitimate research activities in the area of encryption.

In many cases, flaws in cryptography occur when an encryption system is actually applied. Research of such programs as applied is important both for the advancement of the field of encryption and for consumer protection. Electronic commerce will flourish only if legitimate encryption researchers discover, and correct, the flaws in encryption systems before illegitimate hackers discover and exploit these flaws. Accordingly, the Committee has fashioned an affirmative defense to permit legitimate encryption research.

PROTECTING PERSONAL PRIVACY IN THE DIGITAL ENVIRONMENT

H.R. 2281, as reported by the Committee on the Judiciary, contains numerous protections to protect the rights of copyright owners to ensure that they feel secure in releasing their works in a digital, on-line environment. The Committee on Commerce, however, believes that in reaching to protect the rights of copyright owners, Congress need not encroach upon the privacy interests of consumers.

Digital technology is robust and versatile enough that it can surreptitiously gather consumers' personal information, and do so through the use of software that is protected, or "cloaked," by a technological protection measure. And to the extent a consumer seeks to disable the gathering of such information, he or she may unwittingly violate the provisions of this bill. The Committee regards this as an extreme result, and believes that consumers must be accorded certain rights to protect their personal privacy.

The Committee on Commerce adopted an amendment to strike a balance between the interests of copyright owners and the personal privacy of consumers. The amendment deals with the critical issue of privacy by creating a marketplace incentive for copyright owners to deal "above board" with consumers on personal data gathering practices. Indeed, the copyright community itself has expressed a strong desire to give consumers comfort in knowing that their personal privacy is being protected. The Committee views consumer confidence as critical to promoting a robust and reliable marketplace for electronic commerce. Once consumers are confident that their personal privacy is protected, this should all but eliminate the

need for consumers to circumvent technological protection measures for the purpose of protecting their privacy. Copyright owners can help consumers to realize confidence in the digital environment by disclosing personal data gathering practices.

HEARINGS

The Subcommittee on Telecommunications, Trade, and Consumer Protection held a hearing on H.R. 2281 on June 5, 1998. The Subcommittee received testimony from: Mr. Marc Rotenberg, Director, Electronic Privacy Information Center; Mr. Gary Shapiro, President, Consumer Electronics Manufacturers Association; Mr. Jonathan Callas, Chief Technology Officer, Network Associates, Inc.; Mr. Chris Bryne, Director of Intellectual Property, Silicon Graphics, Inc., representing Information Technology Industry Council; Mr. Robert Holleyman, CEO, Business Software Alliance; Ms. Hilary Rosen, President and CEO, Recording Industry Association of America; Mr. Walter H. Hinton, Vice President, Strategy and Marketing, Storage Technology Corp.; Mr. George Vradenburg, III, Senior Vice President and General Counsel, America OnLine, Inc.; Mr. Steve Metalitz, Vice President, International Intellectual Property Alliance, representing the Motion Picture Association of America; Mr. Seth Greenstein, representing Digital Media Association [listed on witness list]; Mr. Robert Oakley, Director of the Law Library, Georgetown University Law Center; and Mr. Charles E. Phelps, Provost, University of Rochester.

COMMITTEE CONSIDERATION

The Subcommittee on Telecommunications, Trade, and Consumer Protection met in open markup session on June 17, 1998, and June 18, 1998, to consider H.R. 2281, a bill to amend Title 17, United States Code, to implement the World Intellectual Property Organization Copyright Treaty and Performances and Phonograms Treaty. On June 18, 1998, the Subcommittee approved H.R. 2281, the Digital Millennium Copyright Act of 1998, for Full Committee consideration, amended, by a voice vote. On July 17, 1998, the Committee on Commerce met in open markup session and ordered H.R. 2281 reported to the House, amended, by a roll call vote of 41 yeas to 0 nays.

ROLL CALL VOTES

Clause 2(1)(2)(B) of Rule XI of the Rules of the House requires the Committee to list the recorded votes on the motion to report legislation and amendments thereto. A motion by Mr. Bliley to order H.R. 2281 reported to the House, amended, was agreed to by a roll call vote of 41 yeas to 0 nays. The following are the recorded vote on motion to report H.R. 2281, including the names of those Members voting for and against, and the voice votes taken on amendments offered to H.R. 2281.

**COMMITTEE ON COMMERCE -- 105TH CONGRESS
ROLL CALL VOTE #56**

BILL: H.R. 2281, Digital Millennium Copyright Act of 1998

MOTION: Motion by Mr. Bliley to order H.R. 2281 reported to the House, amended.

DISPOSITION: **AGREED TO**, by a roll call vote of 41 yeas to 0 nays.

REPRESENTATIVE	YEAS	NAYS	PRESENT	REPRESENTATIVE	YEAS	NAYS	PRESENT
Mr. Bliley	X			Mr. Dingell			
Mr. Tauzin	X			Mr. Waxman	X		
Mr. Oxley	X			Mr. Markey	X		
Mr. Bilirakis				Mr. Hall	X		
Mr. Schaefer	X			Mr. Boucher	X		
Mr. Barton				Mr. Manton	X		
Mr. Hastert				Mr. Towns	X		
Mr. Upton	X			Mr. Pallone			
Mr. Stearns	X			Mr. Brown	X		
Mr. Paxon				Mr. Gordon	X		
Mr. Gillmor	X			Ms. Furse	X		
Mr. Klug	X			Mr. Deutsch	X		
Mr. Greenwood				Mr. Rush	X		
Mr. Crapo	X			Ms. Eshoo	X		
Mr. Cox	X			Mr. Klink	X		
Mr. Deal	X			Mr. Stupak	X		
Mr. Largent	X			Mr. Engel	X		
Mr. Burr	X			Mr. Sawyer	X		
Mr. Bilbray	X			Mr. Wynn	X		
Mr. Whitfield	X			Mr. Green			
Mr. Ganske	X			Ms. McCarthy	X		
Mr. Norwood	X			Mr. Strickland	X		
Mr. White	X			Ms. DeGette	X		
Mr. Coburn							
Mr. Lazio							
Mrs. Cubin	X						
Mr. Rogan	X						
Mr. Shimkus	X						

7/17/98

COMMITTEE ON COMMERCE -- 105TH CONGRESS
VOICE VOTES
7/17/98

BILL: H.R. 2281, Digital Millennium Copyright Act of 1998

AMENDMENT: Amendment by Mr. Tauzin, #1, to provide an exception to the anti-circumvention provisions of the bill for legitimate encryption research purposes.

DISPOSITION: AGREED TO by a voice vote.

AMENDMENT: Amendment by Mr. Markey, #2, to clarify the privacy provisions in the bill to ensure that consumers are capable of protecting their personal information while at the same time still protecting copyrighted works.

DISPOSITION: AGREED TO by a voice vote.

AMENDMENT: Amendment by Mr. Stearns, #3, to provide for a process to define the term technological protection measure.

DISPOSITION: WITHDRAWN by unanimous consent.

AMENDMENT: Amendment by Mr. Dingell, #4, to extend the existing National Telecommunications Information Administration (NTIA) study to cover a determination of the impact of the anti-circumvention provisions on research and development, including reverse engineering.

DISPOSITION: AGREED TO by a voice vote.

AMENDMENT: Amendment by Mr. Klug, #5, to provide a process for the Secretary of Commerce to waive the implementation of rules preventing circumvention of a technological protection measure in certain circumstances for classes of copyrighted works.

DISPOSITION: AGREED TO by a voice vote.

AMENDMENT: Amendment by Mr. White, #6, to clarify that the anti-circumvention provisions of the bill and the corresponding civil remedies do not infringe on the rights of users to exercise their First Amendment rights.

DISPOSITION: AGREED TO by a voice vote.

AMENDMENT: Amendment by Mr. White, #7, to require the Secretary of Commerce to conduct a study on the relationship between the development of electronic commerce and copyright law and report to Congress within one year after enactment.

DISPOSITION: AGREED TO by a voice vote.

AMENDMENT: Amendment by Mr. White, #8, to provide a framework that allows for negotiations between Internet broadcasters and content providers on royalty payments and for temporary storage of copyrighted content in computer servers.

DISPOSITION: WITHDRAWN by unanimous consent.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 2(1)(3)(A) of Rule XI of the Rules of the House of Representatives, the Committee held a legislative hearing and made findings that are reflected in this report.

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

Pursuant to clause 2(1)(3)(D) of Rule XI of the Rules of the House of Representatives, no oversight findings have been submitted to the Committee by the Committee on Government Reform and Oversight.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 2(1)(3)(B) of Rule XI of the Rules of the House of Representatives, the Committee finds that H.R. 2281, the Digital Millennium Copyright Act of 1998, would result in no new or increased budget authority, entitlement authority, or tax expenditures or revenues.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 2(1)(3)(C) of Rule XI of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 22, 1998.

Hon. TOM BLILEY,
*Chairman, Committee on Commerce,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2281, Digital Millennium Copyright Act of 1998.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Mark Hadley (for federal costs), Pepper Santalucia (for the state and local impact), and Matt Eyles (for the private-sector impact).

Sincerely,

JUNE E. O'NEILL, *Director.*

Enclosure.

H.R. 2281—Digital Millennium Copyright Act of 1998

Summary: H.R. 2281 would amend existing copyright laws to implement two World Intellectual Property Organization (WIPO) treaties, limit the liability of Internet providers for copyright infringe-

ment by their customers, clarify the treatment of ephemeral recordings, and require the study of various issues related to copyrights and emerging technologies.

Assuming the appropriation of the necessary funds, CBO estimates that implementing H.R. 2281 would result in new federal spending of about \$2 million in fiscal year 1999 and less than \$250,000 a year over the 2000–2003 period. Enacting the bill would establish new criminal penalties and thus could affect both receipts and direct spending. Hence, pay-as-you-go procedures would apply, but CBO expects that any changes in receipts and direct spending would not be significant.

H.R. 2281 contains an intergovernmental and a private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA), but the costs of the mandates would not exceed the thresholds in the law. (The thresholds are \$50 million and \$100 million in 1996, respectively, indexed annually for inflation.)

Estimated cost to the Federal Government: For the purpose of this estimate, CBO assumes that H.R. 2281 will be enacted by the end of fiscal year 1998, and that the estimated amounts will be appropriated by the start of each fiscal year. The costs of this legislation fall within budget function 370 (commerce and housing credit).

Title I of H.R. 2281 would amend U.S. copyright law to comply with two treaties produced by the December 1996 conference of the WIPO—one regarding the use of copyrighted material in digital environments and the other dealing with international copyright protection of performers and producers of phonograms. Title II would limit the liability for copyright infringement of persons who are providers of on-line services or network access. Title III would clarify the treatment of ephemeral recordings and exempt libraries and archives from some provisions of this bill. Title IV would require the National Telecommunications and Information Administration (NTIA) to submit a report on encryption testing methods and mechanisms to encourage access protocols.

H.R. 2281 would require the Register of Copyrights, the Secretary of Commerce, the Assistant Secretary of Commerce for Communications and Information, and the NTIA to submit six reports on issues related to copyrights in the digital age, including encryption, distance learning, liability of educational institutions, personal identifying information, and electronic commerce. In addition, title I would require the Secretary of Commerce to issue regulations prohibiting any person from circumventing technological protection measures on copyrighted works. Assuming the appropriation of the necessary amounts, producing reports and promulgating regulations required by H.R. 2281 would increase federal spending by about \$2 million in fiscal year 1999 and less than \$250,000 a year over the 2000–2003 period.

The bill would establish new criminal penalties and thus could affect both receipts and direct spending; therefore, pay-as-you-go procedures would apply. Section 105 would establish criminal fines of up to \$1 million for anyone attempting to circumvent copyright protection systems, or falsifying or altering copyright management information. Enacting this provision could increase governmental receipts from the collection of fines, but we estimate that any such increase would be less than \$500,000 annually. Criminal fines are

deposited in the Crime Victims Fund and are spent in the following year. Thus any change in direct spending from the fund would also amount to less than \$500,000 annually.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act specifies pay-as-you-go procedures for legislation affecting direct spending and receipts. Enacting H.R. 2281 could affect both direct spending and receipts, but CBO estimates that any such changes would be insignificant.

Intergovernmental and private-sector impact: Section 4 of UMRA excludes from the application of that act any legislative provisions that are necessary for the ratification or implementation of international treaty obligations. CBO has determined that title I of the bill fits within that exclusion because it is necessary for the implementation of the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

Title III of H.R. 2281, however, would impose a mandate on certain owners of copyrights who apply technical protections to works that prevent their reproduction. Title III would require copyright owners who employ mechanisms that prevent the reproduction of copyrighted works to make available to federally licensed broadcasters the necessary means to copy such works. Under current law, federally licensed broadcasters are authorized to reproduce copyright-protected material under specific conditions. Since this mandate would apply to both public and private entities that own copyrights, it would be considered both a private-sector and an intergovernmental mandate.

However, the use of reproduction protections envisioned in the bill is not yet widespread. Furthermore, copyright owners may claim economic hardship or technological infeasibility to avoid the new requirement, and the costs of providing federally licensed broadcasters with the means to copy technically protected works would likely be modest. Therefore, CBO estimates that the direct cost of the new mandates would be well below the statutory thresholds in UMRA.

Previous CBO estimate: On May 12, 1998, CBO transmitted an estimate of H.R. 2281 as ordered reported by the House Committee on the Judiciary on April 1, 1998. The Judiciary Committee's version of the bill included the first two titles, but did not require any of the reports required by the Commerce Committee's version. CBO estimated that enactment of the Judiciary Committee's version of H.R. 2281 would have no significant impact on the federal budget.

Estimate prepared by: Federal Costs: Mark Hadley. Impact on State, Local, and Tribal Governments: Pepper Santalucia. Impact on the Private Sector: Matt Eyles.

Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 2(1)(4) of Rule XI of the Rules of the House of Representatives, the Committee finds that the Constitutional authority for this legislation is provided in Article I, section 8, clause 3, which grants Congress the power to regulate commerce with foreign nations, among the several States, and with the Indian tribes.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

Section 1 establishes that this Act may be cited as the “Digital Millennium Copyright Act of 1998.”

Section 2. Table of contents

Section 2 sets out the table of contents.

TITLE I—WIPO TREATIES IMPLEMENTATION

Section 101. Short title

Section 101 establishes that the short title of Title I is the “WIPO Copyright Treaties Implementation Act.”

Section 102. Circumvention of copyright protection systems

As previously discussed in the background section to this report, the Committee was concerned that H.R. 2281, as reported by the Committee on the Judiciary, would undermine Congress’ long-standing commitment to the principle of fair use. Throughout our history, the ability of individual members of the public to access and to use copyrighted materials has been a vital factor in the advancement of America’s economic dynamism, social development, and educational achievement. In its consideration of H.R. 2281, the Committee on Commerce paid particular attention to how changing technologies may affect users’ access in the future. Section 102(a)(1) of the bill responds to this concern.

The growth and development of the Internet has already had a significant positive impact on the access of American students, researchers, consumers, and the public at large to informational resources that help them in their efforts to learn, acquire new skills, broaden their perspectives, entertain themselves, and become more active and informed citizens. A plethora of information, most of it embodied in materials subject to copyright protection, is available to individuals, often for free, that just a few years ago could have been located and acquired only through the expenditure of consid-

erable time, resources, and money. New examples of this greatly expanded availability of copyrighted materials occur every day.

Still, the Committee is concerned that marketplace realities may someday dictate a different outcome, resulting in less access, rather than more, to copyrighted materials that are important to education, scholarship, and other socially vital endeavors. This result could flow from a confluence of factors, including the elimination of print or other hard-copy versions, the permanent encryption of all electronic copies, and the adoption of business models that depend upon restricting distribution and availability, rather than upon maximizing it. In this scenario, it could be appropriate to modify the flat prohibition against the circumvention of effective technological measures that control access to copyrighted materials, in order to ensure that access for lawful purposes is not unjustifiably diminished.

Given the threat of a diminution of otherwise lawful access to works and information, the Committee on Commerce believes that a “fail-safe” mechanism is required. This mechanism would monitor developments in the marketplace for copyrighted materials, and allow the enforceability of the prohibition against the act of circumvention to be selectively waived, for limited time periods, if necessary to prevent a diminution in the availability to individual users of a particular category of copyrighted materials.

Section 102(a)(1) of the bill creates such a mechanism. It converts the statutory prohibition against the act of circumvention into a regulation, and creates a rulemaking proceeding in which the issue of whether enforcement of the regulation should be temporarily waived with regard to particular categories of works can be fully considered and fairly decided on the basis of real marketplace developments that may diminish otherwise lawful access to works.

(a) Violations regarding circumvention of technological protection measures

Section 102(a)(1) gives two responsibilities to the Secretary of Commerce. The first is to issue regulations against the circumvention of technological protection measures that effectively control access to a copyrighted work. The second is to convene a rulemaking proceeding and, in conjunction with other specified officials, to determine whether to waive the applicability of the regulations for the next two years with respect to any particular category of copyrighted materials.

The Secretary’s responsibility under subparagraph (A) is essentially ministerial. He or she is to simply recast, in the form of a regulation, the statutory prohibition against the act of circumvention of technological protection measures that effectively control access to copyrighted materials that was set forth in Section 102(a)(1) prior to its amendment.

The Committee has chosen a regulatory, rather than a statutory, route for establishing this prohibition for only one reason: to provide greater flexibility in enforcement, through the rulemaking proceeding set forth in the subsequent subparagraphs of this subsection 102(a)(1). It does not intend to make any substantive change in the scope or meaning of the prohibition as it appeared in the bill prior its amendment, and it is not empowering the Sec-

retary of Commerce to do so either. The regulation should conform in every particular to the provisions of the statute, which addresses all other relevant aspects of the regulatory prohibition, including exceptions (such as for privacy or for encryption research) as well as civil and criminal enforcement mechanisms and penalties. No additional definitions, limitations, defenses or other provisions may be added. The regulation is to take effect two years after the enactment of the statute.

Subparagraph (B) sets forth the parameters of the Secretary's second responsibility: the convening of a rulemaking proceeding, consistent with the requirements of the Administrative Procedures Act. The goal of the proceeding is to assess whether the implementation of technological protection measures that effectively control access to copyrighted works is adversely affecting the ability of individual users to make lawful uses of copyrighted works. Many such technological protection measures are in effect today: these include the use of "password codes" to control authorized access to computer programs, for example, or encryption or scrambling of cable programming, videocassettes, and CD-ROMs. More such measures can be expected to be introduced in the near future. The primary goal of the rulemaking proceeding is to assess whether the prevalence of these technological protections, with respect to particular categories of copyrighted materials, is diminishing the ability of individuals to use these works in ways that are otherwise lawful.

The main purpose for delaying for two years the effective date of the prohibition against circumvention of access control technologies is to allow the development of a sufficient record as to how the implementation of these technologies is affecting availability of works in the marketplace for lawful uses. The Committee also intends that the rulemaking proceeding should focus on distinct, verifiable and measurable impacts; should not be based upon *de minimis* impacts; and will solicit input to consider a broad range of evidence of past or likely adverse impacts.

The criteria listed in subparagraph (B) are illustrative of the questions that the rulemaking proceeding should ask. In each case, the focus must remain on whether the implementation of technological protection measures (such as encryption or scrambling) has caused adverse impact on the ability of users to make lawful uses. Adverse impacts that flow from other sources, or that are not clearly attributable to implementation of a technological protection measure, are outside the scope of the rulemaking. The rulemaking will be repeated on a biennial basis, and on each occasion, the assessment of adverse impacts on particular categories of works is to be determined *de novo*. The regulatory prohibition is presumed to apply to any and all kinds of works, including those as to which a waiver of applicability was previously in effect, unless, and until, the Secretary makes a new determination that the adverse impact criteria have been met with respect to a particular class and therefore issues a new waiver. In conducting the rulemaking proceeding, the Secretary must consult closely with the National Telecommunications and Information Administration, as well as with the Patent and Trademark Office and the Register of Copyrights.

Subparagraph (C) spells out the determination that the Secretary must make at the conclusion of the rulemaking proceeding. If the rulemaking has produced insufficient evidence to determine whether there have been adverse impacts with respect to particular classes of copyrighted materials, the circumvention prohibition should go into effect with respect to those classes. Only in categories as to which the Secretary finds that adverse impacts have occurred, or that such impacts are likely to occur within the next two years, should he or she waive the applicability of the regulations for the next two years.

The issue of defining the scope or boundaries of a “particular class” of copyrighted works as to which the implementation of technological protection measures has been shown to have had an adverse impact is an important one to be determined during the rulemaking proceedings. In assessing whether users of copyrighted works have been, or are likely to be adversely affected, the Secretary shall assess users’ ability to make lawful uses of works “within each particular class of copyrighted works specified in the rulemaking.” The Committee intends that the “particular class of copyrighted works” be a narrow and focused subset of the broad categories of works of authorship than is identified in Section 102 of the Copyright Act (17 U.S.C. § 102). The Secretary’s determination is inapplicable in any case seeking to enforce any other provision of this legislation, including the manufacture or trafficking in circumvention devices that are prohibited by Section 102(a)(2) or 102(b)(1).

To provide meaningful protection and enforcement of the copyright owner’s right to control access to his or her copyrighted work (as defined under Section 102(a)(1)), Section 102(a)(2) supplements Section 102(a)(1) with prohibitions on creating and making available certain technologies, products and services used, developed or advertised to defeat technological protection measures that protect against unauthorized access.²

Specifically, Section 102(a)(2) prohibits any person from manufacturing, importing, offering to the public, providing, or otherwise trafficking in certain technologies, products, services, devices, components, or parts that can be used to circumvent a technological protection measure that otherwise effectively controls access to a copyrighted work. The Committee believes it is very important to emphasize that Section 102(a)(2) is aimed fundamentally at outlawing so-called “black boxes” that are expressly intended to facilitate circumvention of technological protection measures for purposes of gaining access to a work. This provision is not aimed at products that are capable of commercially significant noninfringing uses, such as consumer electronics, telecommunications, and computer products—including videocassette recorders, telecommunications switches, personal computers, and servers—used by businesses and consumers for perfectly legitimate purposes.

²The Committee has previously reported laws that similarly protect against unauthorized access to works. See, e.g., 47 U.S.C. § 553(a)(2) (prohibiting the manufacture or distribution of equipment intended for the unauthorized reception of cable television service); 47 U.S.C. § 605(e)(4) (prohibiting the manufacture, assembly, import, and sale of equipment used in the unauthorized decryption of satellite cable programming); see also H. Rep. No. 780, 102d Cong., 2d Sess. (1992) (report accompanying H.R. 4567, which would have established the Audio Home Recording Act’s anti-circumvention provisions as free-standing provisions of law).

Thus, for a technology, product, service, device, component, or part thereof to be prohibited under this subsection, one of three conditions must be met. It must: (1) be primarily designed or produced for the purpose of circumventing; (2) have only a limited commercially significant purpose or use other than to circumvent; or (3) be marketed by the person who manufactures it, imports it, offers it to the public, provides it or otherwise traffics in it, or by another person acting in concert with that person with that person's knowledge, for use in circumventing a technological protection measure that effectively controls access to a copyrighted work. This provision is designed to protect copyright owners, and simultaneously allow the development of technology.

Section 102(a)(3) defines certain terms used throughout Section 102(a). Subparagraph (A) defines the term "circumvent a technological protection measure" as meaning "to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological protection measure, without the authority of the copyright owner." This definition applies to subsection (a) only, which covers protections against unauthorized initial access to a copyrighted work. Subparagraph (B) states that a technological protection measure "effectively controls access to a work" if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work. In the Committee's view, measures that can be deemed to "effectively control access to a work" would be those based on encryption, scrambling, authentication, or some other measure which requires the use of a "key" provided by a copyright owner to gain access to a work.

(b) Additional violations

Section 102(b) applies to those technological protection measures employed by copyright owners that effectively protect their copyrights, as opposed to those technological protection measures covered by Section 102(a), which prevent unauthorized access to a copyrighted work. Unlike subsection (a), which prohibits the circumvention of access control technologies, subsection (b) does not, by itself, prohibit the circumvention of effective technological copyright protection measures.

Paralleling Section 102(a)(2), Section 102(b)(1) seeks to provide meaningful protection and enforcement of copyright owners' use of technological protection measures to protect their rights by prohibiting the act of making or selling the technological means to overcome these protections and thereby facilitate copyright infringement. Subsection (b)(1) prohibits manufacturing, importing, offering to the public, providing, or otherwise trafficking in certain technologies, products, services, devices, components, or parts thereof that can be used to circumvent a technological protection measure that effectively protects a right of a copyright owner. As previously stated in the discussion of Section 102(a)(2), the Committee believes it is very important to emphasize that Section 102(b)(1) is aimed fundamentally at outlawing so-called "black boxes" that are expressly intended to facilitate circumvention of technological protection measures for purposes of gaining access to a work. This pro-

vision is not aimed at products that are capable of commercially significant noninfringing uses, such as consumer electronics, telecommunications, and computer products—including videocassette recorders, telecommunications switches, personal computers, and servers—used by businesses and consumers for perfectly legitimate purposes.

Thus, once again, for a technology, product, service, device, component, or part thereof to be prohibited under this subsection, one of three conditions must be met. It must: (1) be primarily designed or produced for the purpose of circumventing; (2) have only limited commercially significant purpose or use other than to circumvent; or (3) be marketed by the person who manufactures it, imports it, offers it to the public, provides it, or otherwise traffics in it, or by another person acting in concert with that person with that person's knowledge, for use in circumventing a technological protection measure that effectively protects the right of a copyright owner. Like Section 102(a)(2), this provision is designed to protect copyright owners, and simultaneously allow the development of technology.

Section 102(b)(2) defines certain terms used solely within subsection (b). In particular, subparagraph (A) defines the term "circumvent protection afforded by a technological protection measure" as "avoiding, bypassing, removing, deactivating, or otherwise impairing a technological protection measure." Subparagraph (B) provides that a technological protection measure "effectively protects a right of a copyright owner" if the measure, in the ordinary course of its operation, prevents, restricts, or otherwise limits the exercise of a copyright owner's rights. In the Committee's view, measures that can be deemed to "effectively control access to a work" would be those based on encryption, scrambling, authentication, or some other measure which requires the use of a "key" provided by a copyright owner to gain access to a work.

With respect to the effectiveness of technological protection measures, the Committee believes it is important to stress as well that those measures that cause noticeable and recurring adverse effects on the authorized display or performance of works should not be deemed to be effective. Unless product designers are adequately consulted about the design and implementation of technological protection measures (and the means of preserving copyright management information), such measures may cause severe "playability" problems. The Committee on Commerce is particularly concerned that the introduction of such measures not impede the introduction of digital television monitors or new digital audio playback devices. The Committee has a strong, long-standing interest in encouraging the introduction in the market of exciting new products. Recently, for example, the Committee learned that, as initially proposed, a proprietary copy protection scheme that is today widely used to protect analog motion pictures could have caused significant viewability problems, including noticeable artifacts, with certain television sets until it was modified with the cooperation of the consumer electronics industry.

Under the bill as reported, nothing would make it illegal for a manufacturer of a product or device (to which Section 102 would otherwise apply) to design or modify the product or device solely to

the extent necessary to mitigate a frequently occurring and noticeable adverse effect on the authorized performance or display of a work that is caused by a technological protection measure in the ordinary course of its design and operation. Similarly, recognizing that a technological protection measure may cause a problem with a particular device, or combination of devices, used by a consumer, it is the Committee's view that nothing in the bill should be interpreted to make it illegal for a retailer or individual consumer to modify a product or device solely to the extent necessary to mitigate a noticeable adverse effect on the authorized performance or display of a work that is communicated to or received by that particular product or device if that adverse effect is caused by a technological protection measure in the ordinary course of its design and operation.

The Committee believes that the affected industries should be able to work together to avoid such problems. The Committee is aware that multi-industry efforts to develop copy control technologies that are both effective and avoid such noticeable and recurring adverse effects have been underway over the past two years. The Committee strongly encourages the continuation of those efforts, which it views as offering substantial benefits to copyright owners in whose interest it is to achieve the introduction of effective technological protection (and copyright management information) measures that do not interfere with the normal operations of affected products.

(c) Other rights, etc., not affected

Subsection (c) sets forth several provisions clarifying the scope of Section 102. Section 102(c)(1) provides that Section 102 shall not have any effect on rights, remedies, limitations, or defenses to copyright infringement, including fair use, under Title 17. Section 102(c)(2) provides that Section 102 shall not alter the existing doctrines of contributory or vicarious liability for copyright infringement in connection with any technology, product, service, device, component or part thereof. Section 102(c)(3) clarifies that nothing in Section 102 creates an affirmative mandate requiring manufacturers of consumer electronics, telecommunications, and computing products to design their products or their parts and components to affirmatively respond to any particular technological protection measure employed to protect a copyrighted work. Lastly, Section 102(c)(4) makes clear that nothing in Section 102 enlarges or diminishes any rights of free speech or the press for activities using consumer electronics, telecommunications, or computing products.

(d) Exemption for nonprofit libraries, archives, and educational institutions

Section 102(d) provides a limited exemption from the regulations issued pursuant to Section 102(a)(1)(A) to qualified nonprofit libraries, archives, and educational institutions. In particular, Section 102(d)(1) allows a nonprofit library, nonprofit archives or nonprofit educational institution to obtain access to a copyrighted work for the sole purpose of making a good faith determination as to whether it wishes to acquire a copy, or portion of a copy, of that work in order to engage in permitted conduct. A qualifying institution

may not gain access for a period of time longer than necessary to determine whether it wishes to obtain a copy, or portion of a copy, for such purposes, and the right to gain access shall not apply for any other purpose. Section 102(d)(2) provides that the right to obtain access under this paragraph only applies when the nonprofit library, nonprofit archives, or nonprofit educational institution cannot obtain a copy of an identical work by other means, and such an entity may not use the exemption in this paragraph for commercial advantage or financial gain without penalty.

Section 102(d)(3) seeks to protect the legitimate interests of copyright owners by providing a civil remedy against a library, archive, or educational institution that violates Section 102(d)(1). Section 102(d)(4) provides that this subsection may not be used as a defense to the prohibitions on manufacturing or selling devices contained in Sections 102(a)(2) or 102(b). Finally, Section 102(d)(5) provides that a library or archive, to be eligible for the exemption in paragraph (1), must maintain its collections open to the public and available, not only to researchers affiliated with the library or archives or with the institution of which it is a part, but also to other persons doing research in a specialized field.

(e) Law enforcement and intelligence activities

Section 102(e) creates an exception for the lawfully authorized investigative, protective, or intelligence activities of an officer, agent, or employee of, the United States, a State, or a political subdivision of a State, or of persons acting pursuant to a contract with such an entity.

(f) Reverse engineering

Section 102(f) is intended to promote reverse engineering by permitting the circumvention of access control technologies for the sole purpose of achieving software interoperability. Section 102(f)(1) permits the act of circumvention in only certain instances. To begin with, the copy of the computer program which is the subject of the analysis must be lawfully acquired (i.e., the computer program must be acquired from a legitimate source, along with any necessary serial codes, passwords, or other such means as may be necessary to be able to use the program as it was designed to be used by a consumer of the product). In addition, the acts must be limited to those elements of the program which must be analyzed to achieve interoperability of an independently created program with other programs. The resulting product must also be a new and original work, in that it may not infringe the original computer program. Moreover, the objective of the analysis must be to identify and extract such elements as are necessary to achieve interoperability which are not otherwise available to the person. Finally, the goal of this section is to ensure that current law is not changed, and not to encourage or permit infringement. Thus, each of the acts undertaken must avoid infringing the copyright of the author of the underlying computer program.

Section 102(f)(2) recognizes that, to accomplish the acts permitted under Section 102(f)(1), a person may need to make and use certain tools. The Committee believes that such tools are generally available and used by programmers today in developing computer

programs (e.g., compilers, trace analyzers, and disassemblers). Such tools are not prohibited by this Section. But the Committee also recognizes that, in certain instances, it is possible that a person may need to develop special tools to achieve the permitted purpose of interoperability. Thus, Section 102(f)(2) creates an exception to the prohibition on making circumvention tools contained in Sections 102(a)(2) and 102(b)(1). These excepted tools can be either software or hardware. Once again, though, Section 102(f)(2) limits any person from acting in a way that constitutes infringing activity.

Similarly, Section 102(f)(3) recognizes that developing complex computer programs often involves the efforts of many persons. For example, some of these persons may be hired to develop a specific portion of the final product. For that person to perform these tasks, some of the information acquired through the permitted analysis, and the tools to accomplish it, may have to be made available to that person. Section 102(f)(3) allows developers of independently created software to rely on third parties either to develop the necessary circumvention tools, or to identify the necessary information to achieve interoperability. The ability to rely on third parties is particularly important for small software developers who do not have the capability of performing these functions in-house. This provision permits such sharing of information and tools.

The Committee, however, recognizes that making such information or tools generally available could undermine the objectives of Section 102. Section 102(f)(3) therefore imposes strict limitations on the exceptions created in Section 102(f). Acts of sharing information and tools is permitted solely for the purpose of achieving interoperability of an independently created computer program with other programs. If a person makes this information available for a purpose other than to achieve interoperability of an independently created computer program with other programs, then such action is a violation of this Act. In addition, these acts are permitted only to the extent that doing so does not constitute infringement, or violate other applicable law.

Section 102(f)(4) defines “interoperability” as the ability of computer programs to exchange information, and for such programs mutually to use the information which has been exchanged. The seamless exchange of information is a key element of software interoperability. Hence, Section 102(f) applies to computer programs as such, regardless of their medium of fixation and not to works generally, such as music or audiovisual works, which may be fixed and distributed in digital form. Because the goal of interoperability is the touchstone of the exceptions contained in Section 102(f), the Committee emphasizes that nothing in those subsections can be read to authorize the circumvention of any technological protection measure that controls access to any work other than a computer program, or the trafficking in products or services for that purpose.

(g) Encryption research

As previously discussed in the background section to this report, the Committee views encryption research as critical to the growth and vibrancy of electronic commerce. Section 102(g) therefore pro-

vides statutory clarification for the field of encryption research, in light of the prohibitions otherwise contained in Section 102. Section 102(g)(1) defines “encryption research” and “encryption technology.” Section 102(g)(2) identifies permissible encryption research activities, notwithstanding the provisions of Section 102(a)(1)(A), including: whether the person lawfully obtained the encrypted copy; the necessity of the research; whether the person made a good faith effort to obtain authorization before circumventing; and whether the research constitutes infringement or a violation of other applicable law.

The Committee recognizes that courts may be unfamiliar with encryption research and technology, and may have difficulty distinguishing between a legitimate encryption research and a so-called “hacker” who seeks to cloak his activities with this defense. Section 102(g)(3) therefore contains a non-exhaustive list of factors a court shall consider in determining whether a person properly qualifies for the encryption research defense.

Section 102(g)(4) is concerned with the development and distribution of tools—typically software—which are needed to conduct permissible encryption research. In particular, subparagraph (A) provides that it is not a violation of Section 102(a)(2) to develop and employ technological means to circumvent for the sole purpose of performing acts of good faith encryption research permitted under Section 102(g)(2). Subparagraph (B) permits a person to provide such technological means to another person with whom the first person is collaborating in good faith encryption research permitted under Section 102(g)(2). Additionally, a person may provide the technological means to another person for the purpose of having the second person verify the results of the first person’s good faith encryption research.

The Committee is aware of additional concerns that Section 102 might inadvertently restrict a systems operator’s ability to perform certain functions critical to the management of sophisticated computer networks. For example, many independent programmers have created utilities designed to assist in the recovery of passwords or password-protected works when system users have forgotten their passwords. Because Section 102 prohibits circumvention without the authorization of the copyright owner, circumvention to gain access to one’s own work, as a matter of logic, does not violate Section 102.

The law would also not prohibit certain kinds of commercial “key-cracker” products, e.g., a computer program optimized to crack certain “40-bit” encryption keys. Such machines are often rented to commercial customers for the purpose of quick data recovery of encrypted data. Again, if these products do not meet any of the three criteria under Section 102(a)(2) because these products facilitate a person’s access to his or her own works, they would not be prohibited by Section 102.

In addition, network and web site management programs increasingly contain components that test systems security and identify common vulnerabilities. These programs are valuable tools for systems administrators and web site operators to use in the course of their regular testing of their systems’ security. The testing of such “firewalls” does not violate Section 102 because in most cases

the firewalls are protecting computer and communications systems and not necessarily the specific works stored therein. Accordingly, it is the view of the Committee that no special exception is needed for these types of legitimate products.

Finally, Section 102(g)(5) requires the Assistant Secretary of Commerce for Communications and Information to report to Congress, within one year of enactment, on the effect Section 102(g) has had on the field of encryption research, the adequacy of technological protection for copyrighted works, and protection of copyright owners against unauthorized access.

(h) Components or parts to prevent access of minors to the Internet

The Committee is concerned that Section 102(a) might inadvertently make it unlawful for parents to protect their children from pornography and other harmful material available on the Internet, or have unintended legal consequences for manufacturers of products designed solely to enable parents to protect their children in this fashion. Section 102(h) addresses these concerns.

(i) Protection of personally identifying information

As previously stated in the background section to this report, Section 102(i)(1) is designed to ensure that if a copyright owner conspicuously discloses that the technological protection measure, or any work it protects, contains any personal data gathering capability, and the consumer is given the capability to curtail or prohibit effectively any such gathering or dissemination of personal information, then the consumer could not legally circumvent the technological protection measure. In addition, under Section 102(i)(2), if the copyright holder conspicuously discloses that the technological protection measure, or any work it protects, does not contain the capability of collecting or disseminating personally identifying information reflecting the on-line activities of a person who seeks to gain access to the work protected, then (once again) the consumer could not legally circumvent the technological protection measure.

In both such circumstances, there would be no need for consumers to circumvent technological protection measures because conspicuous disclosures indicate whether data gathering is being conducted and if so, the capability for thwarting such privacy invasions is extended to consumers. Only if there is no disclosure of privacy-related practices, or instances where consumers are left without the capability to disable the gathering of personal information, could a consumer circumvent a technological protection measure to protect his or her own privacy.

Section 103. Integrity of copyright management information

Section 103 implements the obligation contained in Article 12 of the Copyright Treaty and Article 19 of the Performances and Phonograms Treaty that contracting parties “provide adequate and effective legal remedies” against any person who knowingly and without authority removes or alters copyright management information (CMI), or who distributes, imports, broadcasts, or commu-

nicates to the public, works or copies of works knowing that such information has been removed or altered without authority.

(a) False copyright management information

Section 103(a) establishes a general prohibition against intentionally providing false copyright management information, as defined in subsection (c), and against distributing, or importing for distribution, false copyright management information.

(b) Removal or alteration of copyright management information

Section 103(b) establishes general prohibitions against removing or altering CMI, against distributing or importing for distribution altered CMI, and against distributing, importing for distribution or publicly performing works in which CMI has been removed.

(c) Definitions

Section 103(c) defines “copyright management information.” To fall within the definition, the information must be conveyed in connection with copies or phonorecords, performances or displays of the copyrighted work.

(d) Law enforcement and intelligence activities

Section 103(d) creates an exception for the lawfully authorized investigative, protective, or intelligence activities of an officer, agent, or employee of, the United States, a State, or a political subdivision of a State, or of persons acting pursuant to a contract with such an entity.

(e) Limitations on liability

Section 103(e) recognizes special problems that certain broadcasting or cable entities may have with the transmission of copyright management information. Under Section 103(e), radio and television broadcasters, cable systems, and persons who provide programming to such broadcasters or systems, who do not intend to induce, enable, facilitate or conceal infringement may be eligible for a limitation on liability for violation of the copyright management information provisions of Section 103(b) in certain, limited situations.

In the case of an analog transmission, Section 103(e)(1) provides that an eligible person will not be held liable for violating provisions of subsection (b) if it is not “technically feasible” for that person to avoid the violation or if avoiding the violation would “create an undue financial hardship.” Avoiding a violation of subsection (b) with respect to the transmission of credits that are of an excessive duration in relation to standard practice in the relevant industries (for instance, the motion picture and television broadcast industries) is one example of an activity that may “create an undue financial hardship” under Section 103(e)(1). As indicated above, this limitation on liability applies only if such person did not intend, by engaging in such activity, to induce, enable, facilitate, or conceal infringement.

Section 103(e)(2) provides a limitation on liability in the case of a digital transmission, and contemplates voluntary digital trans-

mission standards for the placement of copyright management information. Separate standards are likely to be set for the location of copyright management information in different categories of works. For instance, the standard(s) for the location of the name of the copyright owner in a sound recording or musical work to be broadcast by radio stations may differ—and be set in a separate standard-setting process—from the standard for the location of such information in a motion picture to be broadcast by television stations.

Paragraph (2)(A) provides that if a digital transmission standard for the placement of copyright management information for a category of works is set in a voluntary, consensus standard-setting process involving a representative cross-section of the relevant copyright owners and relevant transmitting industry, including, but not limited to, representatives of radio or television broadcast stations, cable systems, and copyright owners of a category of works that are intended for public performance by such stations or systems, an eligible person will not be liable for a violation of subsection (b) if the copyright management information involved in the violation was not placed in a location specified by the standard for that information. The eligible person, however, cannot qualify for this limitation on liability if that person was responsible for the nonconforming placement.

Section 103(e)(2)(B)(i) provides that until such a standard is set for a category of works, an eligible person will not be liable for a violation of subsection (b) if the transmission of the copyright management information would cause a perceptible visual or aural degradation of the digital signal. Section 103(e)(2)(B)(ii) provides that during this time period before a standard is set, an eligible person also will not be liable if the digital transmission of the information would conflict with an applicable government regulation or industry standard relating to transmission of information in a digital signal, such as the regulation requiring the placement of closed captioning in line 21 of the vertical blanking interval (47 U.S.C. § 613; 47 C.F.R. § 79.1). For purposes of this paragraph, however, the applicable industry-wide standard must be of a type specified in subparagraphs (2)(B)(ii) (II) or (III). The first type, defined in paragraph (2)(B)(ii)(II), includes only those standards that were adopted by a voluntary, consensus standards body, such as the Advanced Television Systems Committee, before the effective date of Section 103. The other type, defined in subparagraph (2)(B)(ii)(III), includes only those standards adopted in a voluntary, consensus standards-setting process open to participation by groups, including but not limited to a representative cross-section of radio or television broadcast stations, cable systems, and copyright owners of a category of works that are intended for public performance by such stations or systems.

Section 104. Civil remedies

(a) Civil actions

Section 104(a) sets forth the general proposition that civil remedies are available for violations of Sections 102 and 103. This provision also establishes the jurisdiction for such civil actions as the

“appropriate U.S. district court” and limits standing to those persons injured by a violation of Sections 102 or 103.

(b) Powers of the court

Section 104(b) defines the powers of the court hearing a case brought under Section 104(a).

(c) Award of damages

Section 104(c) is divided into five paragraphs, each of which addresses the awarding of damages to a prevailing party in an action brought under Section 104(a).

Section 105. Criminal offenses and penalties

(a) In general

Section 105(a) provides for criminal penalties for violations of Sections 102 and 103.

(b) Limitation for nonprofit library, archives, or educational institution

Section 105(b) exempts completely any nonprofit library, nonprofit archives, or nonprofit educational institution from the criminal penalties contained in subsection (a).

(c) Statute of limitations

Section 105(c) provides for a 5-year statute of limitations for criminal offenses.

Section 106. Savings clause

Section 106 establishes that nothing in Title I in any way limits the applicability of Federal or State privacy laws relating to the use of the Internet.

Section 107. Development and implementation of technological protection measures

Section 107 establishes a mechanism for monitoring, evaluating, and informing the Congress of the impact of this legislation, especially on the key issue of the role of technological protection measures.

(a) Statement of congressional policy and objective

Section 107(a) expresses the sense of Congress that technological protection measures, developed by the private sector through voluntary, industry-led processes, will play a crucial role in the healthy development of the Internet and other new paths for dissemination of copyrighted materials. Such measures can facilitate lawful uses of such materials, while safeguarding the private property interests that are recognized by the copyright law. Section 107(a) thus identifies an open, voluntary, multi-industry process for expeditious implementation of these technological protection measures.

(b) Technological protection measures

Section 107(b) mandates at least three technological protection measures for implementation pursuant to Section 107(a) that are especially important in achieving the full potential of the Internet and other digital media: (1) those that enable nonprofit libraries to continue in their critical role of lending copyrighted materials to individual patrons; (2) those that effectively protect against infringement of copyrighted materials; and (3) those that facilitate a diversity of legitimate uses, by individual members of the public, of copyrighted works in digital formats.

(c) Procedures for developing and implementing technological protection measures

Section 107(c) makes clear that Congress anticipates that the technological protection measures whose development and implementation are mandated pursuant to Section 107(a) will: be developed pursuant to a broad, private sector consensus; be made available on reasonable and non-discriminatory terms; and not impose substantial costs or burdens on copyright owners or on manufacturers of hardware and software used in conjunction with copyrighted works in digital formats.

(d) Oversight and reporting

Section 107(d) establishes an oversight process for monitoring the impact of this legislation, and specifically its anti-circumvention provisions, on the access of individuals to copyrighted materials in digital formats. For example, the Secretary would have to evaluate the extent to which Section 102 and the regulations issued thereunder pose a serious impediment to the development and production of competitive goods and services. It specifically directs the Secretary of Commerce, in consultation with the Register of Copyrights and the Assistant Secretary of Commerce for Communications and Information, to report, over the course of the next three years, annually to the House Committees on Commerce and on the Judiciary, and the Senate Committees on Commerce, Science, and Transportation and on the Judiciary on the extent of that impact.

Section 108. Technical amendments

Section 108 incorporates numerous technical amendments.

Section 109. Effective date.

Section 109 makes the effective date the date of enactment.

TITLE II—INTERNET COPYRIGHT INFRINGEMENT LIABILITY

The liability of on-line service providers and Internet access providers for copyright infringements that take place in the on-line environment has been a controversial issue. Title II of the Digital Millennium Copyright Act addresses this complex issue. Title II preserves strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment. At the same time, it provides greater certainty to service providers con-

cerning their legal exposure for infringements that may occur in the course of their activities.

New Section 512 contains limitations on service providers' liability for five general categories of activity set forth in subsections (a) through (d) and subsection (f). As provided in subsection (k), new 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.

The limitations in subsections (a) through (d) protect qualifying service providers from liability for all monetary relief for direct, vicarious and contributory infringement. Monetary relief is defined in subsection (j)(2) as encompassing damages, costs, attorneys' fees, and any other form of monetary payment. These subsections also limit injunctive relief against qualifying service providers to the extent specified in subsection (i). To qualify for these protections, service providers must meet the conditions set forth in subsection (h), and service providers' activities at issue must involve a function described in subsection (a), (b), (c), (d) or (f), respectively. The liability limitations apply to networks "operated by or for the service provider," thereby protecting both service providers who offer a service and subcontractors who may operate parts of, or an entire, system or network for another service provider.

Section 201. Short title

Section 201 establishes the short title for Title II as the "Internet Copyright Infringement Liability Clarification Act of 1998."

Section 202. Limitations on liability for Internet copyright infringement

(a) In general

Section 202(a) amends chapter 5 of the Copyright Act (17 U.S.C. § 501, et seq.) to create a new Section 512, titled "Liability of service providers for on-line infringement of copyright." New Section 512(a) applies to communications functions associated with sending digital communications of others across digital networks, such as the Internet and other on-line networks. It establishes a limitation on liability for infringements that may occur in the provision of services falling within the definition of subsection (j)(1)(A). The limitations on injunctive relief set forth in subsection (i)(1)(B) are applicable when the functions at issue fall within the provisions of subsection (a), and the service provider meets the threshold criteria of subsection (h). These threshold criteria apply to all of the liability limitations contained in new Section 512.

Subsection (a) applies to service providers transmitting, routing, or providing connections for material, and some forms of intermediate and transient storage of material in the course of performing these functions. For example, in the course of moving packets of information across digital on-line networks, many intermediate and transient copies of the information may be made in routers and servers along the way. Such copies are created as an automatic consequence of the transmission process. In this context, "inter-

mediate and transient” refers to such a copy made and/or stored in the course of a transmission, not a copy made or stored at the points where the transmission is initiated or received. The use of the term “transmitting” throughout new Section 512 is not intended to be limited to transmissions of “a performance or display” of “images or sounds” within the meaning of Section 101 of the Copyright Act.

Subsections (a)(1) through (5) limit the range of activities that qualify under this subsection to ones in which a service provider plays the role of a “conduit” for the communications of others. This limitation on liability applies if: (1) the communication was initiated by or at the direction of a person other than the service provider; (2) it is carried out through an automatic technical process without selection of the material by the service provider; (3) the service provider does not select the recipients of the material except as an automatic response to the request of another; (4) no copy of the material made in the course of intermediate or transient storage is maintained on the system or network so that it is ordinarily accessible to anyone other than the anticipated recipients, and no copy is maintained on the system or network in a manner ordinarily accessible to the anticipated recipients for a longer period than is reasonably necessary for the communication; and (5) the content (but not necessarily the form) of the material is not modified in the course of transmission. Thus, for example, an e-mail transmission may appear to the recipient without bolding or italics resulting from format codes contained in the sender’s message.

The term “selection of the material” in subsection (a)(2) means the editorial function of determining what material to send, or the specific sources of material to place on-line (e.g., a radio station), rather than “an automatic technical process” of responding to a command or request, such as one from a user, an Internet location tool, or another network. The term “automatic response to the request of another” is intended to encompass a service provider’s actions in responding to requests by a user or other networks, such as requests to forward e-mail traffic or to route messages to a mailing list agent (such as a “Listserv”) or other discussion group. The Committee intends subsection (a)(4) to cover copies made of material while it is en route to its destination, such as copies made on a router or mail server, storage of a web page in the course of transmission to a specific user, store and forward functions, and other transient copies that occur en route. The term “ordinarily accessible” is intended to encompass stored material that is routinely accessible to third parties. For example, the fact that an illegal intruder might be able to obtain access to the material would not make it ordinarily accessible to third parties. Neither, for example, would occasional access in the course of maintenance by service provider personnel, nor access by law enforcement officials pursuant to subpoena make the material “ordinarily accessible.” However, the term does not include copies made by a service provider for the purpose of making the material available to other users. Such copying is addressed in subsection (b).

New Section 512(b) applies to a different form of intermediate and temporary storage than is addressed in subsection (a). In ter-

minology describing current technology, this storage is a form of “caching,” which is used on some networks to increase network performance and to reduce network congestion generally, as well as to reduce congestion and delays to popular sites. This storage is intermediate in the sense that the service provider serves as an intermediary between the originating site and the ultimate user. The material in question is stored on the service provider’s system or network for some period of time to facilitate access by users subsequent to the one who previously sought access to it. For subsection (b) to apply, the material must be made available on an originating site, transmitted at the direction of another person through the system or network operated by or for the service provider to a different person, and stored through an automatic technical process so that users of the system or network who subsequently request access to the material from the originating site may obtain access to the material from the system or network.

Subsections (b)(1) through (b)(5) clarify the circumstances under which subsection (b) applies. Subsection (b)(1) provides that the material must be transmitted to subsequent users without modification to its content in comparison to the way it was originally transmitted from the originating site. The Committee intends that this restriction apply, for example, so that a service provider who caches material from another site does not change the advertising associated with the cached material on the originating site without authorization from the originating site.

Subsection (b)(2) limits the applicability of the subsection to circumstances where the service provider complies with certain updating commands.

Subsection (b)(3) provides that the service provider shall not interfere with the ability of certain technology that is associated with the work by the operator of the originating site to return to the originating site information, such as user “hit” counts, that would have been available to the site had it not been cached. The technology, however, must: (i) not significantly interfere with the performance of the storing provider’s system or network or with intermediate storage of the material; (ii) be consistent with generally accepted industry standard communications protocols applicable to Internet and on-line communications, such as those approved by the Internet Engineering Task Force and the World Wide Web Consortium; and (iii) not extract information beyond that which would have been obtained had the subsequent users obtained access to the material directly on the originating site.

Subsection (b)(4) applies to circumstances in which the originating site imposes a prior condition on access.

Subsection (b)(5) establishes a notification and take-down procedure for cached material modeled on the procedure under new Section 512(c). However, this take-down obligation does not apply unless the material has previously been removed from the originating site, or the party submitting the notification has obtained a court order for it to be removed from the originating site and notifies the service provider’s designated agent of that order. This proviso has been added to subsection (b)(5) because storage under subsection (b) occurs automatically, and unless infringing material has been

removed from the originating site, the infringing material would ordinarily simply be re-cached.

New Section 512(c) limits the liability of qualifying service providers for claims of direct, vicarious and contributory infringement for storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider. Examples of such storage include providing server space for a user's web site, for a chatroom, or other forum in which material may be posted at the direction of users. Subsection (c) defines the scope of this limitation on liability. It also sets forth procedural requirements that copyright owners or their agents and service providers must follow with respect to notifications of claimed infringement under subsection (c)(3). Information that resides on the system or network operated by or for the service provider through its own acts or decisions and not at the direction of a user does not fall within the liability limitation of subsection (c).

New subsection (c)(1)(A) sets forth the applicable knowledge standard. This standard is met either by actual knowledge of infringement or, in the absence of such knowledge, by awareness of facts or circumstances from which infringing activity is apparent. The term "activity" is intended to mean activity using the material on the system or network. The Committee intends such activity to refer to wrongful activity that is occurring at the site on the provider's system or network at which the material resides, regardless of whether copyright infringement is technically deemed to occur at that site or at the location where the material is received. For example, the activity at an on-line site offering audio or video may be unauthorized public performance of a musical composition, a sound recording, or an audio-visual work, rather than (or in addition to) the creation of an unauthorized copy of any of these works.

New subsection (c)(1)(A)(ii) can best be described as a "red flag" test. As stated in new subsection (c)(1), a service provider need not monitor its service or affirmatively seek facts indicating infringing activity (except to the extent consistent with a standard technical measure complying with new subsection (h)), in order to claim this limitation on liability (or, indeed any other limitation provided by the legislation). However, if the service provider becomes aware of a "red flag" from which infringing activity is apparent, it will lose the limitation of liability if it takes no action. The "red flag" test has both a subjective and an objective element. In determining whether the service provider was aware of a "red flag," the subjective awareness of the service provider of the facts or circumstances in question must be determined. However, in deciding whether those facts or circumstances constitute a "red flag"—in other words, whether infringing activity would have been apparent to a reasonable person operating under the same or similar circumstances—an objective standard should be used.

New subsection (c)(1)(A)(iii) provides that once a service provider obtains actual knowledge or awareness of facts or circumstances from which infringing material or activity on the service provider's system or network is apparent, the service provider does not lose the limitation of liability set forth in subsection (c) if it acts expeditiously to remove or disable access to the infringing material. Because the factual circumstances and technical parameters may vary

from case to case, it is not possible to identify a uniform time limit for expeditious action.

New subsection (c)(1)(B) sets forth the circumstances under which a service provider would lose the protection of subsection (c) by virtue of its benefit from and control over infringing activity. In determining whether the financial benefit criterion is satisfied, courts should take a common-sense, fact-based approach, not a formalistic one. In general, a service provider conducting a legitimate business would not be considered to receive a “financial benefit directly attributable to the infringing activity” where the infringer makes the same kind of payment as non-infringing users of the provider’s service. Thus, receiving a one-time set-up fee and flat, periodic payments for service from a person engaging in infringing activities would not constitute receiving a “financial benefit directly attributable to the infringing activity.” Nor is subsection (c)(1)(B) intended to cover fees based on the length of the message (e.g., per number of bytes) or by connect time. It would however, include any such fees where the value of the service lies in providing access to infringing material.

New subsection (c)(1)(C) establishes that in cases where a service provider is notified of infringing activity by a copyright owner or its authorized agent, in accordance with the notification procedures of new subsection (c)(3), the limitation on the service provider’s liability shall be maintained only if the service provider acts expeditiously either to remove the infringing material from its system or to prevent further access to the infringing material on the system or network. This “notice and take-down” procedure is a formalization and refinement of a cooperative process that has been employed to deal efficiently with network-based copyright infringement.

The Committee emphasizes that new Section 512 does not specifically mandate use of a notice and take-down procedure. Instead, a service provider wishing to benefit from the limitation on liability under new subsection (c) must “take down” or disable access to infringing material residing on its system or network in cases where it has actual knowledge or that the criteria for the “red flag” test are met—even if the copyright owner or its agent does not notify it of a claimed infringement. On the other hand, the service provider is free to refuse to “take down” the material or site—even after receiving a notification of claimed infringement from the copyright owner. In such a situation, the service provider’s liability, if any, will be decided without reference to new Section 512(c).

At the same time, copyright owners are not obligated to give notification of claimed infringement in order to enforce their rights. However, neither actual knowledge nor awareness of a “red flag” may be imputed to a service provider based on information from a copyright owner or its agent that does not comply with the notification provisions of new subsection (c)(3), in which case the limitation on liability set forth in new subsection (c) may still apply.

New Section 512(c)(2) provides that to qualify for the limitation on liability in new subsection (c), the service provider must designate an agent to receive notifications under new subsection (c)(1)(C). The designation, provided to the Register of Copyrights, and made available on the service provider’s web site, is to contain

certain information necessary to communicate with the service provider concerning allegedly infringing material or activity. The Register of Copyrights is directed to maintain a directory of designated agents available for inspection by the public, both on the web site of the Library of Congress, and in hard copy format on file at the Copyright Office. The Committee does not intend or anticipate that the Register will publish hard copies of the directory. The directory shall have entries for the name, address, telephone number, and electronic mail address of an agent designated by service providers. The service provider's designation shall substantially comply with these elements.

New Section 512(c)(3) sets forth the procedures under which copyright owners and their agents may provide effective notification to a service provider of allegations of infringement on the provider's system or network. New subsection (c)(3)(A) requires that to count as an effective notification, the notification must be in writing and submitted to the service provider's designated agent. New subsections (c)(3)(A)(i)–(vi) then set forth the information to be included in an effective notification. The standard against which a notification is to be judged is one of substantial compliance. New subsection (c)(3)(A)(i) provides that the notification must be signed by the copyright owner, or its authorized agent, to be effective. The requirement for signature, either physical or electronic, relates to the verification requirements of new subsections (c)(3)(A)(v) and (vi). New subsection (c)(3)(A)(ii) requires that the copyright owner identify the copyrighted work alleged to have been infringed. Where multiple works at a single on-line site are covered by a single notification, a representative list of such works at that site is sufficient. Thus, for example, where a party is operating an unauthorized Internet jukebox from a particular site, it is not necessary that the notification list every musical composition or sound recording that has been, may have been, or could be infringed at that site. Instead, it is sufficient for the copyright owner to provide the service provider with a representative list of those compositions or recordings in order that the service provider can understand the nature and scope of the infringement being claimed.

New subsection (c)(3)(A)(iii) requires that the copyright owner or its authorized agent provide the service provider with information reasonably sufficient to permit the service provider to identify and locate the allegedly infringing material. An example of such sufficient information would be a copy or description of the allegedly infringing material and the so-called “uniform resource locator” (URL) (i.e., web site address) which allegedly contains the infringing material. The goal of this provision is to provide the service provider with adequate information to find and examine the allegedly infringing material expeditiously.

New subsection (c)(3)(A)(iv) requires that the copyright owner or its authorized agent provide reasonably sufficient identifying information concerning the owner or its agent who submits the notification, such as an address, telephone number, and (if available) an electronic mail address so that the service provider may contact the complaining party. New subsection (c)(3)(A)(v) makes clear that the notification from complaining parties must contain a statement that the complaining party has a good faith belief that the alleg-

edly infringing use is not authorized by the copyright owner, or its agent, or the law.

New subsection (c)(3)(A)(vi) specifies that the notification must contain a statement that the information contained therein is accurate. The complaining party—be it the copyright owner, or an authorized representative—also must confirm under penalty of perjury, that it has authority to act on behalf of the owner of the exclusive right that is allegedly being infringed. The term “perjury” is used in the sense found elsewhere in the United States Code. See, e.g., 28 U.S.C. § 1746; 18 U.S.C. § 1621.

New subsection (c)(3)(B) addresses the effect of notifications that do not substantially comply with the requirements of new subsection (c)(3). Under new subsection (c)(3)(B), the court shall not consider such notifications as evidence of whether the service provider has actual knowledge, is aware of facts or circumstances, or has received a notification for purposes of new subsection (c)(1)(A). However, a defective notice provided to the designated agent may be considered in evaluating the service provider’s knowledge or awareness of facts and circumstances, if: (i) the complaining party has provided the requisite information concerning the identification of the copyrighted work, identification of the allegedly infringing material, and information sufficient for the service provider to contact the complaining party; and (ii) the service provider does not promptly attempt to contact the person making the notification or take other reasonable steps to assist in the receipt of notification that substantially complies with new subsection (c)(3)(A). If the service provider subsequently receives a substantially compliant notice, the provisions of new subsection (c)(1)(C) would then apply upon receipt of such notice.

The Committee intends that the substantial compliance standard in new subsections (c)(2) and (c)(3) be applied so that technical errors (e.g., misspelling a name, supplying an outdated area code if the phone number is accompanied by an accurate address, supplying an outdated name if accompanied by an e-mail address that remains valid for the successor of the prior designated agent or agent of a copyright owner) do not disqualify service providers and copyright owners from the protections afforded under subsection (c). The Committee expects that the parties will comply with the functional requirements of the notification provisions—such as providing sufficient information so that a designated agent or the complaining party submitting a notification may be contacted efficiently—in order to ensure that the notification and take-down procedures set forth in this subsection operate efficiently.

New Section 512(d) addresses instances where information location tools refer or link users to an on-line location containing infringing material or infringing activity. The term “infringing activity” means the wrongful activity that is occurring at the location to which the user is linked or referred by the information location tool, without regard to whether copyright infringement is technically deemed to have occurred at that location or at the location where the material is received. The term “information location tools” includes: a directory or index of on-line sites or material, such as a search engine that identifies pages by specified criteria; a reference to other on-line material, such as a list of recommended

sites; a pointer that stands for an Internet location or address; and a hypertext link which allows users to access material without entering its address.

New subsection (d) incorporates the notification and take-down procedures of new subsection (c), and applies them to the provision of references and links to infringing sites. A service provider is entitled to the liability limitations of new subsection (d) if it: (1) lacks actual knowledge of infringement on the other site, and is not aware of facts or circumstances from which infringing activity in that location is apparent; (2) does not receive a financial benefit directly attributable to the infringing activity on the site, where the service provider has the right and ability to control the infringing activity; and (3) responds expeditiously to remove or disable the reference or link upon receiving a notification of claimed infringement as described in new subsection (c)(3). The notification procedures under new subsection (d) follow those set forth in new subsection (c). However, the information submitted by the complaining party under new subsection (c)(3)(A)(iii) is the identification of the reference or link to infringing material or activity, and the information reasonably sufficient to permit the service provider to locate that reference or link.

New Section 512(d) provides a safe harbor that would limit the liability of a service provider that refers or links users to an on-line location containing infringing material or activity by using "information location tools," such as hyperlink directories and indexes. A question has been raised as to whether a service provider would be disqualified from the safe harbor based solely on evidence that it had viewed the infringing Internet site. If so, there is concern that on-line directories prepared by human editors and reviewers, who view and classify various Internet sites, would be denied eligibility to the information location tools safe harbor, in an unintended number of cases and circumstances. This is an important concern because such on-line directories play a valuable role in assisting Internet users to identify and locate the information they seek on the decentralized and dynamic networks of the Internet.

Like the information storage safe harbor in Section 512(c), a service provider would qualify for this safe harbor if, among other requirements, it "does not have actual knowledge that the material or activity is infringing" or, in the absence of such actual knowledge, it is "not aware of facts or circumstances from which infringing activity is apparent." Under this standard, a service provider would have no obligation to seek out copyright infringement, but it would not qualify for the safe harbor if it had turned a blind eye to "red flags" of obvious infringement.

For instance, the copyright owner could show that the provider was aware of facts from which infringing activity was apparent if the copyright owner could prove that the location was clearly, at the time the directory provider viewed it, a "pirate" site of the type described below, where sound recordings, software, movies, or books were available for unauthorized downloading, public performance, or public display. Absent such "red flags" or actual knowledge, a directory provider would not be similarly aware merely because it saw one or more well known photographs of a celebrity at a site devoted to that person. The provider could not be ex-

pected, during the course of its brief cataloguing visit, to determine whether the photograph was still protected by copyright or was in the public domain; if the photograph was still protected by copyright, whether the use was licensed; and if the use was not licensed, whether it was permitted under the fair use doctrine.

The intended objective of this standard is to exclude from the safe harbor sophisticated “pirate” directories—which refer Internet users to other selected Internet sites where pirate software, books, movies, and music can be downloaded or transmitted. Such pirate directories refer Internet users to sites that are obviously infringing because they typically use words such as “pirate,” “bootleg,” or slang terms in their URL and header information to make their illegal purpose obvious, in the first place, to the pirate directories as well as other Internet users. Because the infringing nature of such sites would be apparent from even a brief and casual viewing, safe harbor status for a provider that views such a site and then establishes a link to it would not be appropriate. Pirate directories do not follow the routine business practices of legitimate service providers preparing directories, and thus evidence that they have viewed the infringing site may be all that is available for copyright owners to rebut their claim to a safe harbor.

In this way, the “red flag” test in new Section 512(d) strikes the right balance. The common-sense result of this “red flag” test is that on-line editors and catalogers would not be required to make discriminating judgments about potential copyright infringement. If, however, an Internet site is obviously pirate, then seeing it may be all that is needed for the service provider to encounter a “red flag.” A provider proceeding in the face of such a “red flag” must do so without the benefit of a safe harbor.

Information location tools are essential to the operation of the Internet; without them, users would not be able to find the information they need. Directories are particularly helpful in conducting effective searches by filtering out irrelevant and offensive material. The Yahoo! directory, for example, currently categorizes over 800,000 on-line locations and serves as a “card catalogue” to the World Wide Web, which over 35,000,000 different users visit each month. Directories such as Yahoo!’s usually are created by people visiting sites to categorize them. It is precisely the human judgment and editorial discretion exercised by these cataloguers which makes directories valuable.

This provision is intended to promote the development of information location tools generally, and Internet directories such as Yahoo!’s in particular, by establishing a safe harbor from copyright infringement liability for information location tool providers if they comply with the notice and take-down procedures and other requirements of new subsection (d). The knowledge or awareness standard should not be applied in a manner which would create a disincentive to the development of directories which involve human intervention. Absent actual knowledge, awareness of infringement as provided in new subsection (d) should typically be imputed to a directory provider only with respect to pirate sites or in similarly obvious and conspicuous circumstances, and not simply because the provider viewed an infringing site during the course of assembling the directory.

New Section 512(e) establishes a right of action against any person who knowingly misrepresents that material or activity on-line is infringing, or that material or activity was removed or disabled by mistake or misidentification under the “put-back” procedure set forth in new subsection (f). Actions may be brought under new subsection (e) by any copyright owner, a copyright owner’s licensee, or by a service provider, who is injured by such misrepresentation, as a result of the service provider relying upon the misrepresentation in either taking down material or putting material back on-line. Defendants who make such a knowing misrepresentation are liable for any damages, including costs and attorneys’ fees, incurred by any of these parties as a result of the service provider’s reliance upon the misrepresentation. This subsection is intended to deter knowingly false allegations to service providers in recognition that such misrepresentations are detrimental to rights holders, service providers, and Internet users.

New Section 512(f) provides immunity to service providers for taking down infringing material, and establishes a “put back” procedure under which subscribers may contest a complaining party’s notification of infringement provided under new subsection (c)(3). The put-back procedures were added to balance the incentives created in new Section 512 for service providers to take down material against third parties’ interests in ensuring that material not be taken down. In particular, new subsection (f)(1) immunizes service providers from any claim based on the service provider’s good-faith disabling of access to, or removal of, material or activity claimed to be infringing. The immunity also applies where the service provider disables access to, or removes, material or activity based on facts or circumstances from which infringing activity is apparent. This immunity is available even if the material or activity is ultimately determined not to be infringing. The purpose of this subsection is to protect service providers from liability to third parties whose material service providers take down in a good faith effort to comply with the requirements of new subsection (c)(1).

New subsection (f)(2) establishes a “put back” procedure through an exception to the immunity set forth in new subsection (f)(1). The exception applies in a case in which the service provider, pursuant to a notification provided under new subsection (c)(1)(C) in accordance with new subsection (c)(3), takes down material that a subscriber has posted to the system or network. In such instances, to retain the immunity set forth in new subsection (f)(1) with respect to the subscriber whose content is taken down, the service provider must take three steps.

First, under new subsection (f)(2)(A), the service provider is to take reasonable steps to notify the subscriber promptly of the removal or disabling of access to the subscriber’s material. The Committee intends that “reasonable steps” include, for example, sending an e-mail notice to an e-mail address associated with a posting, or if only the subscriber’s name is identified in the posting, sending an e-mail to an e-mail address that the subscriber submitted with its subscription. The Committee does not intend that this subsection impose any obligation on service providers to search beyond the four corners of a subscriber’s posting or their own records for that subscriber in order to obtain contact information. Nor does the

Committee intend to create any right on the part of subscribers who submit falsified information in their postings or subscriptions to complain if a service provider relies upon the information submitted by the subscriber.

Second, pursuant to new subsection (f)(2)(B), the subscriber may then file a counter notification, in accordance with the requirements of new subsection (f)(3), contesting the original take down on grounds of mistake or misidentification of the material and requesting “put back” of the material that the service provider has taken down. If a subscriber files a counter notification with the service provider’s designated agent, new subsection (f)(2)(B) calls for the service provider to promptly forward a copy to the complaining party who submitted the take down request.

And third, under new subsection (f)(2)(C), the service provider is to place the subscriber’s material back on-line, or cease disabling access to it, between 10 and 14 business days after receiving the counter notification, unless the designated agent receives a further notice from the complaining party that the complaining party has filed an action seeking a court order to restrain the subscriber from engaging in the infringing activity on the service provider’s system or network with regard to the material in question.

Subscriber counter notifications must substantially comply with defined requirements set forth in new subsection (f)(3). Notifications shall be signed by the subscriber physically or by electronic signature; identify the material taken down and the location from which it was taken down; include a statement under penalty of perjury that the subscriber has a good faith belief that the material was taken down as a result of mistake or misidentification of the material; and include the subscriber’s contact information, as well as a statement consenting to the jurisdiction of a Federal district court and to accept service of process from the complaining party or the complaining party’s agent. The substantial compliance standard is the same as that set forth in new subsections (c) (2) and (3).

New subsection (f)(4) is included to make clear the obvious proposition that a service provider’s compliance with the put-back procedure does not subject it to liability for copyright infringement or cause it to lose its liability limitation with respect to the replaced material.

New Section 512(g) creates a procedure by which copyright owners or their authorized agents who have submitted or will submit a request for notification satisfying the requirements of new subsection (c)(3)(A) may obtain an order for identification of alleged infringers who are users of a service provider’s system or network. Under this procedure, the copyright owner or agent files three documents with the clerk of any Federal district court: a copy of the notification; a proposed order; and a sworn declaration that the purpose of the order is to obtain the identity of an alleged infringer, and that the information obtained will only be used to protect the owner’s rights under this Title.

Orders issued under new subsection (g) shall authorize and order the service provider expeditiously to disclose to the person seeking the order information sufficient to identify the alleged infringer to the extent such information is available to the service provider.

The Committee intends that an order for disclosure be interpreted as requiring disclosure of information in the possession of the service provider, rather than obliging the service provider to conduct searches for information that is available from other systems or networks. The Committee intends that such orders be expeditiously issued if the notification meets the provisions of new subsection (c)(3)(A) and the declaration is properly executed. The issuing of the order should be a ministerial function performed quickly for this provision to have its intended effect. After receiving the order, the service provider shall expeditiously disclose to the copyright owner or its agent the information required by the order to the extent that the information is available to the service provider, regardless of whether the service provider responds to the notification of claimed infringement.

New Section 512(h) sets forth two conditions that a service provider must satisfy to be eligible for the limitations on liability provided in new subsections (a) through (d). First, the service provider is expected to adopt and reasonably implement a policy for the termination in appropriate circumstances of the accounts of subscribers³ of the provider's service who are repeat on-line infringers of copyright. The Committee recognizes that there are different degrees of on-line copyright infringement, from the inadvertent and noncommercial, to the willful and commercial. In addition, the Committee does not intend this provision to undermine the principles of new subsection (l) or the knowledge standard of new subsection (c) by suggesting that a provider must investigate possible infringements, monitor its service, or make difficult judgments as to whether conduct is or is not infringing. However, those who repeatedly or flagrantly abuse their access to the Internet through disrespect for the intellectual property rights of others should know that there is a realistic threat of losing that access.

Second, a provider's system must accommodate, and not interfere with, standard technical measures used to identify or protect copyrighted works. The Committee believes that technology is likely to be the solution to many of the issues facing copyright owners and service providers in this digital age. For that reason, the Committee has included new subsection (h)(1)(B), which is intended to encourage appropriate technological solutions to protect copyrighted works. The Committee strongly urges all of the affected parties expeditiously to commence voluntary, inter-industry discussions to agree upon and implement the best technological solutions available to achieve these goals.

New subsection (h)(1)(B) is explicitly limited to "standard technical measures" that have been developed pursuant to a broad consensus of both copyright owners and service providers in an open, fair, voluntary, multi-industry standards process. The Committee anticipates that these provisions could be developed both in recognized open standards bodies or in ad hoc groups, as long as the

³ In using the term "subscribers," the Committee intends to include account holders that have a business relationship with the service provider that justifies treating them as subscribers, for the purposes of new Section 512, even if no formal subscription agreement exists. For example, "subscribers" would include students who are granted access to a university's system or network for digital on-line communications; employees who have access to their employer's system or network; or household members with access to a consumer on-line service by virtue of a subscription agreement between the service provider and another member of that household.

process used is open, fair, voluntary, and multi-industry and the measures developed otherwise conform to the requirements of the definition of standard technical measures set forth in new subsection (h)(2). A number of recognized open standards bodies have substantial experience with Internet issues. The Committee also notes that an ad hoc approach has been successful in developing standards in other contexts, such as the process that has developed copy protection technology for use in connection with digital video disk players.

New Section 512(i) defines the terms and conditions under which an injunction may be issued against a service provider that qualifies for the limitations on liability set forth in new subsections (a) through (d), but is otherwise subject to an injunction under existing principles of law. New subsection (i)(1) limits the scope of injunctive relief that may be ordered against a qualifying provider. New subsection (i)(2) identifies factors a court must consider in deciding whether to grant injunctive relief and in determining the appropriate scope of injunctive relief.

New subsection (i)(1) is divided into two subparagraphs. New subparagraph (A) defines the scope of injunctive relief available against service providers who qualify for the limitations of liability set forth in new subsections (b), (c) or (d). Only three forms of injunctive relief may be granted. First, pursuant to new subsection (i)(1)(A)(i), the court may provide for the removal or blocking of infringing material or activity that is residing at a specific location on the provider's system or network. This is essentially an order to take the actions identified in new subsection (c)(1)(C) to "remove, or disable access" to the material that is claimed to be infringing or to be the subject of infringing activity.

Second, under new subsection (i)(1)(A)(ii), the court may order the provider to terminate the accounts of a subscriber⁴ of the provider's service who is engaging in infringing activity. And third, pursuant to new subsection (i)(1)(A)(iii), the court may, under appropriate circumstances, enter a different form of injunction if the court considers it necessary to prevent or restrain infringement of specific copyrighted material that resides at an identified on-line location. If a court enters an injunction other than that contemplated in new subparagraphs (A) (i) or (ii), the court must determine that the injunctive relief is the least burdensome relief to the service provider among those forms of relief that are comparably effective.

New subsection (i)(1)(B) sets forth a different set of remedies available for injunctions against service providers qualifying for the limitation on remedies set forth in new subsection (a). In such cases, if a court determines that injunctive relief is appropriate, it may only grant injunctive relief in one or both of two specified forms. The first, pursuant to new subparagraph (B)(i), is an order to the service provider to terminate subscriber accounts that are specified in the order. The second form of relief, pursuant to new subparagraph (B)(ii) and available in cases in which a provider is engaging in infringing activity relating to a foreign on-line location, is an order to take reasonable steps to block access to a specific,

⁴ See *supra* note 3.

identified foreign on-line location. Such blocking orders are not available against a service provider qualifying under new subsection (a) in the case of infringing activity on a site within the United States or its territories.

New subsection (i)(2) sets forth mandatory considerations for the court beyond those that exist under current law. These additional considerations require the court to consider factors of particular significance in the digital on-line environment. New subsection (i)(3) prohibits most forms of *ex parte* injunctive relief (including temporary and preliminary relief) against a service provider qualifying for a liability limitation under new Section 512. A court may issue an order to ensure the preservation of evidence or where the order will have no material adverse effect on the operation of the provider's network.

New Section 512(j) provides definitions of the term "service provider" as used in this Title, as well as a definition of the term "monetary relief." Only an entity that is performing the functions of a "service provider" is eligible for the limitations on liability set forth in new Section 512 with respect to those functions.

The first definition of a "service provider," set forth in new subsection (j)(1)(A), narrowly defines a range of functions and applies only to use of the term in new subsection (a). As used in new subsection (a), the term "service provider" means any entity offering the transmission, routing or providing of connections for digital on-line communications, between or among points specified by a user, of material of a user's choosing without modification to the content of the material as sent or received. This free-standing definition is derived from the definition of "telecommunications" found in the Communications Act of 1934 (47 U.S.C. § 153(48)) in recognition of the fact that the functions covered by new subsection (a) are essentially conduit-only functions. The Committee, however, has tweaked the definition for purposes of new subsection (j)(1)(A) to ensure that it captures offerings over the Internet and other on-line media. Thus, the definition in new subsection (j)(1)(A) not only includes "the offering of transmission, routing or providing of connections," but also requires that the service provider be providing such services for communications that are both "digital" and "on-line." By "on-line" communications, the Committee means communications over interactive computer networks, such as the Internet. Thus, over-the-air broadcasting, whether in analog or digital form, or a cable television system, or a satellite television service, would not qualify, except to the extent it provides users with on-line access to a digital network such as the Internet, or it provides transmission, routing, or connections to connect material to such a network, and then only with respect to those functions. An entity is not disqualified from being a "service provider" because it alters the form of the material, so long as it does not alter the content of the material. As a threshold matter, a service provider's performance of a particular function with respect to allegedly infringing activity falls within the "service provider" definition in new subsection (j)(1)(A) if and only if such function is within the range of functions defined in new subsection (j)(1)(A). For example, hosting a web site does not fall within the new subsection (j)(1)(A) definition, whereas the mere provision of connectivity to a web site does

fall within that definition. The new subsection (j)(1)(A) definition is not intended to exclude providers that perform additional functions, including the functions identified in new subsection (j)(1)(B). Conversely, the fact that a provider performs some functions that fall within the definition of new subparagraph (A) does not imply that its other functions that do not fall within the definition of new subparagraph (A) qualify for the limitation of liability under new subsection (a).

The second definition of “service provider,” set forth in new subsection (j)(1)(B), applies to the term as used in any other new subsection of new Section 512. This definition is broader than the first, covering providers of on-line services or network access, or the operator of facilities therefor. This definition includes, for example, services such as providing Internet access, e-mail, chat room and web page hosting services. The new subsection (j)(1)(B) definition of service provider, for example, includes universities and schools to the extent they perform the functions identified in new subsection (j)(1)(B). The definition also specifically includes any entity that falls within the first definition of service provider. A broadcaster or cable television system or satellite television service would not qualify, except to the extent it performs functions covered by (j)(1)(B).

Finally, new subsection (j)(2) defines the term “monetary relief” broadly for purposes of this Section as encompassing damages, costs, attorneys’ fees and any other form of monetary payment.

New Section 512(k) clarifies that other defenses under copyright law are not affected and codifies several important principles. In particular, new Section 512 does not define what is actionable copyright infringement in the on-line environment, and does not create any new exceptions to the exclusive rights under copyright law. The rest of the Copyright Act sets those rules. Similarly, new Section 512 does not create any new liabilities for service providers or affect any defense available to a service provider. Enactment of new Section 512 does not bear upon whether a service provider is or is not an infringer when its conduct falls within the scope of new 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 new Section 512. In the event that a service provider does not qualify for the limitation on liability, it still may claim all of the defenses available to it under current law. New section 512 simply defines the circumstances under which a service provider, as defined in this new Section, may enjoy a limitation on liability for copyright infringement.

New Section 512(l) is designed to protect the privacy of Internet users. This new subsection makes clear that the applicability of new subsections (a) through (d) is in no way conditioned on a service provider: (1) monitoring its service or affirmatively seeking facts indicating infringing activity except to the extent consistent with implementing a standard technical measure under new subsection (h); or (2) accessing, removing or disabling access to, material if

such conduct is prohibited by law, such as the Electronic Communications Privacy Act.

New Section 512(m) establishes a rule of construction applicable to new subsections (a) through (d). New Section 512's limitations on liability are based on functions, and each limitation is intended to describe a separate and distinct function. Consider, for example, a service provider that provides a hyperlink to a site containing infringing material which it then caches on its system in order to facilitate access to it by its users. This service provider is engaging in at least three functions that may be subject to the limitation on liability: transitory digital network communications under new subsection (a); system caching under new subsection (b); and information location tools under new subsection (d). If this service provider (as defined in new subsection (j)(1)(A) in the case of transitory digital communications, or as defined in new subsection (j)(1)(B) in the case of system caching or information location tools) meets the threshold criteria spelled out in new subsection (h)(1), then for its acts of system caching defined in new subsection (b), it may avail itself of the liability limitations stated in new subsection (b), which incorporate the limitations on injunctive relief described in new subsection (i)(1)(B) and (i)(3). If it is claimed that the same company is committing an infringement by using information location tools to link its users to infringing material, as defined in new subsection (d), then its fulfillment of the requirements to claim the system caching liability limitation does not affect whether it qualifies for the liability limitation for information location tools; the criteria in new subsection (d), rather than those in new subsection (b), are applicable. New Section 512(m) codifies this principle by providing that the determination of whether a service provider qualifies for one liability limitation has no effect on the determination of whether it qualifies for a separate and distinct liability limitation under another new subsection of new Section 512.

(a) Conforming amendment

Section 202(b) amends the table of sections for chapter 5 of the Copyright Act (17 U.S.C. § 501 et seq.) to reflect the new Section 512, as created by this title.

Section 203. Limitation on exclusive rights; computer programs

Section 203 effects a minor, yet important, clarification in Section 117 of the Copyright Act (17 U.S.C. § 117) to ensure that the lawful owner or lessee of a computer machine may authorize an independent service provider—a person unaffiliated with either the owner or lessee of the machine—to activate the machine for the sole purpose of servicing its hardware components.

Section 204. Liability of educational institutions for online infringement of copyright

(a) Recommendations by Register of Copyrights

Section 204(a) directs the Register of Copyrights to consult with representatives of copyright owners and nonprofit educational institutions and to submit to the Congress within 6 months after enactment of the bill recommendations regarding the liability of non-

profit educational institutions for copyright infringements that take place through the use of the institution's computer system or network, where the institution qualifies as a "service provider" under the provisions of this Title. Included in the Register's report are to be any recommendations for legislation that the Register considers appropriate.

(b) Factors

Section 204(b) sets forth specific considerations that the Register shall take into account, where relevant, in formulating recommendations to the Congress.

Section 205. Evaluation of impact of copyright law and amendments on electronic commerce and technological development

As previously stated in the background section to this report, the Committee believes it is important to more precisely evaluate the relationship between intellectual property and electronic commerce, and to understand the practical implications of this relationship on the development of technology to be used in promoting electronic commerce. Section 205 enables Congress to make that evaluation.

(a) Findings

Section 205(a) finds that Congress must have accurate and current information on the effects of intellectual property protection on electronic commerce and technology.

(b) Evaluation by Secretary of Commerce

Section 205(b) directs the Secretary of Commerce, in consultation with the Assistant Secretary of Commerce for Communications and Information and the Register of Copyrights, to evaluate the effects of this legislation on the development of electronic commerce and associated technology, as well as the relationship between existing and emergent technology, on the one hand, and existing copyright law, on the other.

(c) Report to Congress

Section 205(c) directs the Secretary of Commerce to submit a report to Congress, within one year of enactment, on the evaluation required pursuant to Section 205(b).

Section 206. Effective date

Section 206 establishes the effective date for Title II as the date of enactment.

**TITLE III—EPHEMERAL RECORDINGS; DISTANCE
EDUCATION; EXEMPTION FOR LIBRARIES AND ARCHIVES**

Section 301. Ephemeral recordings

Section 301 amends Section 112 of the Copyright Act (17 U.S.C. § 112) to address two issues concerning the application of the ephemeral recording exemption in the digital age. The first of these issues is the relationship between the ephemeral recording exemption and the Digital Performance Right in Sound Recordings Act of 1995 (DPRA). DPRA granted sound recording copyright owners the

exclusive right to perform their works publicly by means of digital audio transmission, subject to certain limitations, particularly those set forth in Section 114(d). Among those limitations is an exemption for non-subscription broadcast transmissions, which are defined as those made by terrestrial broadcast stations licensed as such by the Federal Communications Commission. (17 U.S.C. § 114(d)(1)(A)(iii), (j)(2)). The ephemeral recording exemption presently privileges certain activities of a transmitting organization when it is entitled to transmit a performance or display under a license or transfer of copyright ownership or under the limitations on exclusive rights in sound recordings specified by Section 114(a). The Committee believes that the ephemeral recording exemption should apply to broadcast radio and television stations when they make non-subscription digital broadcasts permitted by DPRA. The Committee has therefore changed the existing language of the ephemeral recording exemption (redesignated as Section 112(a)(1)) to extend explicitly to broadcasters the same privilege they already enjoy with respect to analog broadcasts.

The second of these issues is the relationship between the ephemeral recording exemption and the anti-circumvention provisions that the bill adds as Section 102 of this legislation. Concerns were expressed that if use of copy protection technologies became widespread, a transmitting organization might be prevented from engaging in its traditional activities of assembling transmission programs and making ephemeral recordings permitted by Section 112 for purposes of its own transmissions within its local service area and of archival preservation and security. To address this concern, the Committee has added to Section 112 a new paragraph that permits transmitting organizations to engage in activities that otherwise would violate the regulations to be issued under Section 102(a)(1) in certain limited circumstances when necessary for the exercise of the transmitting organization's privilege to make ephemeral recordings under redesignated Section 112(a)(1). By way of example, if a radio station could not make a permitted ephemeral recording from a commercially available phonorecord without violating the regulations to be issued under Section 102(a)(1), then the radio station could request from the copyright owner the necessary means of making a permitted ephemeral recording. If the copyright owner did not then either provide a phonorecord that could be reproduced or otherwise provide the necessary means of making a permitted ephemeral recording from the phonorecord already in the possession of the radio station, the radio station would not be liable for violating the regulations to be issued under Section 102(a)(1) for taking the steps necessary for engaging in activities permitted under Section 112(a)(1). The radio station would, of course, be liable for violating the regulations to be issued under Section 102(a)(1) if it engaged in activities prohibited by that Section in other than the limited circumstances permitted by Section 112(a)(1).

Section 302. Limitation on exclusive rights; distance education

(a) Recommendations by National Telecommunications and Information Administration

Section 302(a) directs the Assistant Secretary of Commerce for Communications and Information to consult with representatives of copyright owners, non-profit educational institutions, and nonprofit libraries and archives and to submit recommendations to the Congress no later than 6 months after the date of enactment of the bill on how to promote distance education through digital technologies, including interactive digital networks, while maintaining an appropriate balance between the rights of copyright owners and the needs of users. Where appropriate, the Assistant Secretary shall include legislative recommendations to achieve those objectives.

(b) Factors

Section 302(b) specifies considerations which the Assistant Secretary of Commerce for Communications and Information shall take into account in formulating such recommendations.

Section 303. Exemption for libraries and archives

Section 303 allows libraries and archives to take advantage of digital technologies when engaging in specified preservation activities.

TITLE IV—RELATED PROVISIONS

Section 401. Report by the National Telecommunications and Information Administration

Section 401 requires the Assistant Secretary of Commerce for Communications and Information to submit a report to Congress, within six months on enactment, on appropriate mechanisms to encourage the development of access protocols, encryption testing methods, and security testing methods which would allow lawful access to, with appropriate safeguards to prevent the unlawful copying of, encrypted works.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 17, UNITED STATES CODE

* * * * *

CHAPTER 1—SUBJECT MATTER AND SCOPE OF COPYRIGHT

* * * * *

§ 101. Definitions

Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following:

An “anonymous work” is a work on the copies or phonorecords of which no natural person is identified as author.

* * * * *

[A work is a “Berne Convention work” if—

[(1) in the case of an unpublished work, one or more of the authors is a national of a nation adhering to the Berne Convention, or in the case of a published work, one or more of the authors is a national of a nation adhering to the Berne Convention on the date of first publication;

[(2) the work was first published in a nation adhering to the Berne Convention, or was simultaneously first published in a nation adhering to the Berne Convention and in a foreign nation that does not adhere to the Berne Convention;

[(3) in the case of an audiovisual work—

[(A) if one or more of the authors is a legal entity, that author has its headquarters in a nation adhering to the Berne Convention; or

[(B) if one or more of the authors is an individual, that author is domiciled, or has his or her habitual residence in, a nation adhering to the Berne Convention;

[(4) in the case of a pictorial, graphic, or sculptural work that is incorporated in a building or other structure, the building or structure is located in a nation adhering to the Berne Convention; or

[(5) in the case of an architectural work embodied in a building, such building is erected in a country adhering to the Berne Convention.

For purposes of paragraph (1), an author who is domiciled in or has his or her habitual residence in, a nation adhering to the Berne Convention is considered to be a national of that nation. For purposes of paragraph (2), a work is considered to have been simultaneously published in two or more nations if its dates of publication are within 30 days of one another.]

* * * * *

[The “country of origin” of a Berne Convention work, for purposes of section 411, is the United States if] *For purposes of section 411, a work is a “United States work” only if—*

(1) in the case of a published work, the work is first published—

(A) in the United States;

(B) simultaneously in the United States and another [nation or nations adhering to the Berne Convention] *treaty party or parties*, whose law grants a term of copyright protection that is the same as or longer than the term provided in the United States;

(C) simultaneously in the United States and a foreign nation that **【does not adhere to the Berne Convention】** *is not a treaty party*; or

(D) in a foreign nation that **【does not adhere to the Berne Convention】** *is not a treaty party*, and all of the authors of the work are nationals, domiciliaries, or habitual residents of, or in the case of an audiovisual work legal entities with headquarters in, the United States;

* * * * *

(3) in the case of a pictorial, graphic, or sculptural work incorporated in a building or structure, the building or structure is located in the United States.
【For the purposes of section 411, the “country of origin” of any other Berne Convention work is not the United States.】

* * * * *

A work is “fixed” in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. A work consisting of sounds, images, or both, that are being transmitted, is “fixed” for purposes of this title if a fixation of the work is being made simultaneously with its transmission.

The “Geneva Phonograms Convention” is the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, concluded at Geneva, Switzerland, on October 29, 1971.

The terms “including” and “such as” are illustrative and not limitative.

An “international agreement” is—

- (1) the Universal Copyright Convention;
- (2) the Geneva Phonograms Convention;
- (3) the Berne Convention;
- (4) the WTO Agreement;
- (5) the WIPO Copyright Treaty;
- (6) the WIPO Performances and Phonograms Treaty; and
- (7) any other copyright treaty to which the United States is a party.

* * * * *

To “transmit” a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.

A “treaty party” is a country or intergovernmental organization other than the United States that is a party to an international agreement.

* * * * *

The author’s “widow” or “widower” is the author’s surviving spouse under the law of the author’s domicile at the time of his or her death, whether or not the spouse has later remarried.

The “WIPO Copyright Treaty” is the WIPO Copyright Treaty concluded at Geneva, Switzerland, on December 20, 1996.

The “WIPO Performances and Phonograms Treaty” is the WIPO Performances and Phonograms Treaty concluded at Geneva, Switzerland, on December 20, 1996.

* * * * *

A “work made for hire” is—

(1) * * *

* * * * *

The terms “WTO Agreement” and “WTO member country” have the meanings given those terms in paragraphs (9) and (10), respectively, of section 2 of the Uruguay Round Agreements Act.

* * * * *

§ 104. Subject matter of copyright: National origin

(a) UNPUBLISHED WORKS.—The works specified by sections 102 and 103, while unpublished, are subject to protection under this title without regard to the nationality or domicile of the author.

(b) PUBLISHED WORKS.—The works specified by sections 102 and 103, when published, are subject to protection under this title if—

(1) on the date of first publication, one or more of the authors is a national or domiciliary of the United States, or is a national, domiciliary, or sovereign authority of a [foreign nation that is a party to a copyright treaty to which the United States is also a party] *treaty party*, or is a stateless person, wherever that person may be domiciled; or

(2) the work is first published in the United States or in a foreign nation that, on the date of first publication, is a [party to the Universal Copyright Convention] *treaty party*; or

(3) *the work is a sound recording that was first fixed in a treaty party; or*

(4) the work is a [Berne Convention work] *pictorial, graphic, or sculptural work that is incorporated in a building or other structure, or an architectural work that is embodied in a building and the building or structure is located in the United States or a treaty party; or*

[(3)] (5) the work is first published by the United Nations or any of its specialized agencies, or by the Organization of American States; or

[(5)] (6) the work comes within the scope of a Presidential proclamation. Whenever the President finds that a particular foreign nation extends, to works by authors who are nationals or domiciliaries of the United States or to works that are first published in the United States, copyright protection on substantially the same basis as that on which the foreign nation extends protection to works of its own nationals and domiciliaries and works first published in that nation, the President may by proclamation extend protection under this title to works of which one or more of the authors is, on the date of first publication, a national, domiciliary, or sovereign authority of that nation, or which was first published in that nation. The President may revise, suspend, or revoke any such proclama-

tion or impose any conditions or limitations on protection under a proclamation.

For purposes of paragraph (2), a work that is published in the United States or a treaty party within 30 days after publication in a foreign nation that is not a treaty party shall be considered to be first published in the United States or such treaty party, as the case may be.

* * * * *

(d) *EFFECT OF PHONOGRAMS TREATIES.*—Notwithstanding the provisions of subsection (b), no works other than sound recordings shall be eligible for protection under this title solely by virtue of the adherence of the United States to the Geneva Phonograms Convention or the WIPO Performances and Phonograms Treaty.

§ 104A. Copyright in restored works

(a) * * *

* * * * *

(h) **DEFINITIONS.**—For purposes of this section and section 109(a):

(1) The term “date of adherence or proclamation” means the earlier of the date on which a foreign nation which, as of the date the WTO Agreement enters into force with respect to the United States, is not a nation adhering to the Berne Convention or a WTO member country, becomes—

[(A) a nation adhering to the Berne Convention or a WTO member country; or

[(B) subject to a Presidential proclamation under subsection (g).]

(A) *a nation adhering to the Berne Convention;*

(B) *a WTO member country;*

(C) *a nation adhering to the WIPO Copyright Treaty;*

(D) *a nation adhering to the WIPO Performances and Phonograms Treaty; or*

(E) *subject to a Presidential proclamation under subsection (g).*

* * * * *

[(3) The term “eligible country” means a nation, other than the United States, that—

[(A) becomes a WTO member country after the date of the enactment of the Uruguay Round Agreements Act;

[(B) on such date of enactment is, or after such date of enactment becomes, a member of the Berne Convention; or

[(C) after such date of enactment becomes subject to a proclamation under subsection (g).]

For purposes of this section, a nation that is a member of the Berne Convention on the date of the enactment of the Uruguay Round Agreements Act shall be construed to become an eligible country on such date of enactment.]

(3) *The term “eligible country” means a nation, other than the United States, that—*

(A) *becomes a WTO member country after the date of the enactment of the Uruguay Round Agreements Act;*

(B) on such date of enactment is, or after such date of enactment becomes, a nation adhering to the Berne Convention;

(C) adheres to the WIPO Copyright Treaty;

(D) adheres to the WIPO Performances and Phonograms Treaty; or

(E) after such date of enactment becomes subject to a proclamation under subsection (g).

* * * * *

(6) The term “restored work” means an original work of authorship that—

(A) * * *

* * * * *

(C) is in the public domain in the United States due to—

(i) * * *

* * * * *

(iii) lack of national eligibility; [and]

(D) has at least one author or rightholder who was, at the time the work was created, a national or domiciliary of an eligible country, and if published, was first published in an eligible country and not published in the United States during the 30-day period following publication in such eligible country[.]; and

(E) if the source country for the work is an eligible country solely by virtue of its adherence to the WIPO Performances and Phonograms Treaty, is a sound recording.

* * * * *

(8) The “source country” of a restored work is—

(A) a nation other than the United States;

(B) in the case of an unpublished work—

(i) the eligible country in which the author or rightholder is a national or domiciliary, or, if a restored work has more than 1 author or rightholder, of which the majority of foreign authors or rightholders are nationals or domiciliaries [of eligible countries]; or

* * * * *

[(9) The terms “WTO Agreement” and “WTO member country” have the meanings given those terms in paragraphs (9) and (10), respectively, of section 2 of the Uruguay Round Agreements Act.]

* * * * *

§ 108. Limitations on exclusive rights: Reproduction by libraries and archives

(a) [Notwithstanding] *Except as otherwise provided in this title and notwithstanding the provisions of section 106, it is not an infringement of copyright for a library or archives, or any of its employees acting within the scope of their employment, to reproduce no more than one copy or phonorecord of a work, except as provided in subsections (b) and (c), or to distribute such copy or phonorecord, under the conditions specified by this section, if—*

(1) * * *

* * * * *

(3) the reproduction or distribution of the work includes a notice of copyright *that appears on the copy or phonorecord that is reproduced under the provisions of this section, or includes a legend stating that the work may be protected by copyright if no such notice can be found on the copy or phonorecord that is reproduced under the provisions of this section.*

(b) The rights of reproduction and distribution under this section apply to [a copy or phonorecord] *three copies or phonorecords* of an unpublished work duplicated [in facsimile form] solely for purposes of preservation and security or for deposit for research use in another library or archives of the type described by clause (2) of subsection (a), [if the copy or phonorecord reproduced is currently in the collections of the library or archives.] *if—*

(1) *the copy or phonorecord reproduced is currently in the collections of the library or archives; and*

(2) *any such copy or phonorecord that is reproduced in digital format is not otherwise distributed in that format and is not made available to the public in that format outside the premises of the library or archives.*

(c) The right of reproduction under this section applies to [a copy or phonorecord] *three copies or phonorecords* of a published work duplicated [in facsimile form] solely for the purpose of replacement of a copy or phonorecord that is damaged, deteriorating, lost, or stolen, *or if the existing format in which the work is stored has become obsolete*, [if the library or archives has, after a reasonable effort, determined that an unused replacement cannot be obtained at a fair price.] *if—*

(1) *the library or archives has, after a reasonable effort, determined that an unused replacement cannot be obtained at a fair price; and*

(2) *any such copy or phonorecord that is reproduced in digital format is not made available to the public in that format except for use on the premises of the library or archives in lawful possession of such copy.*

For purposes of this subsection, a format shall be considered obsolete if the machine or device necessary to render perceptible a work stored in that format is no longer manufactured or is no longer reasonably available in the commercial marketplace.

* * * * *

§ 112. Limitations on exclusive rights: Ephemeral recordings

(a)(1) Notwithstanding the provisions of section 106, and except in the case of a motion picture or other audiovisual work, it is not an infringement of copyright for a transmitting organization entitled to transmit to the public a performance or display of a work, under a license or transfer of the copyright or under the limitations on exclusive rights in sound recordings specified by section 114(a), *or for a transmitting organization that is a broadcast radio or television station licensed as such by the Federal Communications Commission that broadcasts a performance of a sound recording in a digital format on a nonsubscription basis, to make no more than*

one copy or phonorecord of a particular transmission program embodying the performance or display, if—

[(1)] (A) the copy or phonorecord is retained and used solely by the transmitting organization that made it, and no further copies or phonorecords are reproduced from it; and

[(2)] (B) the copy or phonorecord is used solely for the transmitting organization's own transmissions within its local service area, or for purposes of archival preservation or security; and

[(3)] (C) unless preserved exclusively for archival purposes, the copy or phonorecord is destroyed within six months from the date the transmission program was first transmitted to the public.

(2) *In a case in which a transmitting organization entitled to make a copy or phonorecord under paragraph (1) in connection with the transmission to the public of a performance or display of a work described in that paragraph is prevented from making such copy or phonorecord by reason of the application by the copyright owner of technical measures that prevent the reproduction of the work, the copyright owner shall make available to the transmitting organization the necessary means for permitting the making of such copy or phonorecord within the meaning of that paragraph, if it is technologically feasible and economically reasonable for the copyright owner to do so. If the copyright owner fails to do so in a timely manner in light of the transmitting organization's reasonable business requirements, the transmitting organization shall not be liable for a violation of section 102(a)(1) of the WIPO Copyright Treaties Implementation Act for engaging in such activities as are necessary to make such copies or phonorecords as permitted under paragraph (1) of this subsection.*

* * * * *

§ 117. Limitations on exclusive rights: Computer programs

[Notwithstanding] (a) *MAKING OF ADDITIONAL COPY OR ADAPTATION BY OWNER OF COPY.*—Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

(1) * * *

* * * * *

[Any exact] (b) *LEASE, SALE, OR OTHER TRANSFER OF ADDITIONAL COPY OR ADAPTATION.*—Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorization of the copyright owner.

(c) *MACHINE MAINTENANCE OR REPAIR.*—Notwithstanding the provisions of section 106, it is not an infringement for the owner or lessee of a machine to make or authorize the making of a copy of a computer program if such copy is made solely by virtue of the activation of a machine that lawfully contains an authorized copy of the

computer program, for purposes only of maintenance or repair of that machine, if—

(1) such new copy is used in no other manner and is destroyed immediately after the maintenance or repair is completed; and

(2) with respect to any computer program or part thereof that is not necessary for that machine to be activated, such program or part thereof is not accessed or used other than to make such new copy by virtue of the activation of the machine.

(d) *DEFINITIONS.*—For purposes of this section—

(1) the “maintenance” of a machine is the servicing of the machine in order to make it work in accordance with its original specifications and any changes to those specifications authorized for that machine; and

(2) the “repair” of a machine is the restoring of the machine to the state of working in accordance with its original specifications and any changes to those specifications authorized for that machine.

* * * * *

CHAPTER 4—COPYRIGHT NOTICE, DEPOSIT, AND REGISTRATION

* * * * *

§ 411. Registration and infringement actions

(a) Except for [actions for infringement of copyright in Berne Convention works whose country of origin is not the United States and] an action brought for a violation of the rights of the author under section 106A(a), and subject to the provisions of subsection (b), no action for infringement of the copyright in any *United States* work shall be instituted until registration of the copyright claim has been made in accordance with this title. In any case, however, where the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute an action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights. The Register may, at his or her option, become a party to the action with respect to the issue of registrability of the copyright claim by entering an appearance within sixty days after such service, but the Register’s failure to become a party shall not deprive the court of jurisdiction to determine that issue.

* * * * *

CHAPTER 5—COPYRIGHT INFRINGEMENT AND REMEDIES

Sec.

501. Infringement of copyright.

* * * * *

512. *Liability of service providers for online infringement of copyright.*

* * * * *

§ 507. Limitations on actions

(a) CRIMINAL PROCEEDINGS.—[No] *Except as expressly provided otherwise in this title, no criminal proceeding shall be maintained under the provisions of this title unless it is commenced within 5 years after the cause of action arose.*

* * * * *

§ 512. *Liability of service providers for online infringement of copyright*

(a) DIGITAL NETWORK COMMUNICATIONS.—A service provider shall not be liable for monetary relief, or except as provided in subsection (i) for injunctive or other equitable relief, for infringement for the provider's transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or the intermediate and transient storage of such material in the course of such transmitting, routing or providing connections, if—

(1) *it was initiated by or at the direction of a person other than the service provider;*

(2) *it is carried out through an automatic technical process without selection of such material by the service provider;*

(3) *the service provider does not select the recipients of such material except as an automatic response to the request of another;*

(4) *no such copy of such material made by the service provider is maintained on the system or network in a manner ordinarily accessible to anyone other than anticipated recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to the anticipated recipients for a longer period than is reasonably necessary for the communication; and*

(5) *the material is transmitted without modification to its content.*

(b) SYSTEM CACHING.—A service provider shall not be liable for monetary relief, or except as provided in subsection (i) for injunctive or other equitable relief, for infringement for the intermediate and temporary storage of material on the system or network controlled or operated by or for the service provider: *Provided, That—*

(1) *such material is made available online by a person other than such service provider,*

(2) *such material is transmitted from the person described in paragraph (1) through such system or network to someone other than that person at the direction of such other person,*

(3) *the storage is carried out through an automatic technical process for the purpose of making such material available to users of such system or network who subsequently request access to that material from the person described in paragraph (1);*

Provided further, That—

(4) *such material is transmitted to such subsequent users without modification to its content from the manner in which the material otherwise was transmitted from the person described in paragraph (1);*

(5) *such service provider complies with rules concerning the refreshing, reloading or other updating of such material when specified by the person making that material available online in accordance with an accepted industry standard data communications protocol for the system or network through which that person makes the material available: Provided further, That the rules are not used by the person described in paragraph (1) to prevent or unreasonably impair such intermediate storage;*

(6) *such service provider does not interfere with the ability of technology associated with such material that returns to the person described in paragraph (1) the information that would have been available to such person if such material had been obtained by such subsequent users directly from such person: Provided further, That such technology—*

(A) does not significantly interfere with the performance of the provider's system or network or with the intermediate storage of the material;

(B) is consistent with accepted industry standard communications protocols; and

(C) does not extract information from the provider's system or network other than the information that would have been available to such person if such material had been accessed by such users directly from such person;

(7) *either—*

(A) the person described in paragraph (1) does not currently condition access to such material; or

(B) if access to such material is so conditioned by such person, by a current individual pre-condition, such as a pre-condition based on payment of a fee, or provision of a password or other information, the service provider permits access to the stored material in significant part only to users of its system or network that have been so authorized and only in accordance with those conditions; and

(8) *if the person described in paragraph (1) makes that material available online without the authorization of the copyright owner, then the service provider responds expeditiously to remove, or disable access to, the material that is claimed to be infringing upon notification of claimed infringements described in subsection (c)(3): Provided further, That the material has previously been removed from the originating site, and the party giving the notification includes in the notification a statement confirming that such material has been removed or access to it has been disabled or ordered to be removed or have access disabled.*

(c) INFORMATION STORED ON SERVICE PROVIDERS.—

(1) **IN GENERAL.**—*A service provider shall not be liable for monetary relief, or except as provided in subsection (i) for injunctive or other equitable relief, for infringement for the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider—*

(A)(i) does not have actual knowledge that the material or activity is infringing,

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent, or

(iii) if upon obtaining such knowledge or awareness, the service provider acts expeditiously to remove or disable access to, the material;

(B) does not receive a financial benefit directly attributable to the infringing activity, where the service provider has the right and ability to control such activity; and

(C) in the instance of a notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

(2) *DESIGNATED AGENT.*—The limitations on liability established in this subsection apply only if the service provider has designated an agent to receive notifications of claimed infringement described in paragraph (3), by substantially making the name, address, phone number, electronic mail address of such agent, and other contact information deemed appropriate by the Register of Copyrights, available through its service, including on its website, and by providing such information to the Copyright Office. The Register of Copyrights shall maintain a current directory of agents available to the public for inspection, including through the Internet, in both electronic and hard copy formats.

(3) *ELEMENTS OF NOTIFICATION.*—

(A) To be effective under this subsection, a notification of claimed infringement means any written communication provided to the service provider's designated agent that includes substantially the following—

(i) a physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed;

(ii) identification of the copyrighted work claimed to have been infringed, or, if multiple such works at a single online site are covered by a single notification, a representative list of such works at that site;

(iii) identification of the material that is claimed to be infringing or to be the subject of infringing activity that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material;

(iv) information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available an electronic mail address at which the complaining party may be contacted;

(v) a statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, or its agent, or the law; and

(vi) a statement that the information in the notification is accurate, and under penalty of perjury, that the

complaining party has the authority to enforce the owner's rights that are claimed to be infringed.

(B) A notification from the copyright owner or from a person authorized to act on behalf of the copyright owner that fails substantially to conform to the provisions of paragraph (3)(A) shall not be considered under paragraph (1)(A) in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent: Provided, That the provider promptly attempts to contact the complaining party or takes other reasonable steps to assist in the receipt of notice under paragraph (3)(A) when the notice is provided to the service provider's designated agent and substantially satisfies the provisions of paragraphs (3)(A) (ii), (iii), and (iv).

(d) INFORMATION LOCATION TOOLS.—A service provider shall not be liable for monetary relief, or except as provided in subsection (i) for injunctive or other equitable relief, for infringement for the provider referring or linking users to an online location containing infringing material or activity by using information location tools, including a directory, index, reference, pointer or hypertext link, if the provider—

(1) does not have actual knowledge that the material or activity is infringing or, in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent;

(2) does not receive a financial benefit directly attributable to the infringing activity, where the service provider has the right and ability to control such activity; and

(3) responds expeditiously to remove or disable the reference or link upon notification of claimed infringement as described in subsection (c)(3): Provided, That for the purposes of this paragraph, the element in subsection (c)(3)(A)(iii) shall be identification of the reference or link, to material or activity claimed to be infringing, that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate such reference or link.

(e) MISREPRESENTATIONS.—Any person who knowingly materially misrepresents under this section—

(1) that material or activity is infringing, or

(2) that material or activity was removed or disabled by mistake or misidentification,

shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer, by any copyright owner or copyright owner's authorized licensee, or by the service provider, who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing, or in replacing the removed material or ceasing to disable access to it.

(f) REPLACEMENT OF REMOVED OR DISABLED MATERIAL AND LIMITATION ON OTHER LIABILITY.—

(1) Subject to paragraph (2) of this subsection, a service provider shall not be liable to any person for any claim based on the service provider's good faith disabling of access to, or removal of, material or activity claimed to be infringing or based

on facts or circumstances from which infringing activity is apparent, regardless of whether the material or activity is ultimately determined to be infringing.

(2) Paragraph (1) of this subsection shall not apply with respect to material residing at the direction of a subscriber of the service provider on a system or network controlled or operated by or for the service provider that is removed, or to which access is disabled by the service provider pursuant to a notice provided under subsection (c)(1)(C), unless the service provider—

(A) takes reasonable steps promptly to notify the subscriber that it has removed or disabled access to the material;

(B) upon receipt of a counter notice as described in paragraph (3), promptly provides the person who provided the notice under subsection (c)(1)(C) with a copy of the counter notice, and informs such person that it will replace the removed material or cease disabling access to it in ten business days; and

(C) replaces the removed material and ceases disabling access to it not less than 10, nor more than 14, business days following receipt of the counter notice, unless its designated agent first receives notice from the person who submitted the notification under subsection (c)(1)(C) that such person has filed an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the service provider's system or network.

(3) To be effective under this subsection, a counter notification means any written communication provided to the service provider's designated agent that includes substantially the following:

(A) A physical or electronic signature of the subscriber.

(B) Identification of the material that has been removed or to which access has been disabled and the location at which such material appeared before it was removed or access was disabled.

(C) A statement under penalty of perjury that the subscriber has a good faith belief that the material was removed or disabled as a result of mistake or misidentification of the material to be removed or disabled.

(D) The subscriber's name, address and telephone number, and a statement that the subscriber consents to the jurisdiction of Federal Court for the judicial district in which the address is located, or if the subscriber's address is outside of the United States, for any judicial district in which the service provider may be found, and that the subscriber will accept service of process from the person who provided notice under subsection (c)(1)(C) or agent of such person.

(4) A service provider's compliance with paragraph (2) shall not subject the service provider to liability for copyright infringement with respect to the material identified in the notice provided under subsection (c)(1)(C).

(g) IDENTIFICATION OF DIRECT INFRINGER.—The copyright owner or a person authorized to act on the owner's behalf may request an order for release of identification of an alleged infringer by filing—

(1) a copy of a notification described in subsection (c)(3)(A), including a proposed order, and

(2) a sworn declaration that the purpose of the order is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of this title, with the clerk of any United States district court.

The order shall authorize and order the service provider receiving the notification to disclose expeditiously to the copyright owner or person authorized by the copyright owner information sufficient to identify the alleged direct infringer of the material described in the notification to the extent such information is available to the service provider. The order shall be expeditiously issued if the accompanying notification satisfies the provisions of subsection (c)(3)(A) and the accompanying declaration is properly executed. Upon receipt of the order, either accompanying or subsequent to the receipt of a notification described in subsection (c)(3)(A), a service provider shall expeditiously give to the copyright owner or person authorized by the copyright owner the information required by the order, notwithstanding any other provision of law and regardless of whether the service provider responds to the notification.

(h) **CONDITIONS FOR ELIGIBILITY.**—

(1) **ACCOMMODATION OF TECHNOLOGY.**—The limitations on liability established by this section shall apply only if the service provider—

(A) has adopted and reasonably implemented, and informs subscribers of the service of, a policy for the termination of subscribers of the service who are repeat infringers; and

(B) accommodates and does not interfere with standard technical measures as defined in this subsection.

(2) **DEFINITION.**—As used in this section, “standard technical measures” are technical measures, used by copyright owners to identify or protect copyrighted works, that—

(A) have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process;

(B) are available to any person on reasonable and non-discriminatory terms; and

(C) do not impose substantial costs on service providers or substantial burdens on their systems or networks.

(i) **INJUNCTIONS.**—The following rules shall apply in the case of any application for an injunction under section 502 against a service provider that is not subject to monetary remedies by operation of this section.

(1) **SCOPE OF RELIEF.**—

(A) With respect to conduct other than that which qualifies for the limitation on remedies as set forth in subsection (a), the court may only grant injunctive relief with respect to a service provider in one or more of the following forms—

(i) an order restraining it from providing access to infringing material or activity residing at a particular online site on the provider’s system or network;

(ii) an order restraining it from providing access to an identified subscriber of the service provider's system or network who is engaging in infringing activity by terminating the specified accounts of such subscriber; or

(iii) such other injunctive remedies as the court may consider necessary to prevent or restrain infringement of specified copyrighted material at a particular online location: *Provided, That such remedies are the least burdensome to the service provider that are comparably effective for that purpose.*

(B) *If the service provider qualifies for the limitation on remedies described in subsection (a), the court may only grant injunctive relief in one or both of the following forms—*

(i) an order restraining it from providing access to an identified subscriber of the service provider's system or network who is using the provider's service to engage in infringing activity by terminating the specified accounts of such subscriber; or

(ii) an order restraining it from providing access, by taking specified reasonable steps to block access, to a specific, identified, foreign online location.

(2) *CONSIDERATIONS.—The court, in considering the relevant criteria for injunctive relief under applicable law, shall consider—*

(A) *whether such an injunction, either alone or in combination with other such injunctions issued against the same service provider under this subsection, would significantly burden either the provider or the operation of the provider's system or network;*

(B) *the magnitude of the harm likely to be suffered by the copyright owner in the digital network environment if steps are not taken to prevent or restrain the infringement;*

(C) *whether implementation of such an injunction would be technically feasible and effective, and would not interfere with access to noninfringing material at other online locations; and*

(D) *whether other less burdensome and comparably effective means of preventing or restraining access to the infringing material are available.*

(3) *NOTICE AND EX PARTE ORDERS.—Injunctive relief under this subsection shall not be available without notice to the service provider and an opportunity for such provider to appear, except for orders ensuring the preservation of evidence or other orders having no material adverse effect on the operation of the service provider's communications network.*

(j) *DEFINITIONS.—*

(1)(A) *As used in subsection (a), the term "service provider" means an entity offering the transmission, routing or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received.*

(B) As used in any other subsection of this section, the term “service provider” means a provider of online services or network access, or the operator of facilities therefor, and includes an entity described in the preceding paragraph of this subsection.

(2) As used in this section, the term “monetary relief” means damages, costs, attorneys’ fees, and any other form of monetary payment.

(k) 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.

(l) PROTECTION OF PRIVACY.—Nothing in this section shall be construed to condition the applicability of subsections (a) through (d) on—

(1) a service provider monitoring its service or affirmatively seeking facts indicating infringing activity except to the extent consistent with a standard technical measure complying with the provisions of subsection (h); or

(2) a service provider accessing, removing, or disabling access to material where such conduct is prohibited by law.

(m) RULE OF CONSTRUCTION.—Subsections (a), (b), (c), and (d) are intended to describe separate and distinct functions for purposes of analysis under this section. Whether a service provider qualifies for the limitation on liability in any one such subsection shall be based solely on the criteria in each such subsection and shall not affect a determination of whether such service provider qualifies for the limitations on liability under any other such subsection.

* * * * *

ADDITIONAL VIEWS OF SCOTT KLUG AND RICK BOUCHER

Although we support the House Commerce Committee's changes and improvements to H.R. 2281, the Digital Millennium Copyright Act of 1998, we remain troubled by the implications of this legislation.

In its original version, H.R. 2281 contained a provision that would have made it unlawful to circumvent technological protection measures that effectively control access to a work, for any reason. In other words, the bill, if passed unchanged, would have given copyright owners the legislative muscle to "lock up" their works in perpetuity—unless each and every one of us separately negotiated for access. In short, this provision converted an unobstructed marketplace that tolerates "free" access in some circumstances to a "pay-per-access" system, no exceptions permitted.

In our opinion, this not only stands copyright law on its head, it makes a mockery of our Constitution. Article I, Section 8, Clause 8 is very clear in its directive: "The Congress shall have Power * * * To Promote the Progress of Science and useful Arts, by securing for *limited* Times to Authors and Inventors the exclusive Right to their respective Writing and Discoveries." (emphasis added). Congress has limited these rights both in terms of scope and duration. In interpreting the Copyright Clause, the Supreme Court has said:

The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to *allow the public access to the products of their genius after the limited period of exclusive control has expired*. The copyright law, like the patent statutes, makes reward to the owner a secondary consideration. *Sony Corporation v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (emphasis added).

The anti-circumvention language of H.R. 2281, even as amended, bootstraps the limited monopoly into a perpetual right. It also fundamentally alters the balance that has been carefully struck in 200 years of copyright case law, by making the private incentive of content owners the paramount consideration—at the expense of research, scholarship, education, literary or political commentary, indeed, the future viability of information in the public domain. In so doing, this legislation goes well beyond the rights contemplated for copyright owners in the Constitution.

The Klug amendment, representing a compromise between those on the content side and "fair use" proponents, simply delays this

constitutional problem for a period of two years. Delegating authority to develop anti-circumvention regulations to the Secretary of Commerce was a means to eliminate the stalemate that existed, but it is not, by itself a comment on the need for limitations on this anti-circumvention rights. It also strikes us that Congress is not acting prudently by passing a law guaranteed to create lifetime employment for attorneys and copyright specialists, given the constitutional and definitional problems already identified.

What we set out to do was to restore some balance in the discussion and to place private incentive in its proper context. We had proposed to do this by legislating an equivalent fair use defense for the new right to control access. For reasons not clear to us, and despite the WIPO Treaty language “recognizing the need to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information * * *,” our proposal was met with strenuous objection. It continued to be criticized even after it had been redrafted, and extensively tailored, in response to the myriad of piracy concerns that were raised.

The compromise amendment that Representative Klug ultimately offered at full committee is silent on the applicability of traditional copyright limitations and defenses, though it does give “information users” the ability to argue that the application of technological protection measures adversely impacts their ability to access information. This diminution in availability includes both access under license terms and traditional free access to information. Our expectation is that the rulemaking will also focus on the extent to which exceptions and limitations to this prohibition are appropriate and necessary to maintain balance in our copyright laws.

In view of this legislation’s overwhelming attention to the regulation of devices in other contexts, it should be clearly understood that the Section 102(a)(1) amendment addresses conduct only and does not delegate to the Secretary of Commerce the power to regulate the design of devices.

Moreover, the bill, by its terms (like the WIPO treaties), covers only those measures that are “effective.” Pursuant to this limitation, an amendment we offered which was adopted at subcommittee clarified that device and component designers and manufacturers are not under any legal obligation to respond to or to accommodate any particular technological protection measure. Without such clarification, the bill could have been construed as governing not only those technological protection measures that are already “effective”, such as those based on encryption, but also those that might conceivably be made “effective” through enactment of the legislation. This result would be a far cry from governing “circumvention.” For similar reasons, it was clearly understood in the full committee consideration that a measure is not “effective”, and consequently not covered by this bill, to the extent that protecting the measure against circumvention would cause degradation of the otherwise lawful performance of a device or authorized display of a work.

In the end, this legislation purports to protect creators. It may well be that additional protections are necessary, though we think the 1976 Copyright Act is sufficiently flexible to deal with changing

technology. Whatever protections Congress grants should not be wielded as a club to thwart consumer demand for innovative products, consumer demand for access to information, consumer demand for tools to exercise their lawful rights, and consumer expectations that the people and expertise will exist to service these products.

SCOTT KLUG.
RICK BOUCHER.

