Vicarious ISP Liability Warrants Further Attention

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Potential vicarious liability has long been a matter of concern to Internet service providers (ISPs). It can arise when, for example, users make unauthorized transmissions or post copyrighted or libelous material. It can also arise in many other circumstances, as when users offer pirated or counterfeit goods for sale by auction.

ISPs are apt to halt any conduct that potentially embroils them in such litigation. Network Solutions, Inc. (NSI) was one of the first to face this problem. When it received complaints that domain names infringed registered trademarks, NSI suspended use unless registrants, if lacking registered trademarks themselves, promptly sought judicial determinations of noninfringement. *See, e.g.,* Juno Online Services, L.P. v. Juno Lighting, Inc., 979 F.Supp. 684, 686 (N.D. Ill. 1997). When Yahoo! recently faced a conflict over the names of two user groups, it apparently adopted a similar strategy. *See* FreecycleSunnyvale v. Freecycle Network, 626 F.3d 509, 512 (9th Cir. 2010).

It is not surprising that ISP's will do whatever is needed to avoid potential liability. This is apt to mean terminating subscriber activities that spark complaint regardless of the merits.

At least with regard to copyright disputes, § 512 provides ISPs with a safe harbor. It is lengthy and complex, but only § 512(c), (f) and (g) need be considered here.

Section 512(c) provides that ISPs are not liable for offending user-posted material of which they are unaware. The other two provisions condition future liability on formal notice. Subscribers' interests are served in several ways. False takedown notices are subject to penalties for perjury, § 512(c)(3)((A)(vi). Also, § 512(f) permits recovery

of damages caused by knowing misrepresentations.

Moreover, § 512(g) requires ISPs to contact responsible subscribers. If they then file a counter notification, § 512(g)(2)(C) obligates the ISP to reinstate service or replace removed material unless it has been informed by complainants that they have filed suit.

Despite capacity to do so, however, complainants may not be inclined to file suit. This is well illustrated by three recent cases concerning allegedly illegal sales on eBay. In each instance, multiple takedown notices addressed essentially identical transactions. Although auctions were reinstated following counter notices, sales were repeatedly disrupted. Beyond delay and inconvenience, sellers targeted by multiple complaints face increasing risk of being terminated.

Although that situation is amply illustrated by Vernor v. Autodesk, Inc. 621 F.3d 1102 (9th Cir. 2010), and UMG Recordings, Inc. v. Augusto, 628 F.3d 1175 (9th Cir. 2011), those cases are more notable for holdings on the merits. Vernor ultimately lost because he was found not to own the AutoCAD CD-ROMs he had been selling on eBay. Augusto prevailed when the court reached the opposite conclusion with respect to CDs in dispute, but UMG Recordings certainly had a colorable claim.

Design Furnishings, Inc. v. Zen Path, LLC, 2010 WL 5418893 (E.D.Cal.) contrasts starkly with those cases. As the opinion recounts, both parties sell wicker furniture designed by an employee of Zen Path and manufactured by the same Chinese manufacturer after Design Furnishings ordered identical copies. *Id.* at *1. That the designer was upset is understandable, but design patent protection is not mentioned and is presumably barred by § 35 U.S.C. 102(b). Moreover, the Copyright Office refused to register a claim to copyright in the furniture. *Id.* at *2.

A state court had granted a TRO based on Zen Path's allegations of tortious inference and violation of the California unfair competition statute. Presumably because

violation of § 512(f) was also alleged, the case was removed, but the TRO was continued. *Id.* at *3.

Although Design Furnishings initially made use of Zen Path's photographs, that had stopped. *Id.* at *1-2. Thus, the court said, "Defendant was never able to point to the specific feature of the furniture that could be copyrighted…, yet defendant filed 63 notices of claimed copyright infringement. ….[E]ven if it could be argued that defendant initially believed it had a valid copyright claim, it is substantially more implausible… now that its claim has been rejected by both the [Copyright Office] and this court. At a minimum, there are serious questions going to the merits." *Id.* at *6.

"[A]bsent eBay's policies, designed to avoid eBay's liability for intellectual property infringement, it would be the claimed copyright holder who would bear the burden of proving the copyright infringement. …. That burden is essentially shifted…. To withhold a preliminary injunction would allow anyone to effectively shut down a competitor's business on eBay simply by filing numerous notices that the seller's products allegedly infringe…." *Id.* at *8 (citation and note omitted).

Thus, the court enjoined Zen Path from "notifying eBay that defendant has copyrights in the wicker patio furniture offered for sale by plaintiff and that plaintiff's sales violate those copyrights." *Id.* at * 9. The preliminary injunction, however, was conditioned on Design Furnishings' posting $100,000 bond! *Id.* Lacking the financial capacity to do so, only the threat of liability under § 512(f) and the remote possibility of being prosecuted for perjury would restrain Zen Path's' efforts to interfere with what it erroneously saw as blatant piracy. Given a slightly better claim, it would face no more risk than would UMG Recordings.

Although § 512 may be regarded primarily as providing a safe harbor for ISPs, it also provides a safe harbor for complainants who have a good faith belief that their

rights are being infringed. Those who comply with its provisions avoid liability not only under § 512(f) but also for tortious interference and other torts. *See, e.g.,* Rossi v. Motion Picture Ass'n of America Inc., 391 F.3d 1000, 1006-07 (9th Cir. 2004). And compliance might also cause takedown notices to be seen as presumptively justifiable, for example, in trademark cases where § 512 does not literally apply.

It seems doubtful that repeated takedown notices filed against the same party for essentially identical conduct would be seen as justifiable in such cases. In any case, they should be restricted under § 512(c) and relevant to liability under § 512(f). Optimally, a complaining party who chooses not to file suit as mentioned in § 512(c)(3)((A)(vi), should unambiguously be barred from filing additional take-down notices. A number would be helpful. It might be larger than one, but it should be far fewer than sixty-three!