CHAPTER 6

ONLINE COPYRIGHT INFRINGEMENT LIABILITY OF INTERNET SERVICE PROVIDERS
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As the Internet has grown, the problem of on-line infringement of intellectual property rights has assumed gigantic proportions and developed into an economically significant issue. The commercialisation and exponential growth of the Internet has created an entirely new set of problems for intellectual property holders. While the Internet has allowed the content community comprising of researchers, educators, artists, publishers, music and entertainment industry to expand their markets at an unprecedented rate, the same technology allows any anonymous and invisible pirate to copy and disseminate instantaneously anything that is displayed on the Internet. Because of huge losses worldwide on account of on-line intellectual property infringement, the content community is definitely concerned.

Because of the inherent difficulties of enforcing copyrights against individual Internet users worldwide, the copyright owners have found the answer to this
problem in placing legal liability for intellectual property infringement on those who allow and enable Internet pirates to exist, namely the Internet service providers (ISPs). For the owners of intellectual property, it is practical to sue the ISPs as they are in a position of policing the Internet. On the other side of the argument, ISPs are passive carriers similar to telecommunications companies and therefore should be granted some limitation from liability with regard to intellectual property infringement. In addition, the making of ISPs liable for these infringements could stifle the growth of the Internet itself. The issue of on-line copyright infringement liability for ISPs has been around since the use of the Internet started to expand rapidly in the early 1990’s and has been the subject of extensive debates worldwide. Should ISPs be held responsible for illegal activities committed by their users? Should on-line intermediaries be held responsible for third party material put on the Internet by users of their facilities? If yes, what should be the extent of their liability?

This chapter:

- Tries to understand who ISPs are and what role they play in communication on the Internet
- By taking the example of copyright infringement an analysis has been made as to what could be the potential liability of ISPs (the principles would be valid for other forms of infringements mutatis mutandis)
- Discusses various international approaches for determining the liability of ISPs
- Thoroughly examines the provisions of the Copyright Act, 1957 and the Information Technology Act, 2000 vis a vis the liability of ISPs
- Makes suggestions that attempt at improving the interaction between copyright law and the Internet and the parties and technologies that intertwine the two
Fixing ISP liability for online copyright infringement

Should ISPs be made liable for storing and transmitting content?

Horizontal approach adopted by EU, Germany, Sweden and Japan

Non-horizontal approach adopted by Hungary, Ireland, Singapore and USA

If yes, to what extent and on what basis?

Knowledge requirement?

Due diligence requirement?

Due diligence vis-à-vis technology?

Burden of proof?

Under Copyright Act, 1957

Under IT Act, 2000

Need for further limiting the liability; necessary to amend and clarify the provisions
ISPS AND THEIR ROLE IN COMMUNICATION ON THE INTERNET

ISP\(^1\) is an entity that connects people to the Internet and provides other related services such as Web site building and hosting. An ISP has the equipment and the telecommunication line access required to have a point of presence on the Internet for the geographic area served.\(^2\)

Various types of intermediaries are involved in delivering content online to end-users as making a work available over the Internet will involve a chain of intermediate service providers. A person who is desirous of launching a Web site will first obtain an account with a hosting service provider and then will upload Web pages onto his Web site which is physically located on the host’s ‘server’ - which could best be described as a very large hard disk that is directly accessible on the Internet. Upon storage on the server the uploaded documents become instantly available to everyone with a connection to the Internet. An access provider, in turn, provides access to the Internet. On the way from host to access provider to end user the transported documents pass through the infrastructure of a network provider, who, apart from providing the physical facilities to transport a signal, will also transmit and route it to the designated recipient. It is common for a single legal entity to provide a complete range of these services. ISPs are instrumental in transmitting or disseminating third party content, but neither initiate nor take any part in a decision to disseminate particular material.

So, the two main services provided by ISPs are:

\(^1\) Some ISPs describe themselves as online service providers (OSPs). In this usage, ISP and OSP are synonyms. In general, the companies sometimes identified as OSPs offer an extensive online array of services of their own apart from the rest of the Internet. ISPs are often also described as information service providers, network service providers, service providers, etc.

\(^2\) http://searchwebservices.techtarget.com/sDefinition/0,..sid26..gci214028.00.html.
• Web site building and hosting: done by an entity that provides space and management for individual or business Web sites; and

• Access providing: done by an entity that arranges for an individual or an organization to have access to the Internet.

Figure 6.1 below shows the role of ISPs in communication on the Internet.
COMMUNICATION OF COPYRIGHTED WORKS BY ISPS – POTENTIAL IMPLICATIONS

Copyright is a right given by law to the creators of literary, dramatic, musical and artistic works and producers of cinematograph films and sound recordings to do or authorize the doing of certain acts with regard to their creations. It is a kind of protection against unauthorized use or misuse of a work. The exclusive rights include the rights of authorship, reproduction, distribution, communication to the public, broadcasting, adaptation and translation. A person is guilty of copyright infringement if he violates one of the exclusive rights given to copyright owners under the Copyright Act. The dissemination of copyrighted works online primarily implicates two of the inherent rights that spring from copyright protection viz:

• The right of reproduction
• The right of communication to the public

When a work is transmitted on the Internet from one point to another, or made available for the public to access, ISPs are involved in the transmission. When such ISPs participate in storing, transmitting or making available materials provided by another which infringe copyright or related rights, they could be liable for copyright infringement and such liability could arise in one of two ways:

• if the ISP itself is found to have engaged in unauthorized acts of reproduction or communication to the public;
• if he is held responsible for contributing to or making possible the act of infringement by another.

ISPs are instrumental in ‘making available’ to the public web pages stored on their servers. Moreover, the reproduction right may come into play in various ways. The transmission of a work over the Internet will normally result in several
acts of reproduction. First, the work is copied onto the server of the ISP. Then, it will be temporarily reproduced, in whole or in part, during transmission.

It is clear that on-line ISP will be liable for copyright infringement if they are directly involved in the copying of protected material. For example, if an ISP were to place an electronic copy of the latest best-selling novel (or a pirated copy of Microsoft Word) on their bulletin board or Web site, they would be guilty of copyright infringement. In these circumstances, an ISP is no different than any other party.³

In the second instance, ISPs can be liable for copyright infringement even where they are not directly engaged in the copying and communicating protected materials. For instance, ISPs store their customers’ content on their servers and further they allow their telecommunications facilities to be used for transmitting such content. So, if their customers’ content is infringing somebody’s copyright, they also play a passive part in the infringement. But if they have knowledge of that infringing material then they also could attract liability under the Copyright Act.

VARIOUS APPROACHES FOR DETERMINING THE LIABILITY OF ISPS

The liability of ISPs may arise in a variety of legal fields, such as criminal law, tort law, trade secret law, copyright law, trademark law, unfair competition law, etc. Worldwide many nations have tried to define the liability of ISPs in disseminating third party content. Many of these national laws relate to criminal law, information technology law or copyright law. These statutes have tried to solve the problem by adopting either of the two approaches; horizontal approach and non-horizontal approach. The horizontal approach covers not only copyright infringement but also all other potential areas of law where liability of ISPs might

arise. It fixes the liability regardless of the grounds for illegality of the transmitted material. Whereas, under non-horizontal approach the potential liability of ISPs is determined under each law where it might arise. In this case various statutes would determine ISP liability; for example, adopting non-horizontal approach the copyright statute would address ISP liability that might arise only in relation to copyright violations.

**Horizontal approach**

In this manner the liability of ISPs is determined at one place in a single statute. There are laws now in force in Germany, Sweden, Japan, etc. which approach the issue from a horizontal perspective. A few of these laws are being discussed below:

**The German Teleservices Act**

The German Teleservices Act\(^4\) deals with liability for third-party content in a 'horizontal' manner; its rules apply equally to all areas of civil and penal law, including copyright. In other words, the provisions of the Act are not copyright-specific and have been drafted broadly enough to cover any kind of liability for contents online.

One of the mechanisms adopted by the German Teleservices Act is the filtering mechanism. First, the ISPs are made liable according to the general provisions of law related to the conduct of the ISP in question. That means if the ISP is accused of defamation then he shall be tried according to the defamation laws of Germany and if the ISP is accused of copyright violation then his liability will be determined.

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\(^4\) Act on the Utilization of Teleservices (Gesetz über die Nutzung von Telediensten) Federal Law Gazette (Bundesgesetzblatt) 1997 I 1870. The Teleservices Act was enacted as Art. 1 of the Information and Communication Services Act in 1997 (Informations- und Kommunikationsdienstegesetz), Bundesgesetzblatt 1997 I 1870.
determined as per the provisions of the German copyright law. Further, in case an ISP is held guilty say under copyright law then his liability is screened or ‘filtered’ through the exemptions granted to the ISPs under the German Teleservices Act.

The second characteristic of the German Teleservices Act is the categorisation of ISPs. Articles 5(1)–(3) of the German Teleservices Act set out three categories of ISPs – often referred to as content, host and access providers. These are functional categories and a single ISP may fall into more than one category if it performs more than one function, for example, providing access to data on the Internet and at the same time offering own contents from its own server. With respect to each of those functions the ISP’s liability may differ. Accordingly, the same contents may create different types of liability for different ISPs. The three categories described in the German Teleservices Act are meant to capture all possible content-related services performed on the Internet. Of the three the first one are referred to as ‘content providers’. Their liability is determined according to article 5(1) of German Teleservices Act which reads:

Providers are responsible according to the general provisions of law for their own contents which they make available for use.

(Emphasis added)

This provision applies to content providers which are persons or entities who:
1. provide own contents and
2. make them available

That means content providers create the contents or otherwise take responsibility for them and store them within their own facilities or under their own arrangement or influence. Anybody who creates a Web site and stores it on his own server or

Art. 5 (1) of the German Teleservices Act “Service Providers are responsible according to the general provisions of law for their own contents which they make available for use.”
on rented Web space of a host server falls within this category. The liability of content providers is to be determined according to the general provisions of law and no specific limitation has been created for them.

The second category is that of the host providers. Article 5(2) of the German Teleservices Act deals primarily with hosting service provider liability. It reads:

> Providers are only responsible for third-party contents which they make available for use, if they have knowledge of those contents and are technically able and may reasonably be expected to prevent their use. *(Emphasis added)*

By ‘hosting service provider’ is meant persons or entities who:

1. provide third-party contents and
2. make them available

Hosting service providers store third party contents within their own or rented facilities. Usual hosting service providers are for example, the operator of a server, leasing storage space to Web site operators, or the operator of an unmoderated newsgroup, accepting articles by Internet users.

Article 5(2) excludes any liability on part of the ISP if: (a) the ISP has no knowledge of the illegal content or (b) preventing the use is either technically impossible or may not reasonably be expected from the ISP. The rationale is that a host provider usually cannot control the contents on its server. In most of the cases the amount of stored data and the frequency of incoming data will be too large to establish a manual control mechanism, especially if the host provider does not upload the contents but has given its customers direct access. Automatic control, for example, through filtering software, is not capable of performing the difficult task of distinguishing legal from illegal material. Data in unusual formats or in compressed form or encrypted data may not even be
readable to the provider. Finally, even if the ISP can identify infringing material it may be too burdensome or impossible to remove it without blocking access to the entire service area. That is why, instead of a duty to monitor any content, the German law only requires known contents to be handled in accordance with the law. This means that the ISP is fully liable for damages from the moment it discovers or is notified of the infringing material, if it does not immediately remove it, though it would be technically possible and may reasonably be expected. This liability arises on mere knowledge and is not contingent on a court’s finding an infringement.

The third category is that of access providers. Article 5(3) of the German Teleservices Act deals primarily with access provider liability: It reads:

Providers are not responsible for third-party contents to which they merely provide access for use. Automatic and temporary storing of third-party contents upon a user’s request is deemed providing access. (Emphasis added)

By ‘access providers’ is meant persons or entities who:

1. provide third-party contents and
2. merely provide access

Their service is mainly to transport content without permanent storage. The typical access provider hooks the end-user up to the Internet by connecting the user from the local point of presence to the Internet backbone.

Access providers cannot monitor any content transported through their servers. So, they should not be made responsible for the same. But even if they were aware of illegal content being sent over their lines regularly, they would not be able to separate that content from other traffic. As they do not store the content permanently they cannot – unlike host providers – control the same. That is why
the access providers have been made exempt from any liability – even upon knowledge of the content’s illegality.

Access providers are exempt from any fault-based liability under article 5(3) of the German Teleservices Act but may still be required to stop an infringement that has come to their knowledge if it is technically possible to do so and if it may reasonably be expected. But, most of the time it will be impracticable to filter illegal contents out of an operating user connection even if an ISP has knowledge of them.

Under the German Teleservices Act, ISPs will incur liability for third-party content only if they have actual knowledge thereof, and can be reasonably expected to prevent its further usage. Access providers are excluded from liability altogether. The German Act thus acts as a ‘filter’; only if the conditions specified in the Act are met, will an intermediary incur liability under the relevant body of the law, e.g. copyright. The categorisation attempted by the German Teleservices Act is excellent and helps in pinpointing the liability of ISPs for exactly the role they have played in the overall network communication.

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6 Art. 5 (4) of German Teleservices Act mainly functions as an exception for access providers. It states:

Duties to bar access to illegal contents under the general provisions of law remain unaffected, if the service provider gains knowledge of those contents in compliance with the telecommunication privacy requirement under § 85 of the Telecommunications Act and is technically able and may reasonably be expected to bar access.

European E-Commerce Directive

The European Community has adopted the Directive on Electronic Commerce\(^8\) with provisions that seek to harmonize the treatment of liability among its Member States, again using a horizontal approach. The provisions of the directive relating to the liability of ISPs are based on the German Teleservices Act.

The set of rules contained within articles 12 to 15 of the E-Commerce Directive clarify the liability standards that will apply to the various on-line intermediary players as a result of their involvement with illegal or infringing material put on their Internet facilities by third parties. Article 13 distinguishes between three types of storage by an intermediary, or rather, three functions that such storage may have: (1) storage for the purpose of carrying out transmissions (mere conduit), (2) storage for the purpose of making more efficient the information’s onward transmission (proxy caching), and (3) storage of information provided by a subscriber (hosting).

A mere conduit (access provider under the German law as discussed above) is not liable under article 12\(^9\) if it “(a) does not initiate the transmission; (b) does not initiate the transmission; (b) does not select the receiver of the transmission; and (c) does not select or modify the information contained in the transmission.”

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\(^9\) Art. 12 of the European E-commerce Directive reads:

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, or the provision of access to a communication network, Member States shall ensure that the service provider is not liable for the information transmitted, on condition that the provider:

   (a) does not initiate the transmission;
   (b) does not select the receiver of the transmission; and
   (c) does not select or modify the information contained in the transmission.
select the receiver of the transmission; and (c) does not select or modify the information contained in the transmission'. These requirements are to ensure that the ISP performs a solely technical function and has nothing to do with the contents delivered. According to Article 14, ISPs that store third party content on their servers (hosting service providers under the German law as discussed above) may not be held liable for damages, unless they fail expeditiously to block access to the information upon obtaining actual knowledge of the illegal activity or information or upon becoming aware of facts or circumstances from which illegal activity or information is apparent. The latter standard is referred to as "constructive knowledge". Article 15 stresses that a duty to monitor may not be

2. The acts of transmission and of provision of access referred to in paragraph 1 include the automatic, intermediate and transient storage of the information transmitted in so far as this takes place for the sole purpose of carrying out the transmission in the communication network, and provided that the information is not stored for any period longer than is reasonably necessary for the transmission.

3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

Art. 14 of the European E-commerce Directive reads:

1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

   (a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

   (b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.

3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States’ legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information.

Art. 15 of the European E-commerce Directive reads:

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imposed upon online intermediaries. In other words, Member States cannot impose upon online intermediaries an obligation to monitor the information which they transmit or store, nor can Member States require intermediaries to seek facts or circumstances indicating illegal activity.  

An ISP cannot be held liable under principles of general law, including copyright law, if one of the limitations on liability listed in the Directive applies. The approach of the Directive is similar to that of the German Teleservices Act, whereby a filtering mechanism for restricting the liability of ISPs has been created at one place which caters to the liability that might arise in any field of law. 

Similar to the German Teleservices Act and the European E-commerce Directive, Japan also has introduced the 'Provider Liability Law', which states that an ISP is liable only if it is technically possible to prevent transmission of the infringing material; and the provider knows of the existence of the material and; (i) knows that it is infringing or (ii) reasonably ought to know that it infringes. A person

1. Member States shall not impose a general obligation on providers, when providing the services covered by Articles 12, 13 and 14, to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity.

2. Member States may establish obligations for information society service providers promptly to inform the competent public authorities of alleged illegal activities undertaken or information provided by recipients of their service or obligations to communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements.


14 Art. 3(1), Provider Liability Law of Japan, 2001 reads:

(1) When circulation of information via Specific Telecommunication results in infringement of rights of the other person, Specific Telecommunication Service Provider using Specific Telecommunication Facility for the use of such Specific Telecommunication (hereafter
whose rights have been infringed can ask a provider to disclose information about the person transmitting the material if the information is necessary for a legal claim or other legitimate reason\textsuperscript{15}.

\textsuperscript{15} Art. 4(1), Provider Liability Law of Japan, 2001 reads:

\begin{itemize}
  \item [(1)] A person, who alleges that its rights are infringed by circulation of information via Specific Telecommunication, has a right to require Specific Telecommunication Service Provider using Specific Telecommunication Facility for the use of such Specific Telecommunication (hereafter defined as “Disclosure Related Service Provider”) to disclose Sender Information related to such alleged infringement of rights (name, address, or other information useful to specify Sender of Infringing Information to be stipulated in the applicable ministerial ordinance of the Ministry of Public Management, Home Affairs, Posts and Telecommunications) in the possession of such Disclosure Related Service Provider if all of the following items are satisfied:
    \begin{enumerate}
      \item [(i)] it is obvious that rights of such person requesting for disclosure of Sender Information are infringed by Infringing Information, and
      \item [(ii)] such Sender Information is necessary for such person requesting for disclosure of Sender Information to claim damages, or such person has otherwise justifiable reason to require the disclosure of Sender Information.
    \end{enumerate}
\end{itemize}
Non-horizontal approach

Under non-horizontal approach the potential liability of ISPs is determined under each law where it might arise. In this case various statutes would determine ISP liability; for example, adopting non-horizontal approach the copyright statute would address ISP liability that might arise only in relation to copyright violations. The alternative approach of implementing copyright-specific laws to determine online ISP liability, has been adopted by some countries such as Hungary, Ireland, Singapore and the United States of America. We will consider here the approach adopted here by the USA.

In order to limit the liability of ISPs, the United States of America amended its Copyright Act in October 1998 by enacting the Digital Millennium Copyright Act (DMCA)\(^\text{16}\) which adds a new section 512 to chapter 5\(^\text{17}\) of the US Copyright Act. As part of the DMCA, the ‘Online Copyright Infringement Liability Limitation Act’, establishes ‘safe harbors’ to shelter ISPs from liability for copyright infringement in certain circumstances. Adopting non-horizontal approach the DMCA allows ISPs to limit their copyright liability for the infringing activities of their users, subscribers, and account holders.

The DMCA does not define when an ISP is liable for copyright infringement and, in this respect the existing principles of the US copyright law would apply. But the DMCA sets down guidelines with respect to copyright infringement online and specifically states four circumstances where ISPs are exempt from liability for damages. These four categories of activities are:\(^\text{18}\)

1. transitory digital network communications;
2. system caching;

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\(^{16}\) Public Law 105-308-OCT. 28, 1998.

\(^{17}\) Chapter 5 of the US Copyright Act deals with the enforcement of rights.

\(^{18}\) S. 512 (a) – (c), the US Copyright Act.
(3) storing information on systems or networks at direction of users;
(4) information location tools.

Further these limitations would apply provided: the ISP is merely acting as a 'passive conduit' for the information, is not the producer of the information, and has responded expeditiously to remove or disable access to infringing material upon notice from the copyright holder (the so-called ‘notice and takedown’ provisions).

To qualify for immunity, the ISP must also implement a policy that terminates the subscriptions of repeat infringers, and accommodate and not interfere with technical measures put in place to protect and identify copyright works.19 The Act does not exempt ISPs for acts of infringement that fall outside the four specified functions or prevent copyright owners or exclusive licensees from pursuing the ISP for damages caused by such acts.

The DMCA goes a step further than the German Teleservices Act and the European Directive on Electronic Commerce in that it provides for extensive 'notice and take down' procedures. The 'notice and take down' procedures provide that when a copyright owner becomes aware of infringing material or infringing activity residing or taking place on an ISP’s system or network that copyright owner may notify the ISP of the infringement and require the ISP

19 S. 512(i)(1)(A) and s. 512(i)(1)(B) of the US Copyright Act read:

ACCOMMODATION OF TECHNOLOGY. — The limitations on liability established by this section shall apply to a service provider only if the service provider —

(A) 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; and

(B) accommodates and does not interfere with standard technical measures.
remove or disable access to the infringing material or activity. Upon receipt of a notification, an ISP will have to take down the material stored on its servers or stop access to the notified infringing material. The ISP in this case will be exempt from liability to its subscribers for its good faith removal of or disabling access to allegedly infringing content residing on its server at the direction of the subscriber. Under the protections afforded by this section of the DMCA, ISPs may act on their own initiative or in response to customer or other third-party complaints to remove or disable access to content believed to be infringing without fear of being held liable for a legal claim made by the person whose material has been removed or access disabled. This exemption applies to any claim that could conceivably be made against an ISP for removing or blocking access to content, such as tort or breach of contract claims.

This exemption only applies with respect to material residing at the direction of a subscriber, however, if the ISP "take[s] reasonable steps promptly to notify the subscriber that it has removed or disabled access to the material" and thereby allows the subscriber to respond to the infringement alleged in the notification. A subscriber's response is referred to in the statute as a "counter notification."

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21 S. 512(g)(1) of the US Copyright Act. Specifically, the Act immunizes service providers from liability "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 and circumstances from which infringing activity is apparent, regardless of whether the material or activity is ultimately determined to be infringing."

22 S. 512(g)(2)(A) and s. 512(g)(2)(B) of the US Copyright Act read:

REPLACEMENT OF REMOVED OR DISABLED MATERIAL AND LIMITATION ON OTHER LIABILITY. —

(1) NO LIABILITY FOR TAKING DOWN GENERALLY. — Subject to paragraph (2), 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.
Upon receipt of a counter notification, an ISP must promptly provide the original complainant with a copy of the counter notification and inform him that it will replace the removed material or cease disabling access to it within ten business days. The original complainant has to file a suit within the ten-day period to obtain a court order restraining the subscriber from engaging in infringing activity if it wants to prevent access to the material from being restored.

The notice and take down procedures set forth in the DMCA relieve ISPs of any obligation to evaluate the merits of a dispute. To minimize the likelihood that fraudulent notifications or counter notifications would be filed, the Act provides that both complainants and alleged infringers may be subject to liability if they make material misrepresentations in a notification or counter notification. Specifically, any person who "knowingly materially misrepresents" that material or activity is infringing or was removed or disabled by mistake or misidentification may be held liable for damages, including costs and attorneys' fees, in an action brought by an alleged infringer, a copyright owner or authorized licensee or an ISP injured by an ISP's reliance on the misrepresentation.

(2) EXCEPTION. — Paragraph (1) 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 notification described in paragraph (3), promptly provides the person who provided the notification under subsection (c)(1)(C) with a copy of the counter notification, and informs that person that it will replace the removed material or cease disabling access to it in 10 business days.

23 Ibid.
24 supra note 20 at p. 8, 9.
The DMCA also includes provisions that enable the copyright owner to determine the identity of an online infringer. Specifically, the DMCA permits a copyright owner or person authorized to act on the owner's behalf to request a clerk of 'any United States district court' to issue a subpoena to an ISP requiring identification of an alleged infringer. Each request must include a copy of the notification, a

25 S. 512(h) of the US Copyright Act reads:

(1) REQUEST. — A copyright owner or a person authorized to act on the owner's behalf may request the clerk of any United States district court to issue a subpoena to a service provider for identification of an alleged infringer in accordance with this subsection.

(2) CONTENTS OF REQUEST — The request may be made by filing with the clerk —

(A) a copy of a notification described in subsection (c)(3)(A);
(B) a proposed subpoena; and
(C) a sworn declaration to the effect that the purpose for which the subpoena is sought is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of protecting rights under this title.

(3) CONTENTS OF SUBPOENA. — The subpoena shall authorize and order the service provider receiving the notification and the subpoena to expeditiously disclose to the copyright owner or person authorized by the copyright owner information sufficient to identify the alleged infringer of the material described in the notification to the extent such information is available to the service provider.

(4) BASIS FOR GRANTING SUBPOENA. — If the notification filed satisfies the provisions of subsection (c)(3)(A), the proposed subpoena is in proper form, and the accompanying declaration is properly executed, the clerk shall expeditiously issue and sign the proposed subpoena and return it to the requester for delivery to the service provider.

(5) ACTIONS OF SERVICE PROVIDER RECEIVING SUBPOENA. — Upon receipt of the issued subpoena, either accompanying or subsequent to the receipt of a notification described in subsection (c)(3)(A), the service provider shall expeditiously disclose to the copyright owner or person authorized by the copyright owner the information required by the subpoena, notwithstanding any other provision of law and regardless of whether the service provider responds to the notification.

(6) RULES APPLICABLE TO SUBPOENA. — Unless otherwise provided by this section or by applicable rules of the court, the procedure for issuance and delivery of the subpoena, and the remedies for noncompliance with the subpoena, shall be governed to the greatest extent practicable by those provisions of the Federal Rules of Civil Procedure governing the issuance, service, and enforcement of a subpoena duces tecum.
proposed subpoena, and a sworn declaration stating that the copyright owner will only use the information obtained from the subpoena for protecting its rights under the Copyright Act.

In one US case testing these ‘safe harbor’ provisions, ALS Scan, Inc. v. Remarq Communities, Inc., the issue was whether an ISP was liable for providing access to ‘adult’ news groups that contained unauthorized copies of the plaintiff’s photographs, after having been informed that the site was infringing. In this case, the ISP argued that it would only remove the materials when the infringing items were identified and listed with sufficient specificity, a difficult task given the number of photographs on the site. The court found that the plaintiff had met its notice requirement and that, once notified, the provider could not rely upon the immunity granted by the DMCA.

There are several advantages to the DMCA’s structured notice and take down system from the ISP perspective. First of all, it provides copyright owners a clear procedure, and ISPs a clear “safe harbor,” that enables both parties to quickly and efficiently address allegations that users of the ISP’s system are infringing copyrights. These notice and take down provisions are a unique contribution of the DMCA. ISPs are no longer required to sail in the unchartered seas of liability based on ‘knowledge’ and for the copyright holders it has become comparatively easy to effect a removal of the online material that is infringing their rights.

27Supra note 20 at p. 14.
ISP LIABILITY AND THE WIPO TREATIES

In 1996 the World Intellectual Property Organisation (WIPO) finalized two treaties\(^{28}\) commonly known as Internet treaties for countering the challenges posed by the Internet. The treaties are neutral on the subject of liability of ISPs, with the issue of liability left to national legislations to determine. However, an ‘Agreed Statement’ accompanying the WIPO Copyright Treaty, which provides for a broad right of communicating a work to the public that is specifically designed to cover online dissemination, clarifies that:\(^{29}\)

> It is understood that the mere provision of physical facilities for enabling or making a communication does not \textit{in itself} amount to communication within the meaning of this Treaty or the Berne Convention.... (\textit{Emphasis added})

The agreed statement clearly signals that an ISP cannot be held liable for \textit{direct} infringement, insofar as the ‘right of communication to the public’ is concerned even though literally, the statement deals only with the provision of facilities - not with the provision of transmission services. However, the statement does not rule out liability for indirect infringement.

The WIPO Copyright Treaty talks only about the \textit{right of communication} and does not contain a provision on the \textit{right of reproduction}, there is no similar statement regarding “the mere provision of physical facilities for enabling or making” a reproduction. Particularly controversial is the status of temporary copies which are made during the ‘store and forward’ process in the course of transmitting material over the Internet. The only language on the reproduction right is another

\(^{28}\) WIPO Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT).

\(^{29}\) Agreed Statement with art. 8 of the WIPO Copyright Treaty. Interestingly, no such statement accompanies the WIPO Performances and Phonograms Treaty, even though art. 14 of that Treaty contains a similarly broadly defined performers’ right of communication to the public.
agreed statement that declares that digital copies are considered reproductions for the purpose of copyright law. The statement clarifies that the mere provision of wires used to communicate, for example, does not constitute an act of communication. But the statement is limited in its application; it does not cover a number of activities that ISPs may engage in, and it does not deal with concepts of liability for contributing to the infringement of another.

The WIPO Internet treaties were specifically drafted to counter the challenges posed by the new phenomenon of the Internet. But at that time the negotiating parties could not reach an understanding as to the liability of ISPs. Hence, we get little guidance in this respect from the treaties.

ISP LIABILITY FOR COPYRIGHT INFRINGEMENT: INDIAN POSITION

ISP liability under the Copyright Act, 1957

The Copyright Act, 1957 was obviously drafted in complete oblivion of the phenomenon called the Internet. Even after its amendments in 1994 and 1999 it does not contain any express provision for determining or limiting ISP liability. However, some provisions in the Act could be interpreted to have some bearing on the liability of ISPs. As per section 51 (a)(ii), copyright in a work shall be deemed to be infringed,

30 Agreed Statement with article 1(4) of the WIPO Copyright Treaty states:

[t]he reproduction right, as set out in Art. 9 of the Berne Convention, and the exceptions permitted thereunder, fully apply in the digital environment, in particular to the use of works in digital form. It is understood that the storage of a protected work in digital form in an electronic medium constitutes a reproduction within the meaning of Art. 9 of the Berne Convention.

When any person, without a licence granted by the owner of the Copyright or the Registrar of Copyrights under this Act or in contravention of the conditions of a licence so granted or of any condition imposed by a competent authority under this Act ... permits for profit any place to be used for the communication of the work to the public where such communication constitutes an infringement of the copyright in the work, unless he was not aware and had no reasonable ground for believing that such communication to the public would be an infringement of copyright.32 (Emphasis added)

Materially for our purposes section 51 (a)(ii) can be broken down into two parts:

1. Permits for profit
2. Any place

ISPs allow their servers and other telecommunication facilities for storing user’s material and for transmitting that material. The computer servers and other telecommunication facilities are actually located at their business premises and hence they would verily come under the expression “any place” and could be held liable for the infringing activities of third parties whose material they store or transmit if other requirements are fulfilled. Further, the expression “permits for profit” means that to be held liable the activities of ISP should be for profit meaning thereby that he should be financially benefiting out of the infringing activities. ISPs normally charge for their services and even if they offer some services for free, they could indirectly be making profit out of it, e.g. from advertisements that they bundle together with the transmitted material. So, the above two requirements are fulfilled by ISPs for most of their activities in case they transmit or store infringing material.

32 S. 51(a)(ii), Copyright Act, 1957.
Further,

[A]ny person who knowingly infringes or abets the infringement of copyright ... Is made criminally liable under the Act\textsuperscript{33}. ‘Can an ISP be said to have abetted the infringement of copyright’ is a question to be decided by the courts in light of actual facts.

Can an ISP be held primarily or secondarily liable for his contribution to copyright infringement, and if so, under what circumstances? Interestingly, many copyright statutes the world over distinguish between so-called primary and secondary liability. In principle, primary infringers are strictly liable. Secondary infringers, such as mere distributors and organisers of performances, are considered copyright infringers only if they knew or had reason to believe that they contributed to an infringement. Thus, presence of some form of fault is necessarily included in the notion of secondary liability. Though the Copyright Act does not specifically divide liability into primary and secondary, it could easily be concluded that ISPs could be held only secondarily liable for the infringing activities of their users because their liability has been based on the knowledge

\textsuperscript{33} S. 63, Copyright Act, 1957 reads:

\begin{quote}
Offence of infringement of copyright or other rights conferred by this Act.-- Any person who knowingly infringes or abets the infringement of--

a. the copyright in a work, or

b. any other right conferred by this Act, except the right conferred by section 53A shall be punishable with imprisonment for a term which shall not be less than six months but which may extend to three years and with fine which shall not be less than fifty thousand rupees but which may extend to two lakh rupees:

Provided that where the infringement has not been made for gain on the course of trade or business the Court may, for adequate and special reasons to be mentioned in the judgment, impose a sentence of imprisonment for a term of less than six months or a fine of less than fifty thousand rupees.
\end{quote}
of the infringement. The expressions used in section 51(a)(ii) “not aware” and “had no reasonable ground for believing” make it amply clear.

Though ISP liability has not been mentioned as such under the Copyright Act 1957, a number of provisions thereof can be used to book ISPs for their wrongful acts. In this regard it is not necessary to amend the Copyright Act.

**ISP liability under the Information Technology Act, 2000**

In India the provisions relating to the ISPs are specifically legislated in the Information Technology Act, 2000 where an Internet Service Provider is referred to as *Network service provider* and is defined as:

“Network service provider” means an intermediary.

Intermediary again has been defined as:

“intermediary” with respect to any particular electronic message means any person who on behalf of another person receives, stores or transmits that message or provides any service with respect to that message. (Emphasis added)

Further, section 79 limits the liability of ISPs under certain circumstances. It reads:

Network service providers not to be liable in certain cases.

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34 S. 51(a)(ii), Copyright Act, 1957.
36 S. 2(w), Information Technology Act, 2000.
For the removal of doubts, it is hereby declared that no person providing any service as a network service provider shall be liable under this Act, rules or regulations made thereunder for any third party information or data made available by him if he proves that the offence or contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence or contravention. (Emphasis added)

Further third party information has been defined\(^{38}\):

"third party information" means any information dealt with by a network service provider in his capacity as an intermediary.

**Classification of ISPs under the IT Act, 2000**

Under IT Act, 2000 no classification of ISP has been attempted. The expression ‘Network service providers’ used in section 79 subsumes within it all kinds of Internet service providers irrespective of what function they perform in the long chain of intermediaries that transport Internet content to the desired destinations. The ISPs, as demonstrated above, perform different functions in the task of transporting content and their liability cannot be uniform. It has to be based precisely on what function they perform. In this respect the best example that can be adopted is that of the German Teleservices Act. As discussed above, this Act divides ISPs into three functional categories namely, content providers, host providers and access providers and distinguishes the liability of ISPs according to what function they perform. It is necessary to categorise the ISPs into functional categories otherwise different ISPs could be held liable under the IT Act, 2000 for something which they have played no role in or for the contents over which they have little control. To give a meaningful disposition to the

\(^{38}\) S. 2(b) of the Information Technology Act, 2000.
limitation on liability of ISPs, for which section 79 has been drafted, it becomes essential to categorise the ISPs.

Filtering ISP liability through the IT Act

The title of section 79 of the IT Act “Network service providers not to be liable in certain cases” makes apparent the object behind the section, which is to limit the liability of ISPs. The liability of ISPs could arise in a number of ways under different statutes. The liability could be criminal or civil in nature depending on various factors. It is impractical to define the liability of ISPs which could arise in various forms at one place. Equally impractical could be to amend all our laws, which could hold ISPs liable, in order to limit their liability. The latter has not been attempted in any of the Indian legislations including the Copyright Act, 1957 till now. The IT Act, 2000 does not attempt the former but just seeks to create a filtering mechanism for determining the liability of ISPs. The idea is that the liability of an ISP for his action or omission be first determined in accordance with the statute under which it arises and then if at all the ISP is held liable, his liability again be filtered through section 79 of the IT Act. For example, if an ISP is accused of illegally distributing pirated copies of music, then his liability should be first determined under section 51(a)(ii) and section 63 of the Copyright Act, 1957. If the ISP is found liable then his liability should again be tested on the touchstone of section 79 of the IT Act, 2000. In this context, the expression “under this Act” which has been used in section 79 has created some confusion. Apparently, this limitation of liability would be applicable only when the liability has arisen under the IT Act alone. This could not be the motive behind drafting section 79 especially when the Act does not attempt to define the liability of ISP in any of its provisions; it only talks about limiting their liability. For the removal of doubts it is desirable that the expression “under this Act” be removed from section 79.
To qualify for exemption, ISPs may neither initiate the transmission, select the receiver nor have any editorial control by selecting or modifying the material. Various legislations around the world, as discussed above, provide for circumstances under which an ISP can claim exemption from liability. Section 79 of the IT Act also provides two circumstances under which an ISP can qualify for exemption from liability:

1. Lack of knowledge
2. Exercise of due diligence

**Lack of Knowledge**

Knowledge of the illegal contents on part of the ISP is a prerequisite for holding him liable under section 79 of the IT Act, 2000. The ISP can escape liability if it could be proved that he was unaware of all that was stored and passing through his servers. But if he is put under a notice that an infringing material is either stored or passing through his servers, he has to take proper action for removing or disabling that material otherwise he could be said to have knowledge of the infringing material and held liable.

‘Knowledge’ requirements for proving culpability in India differ from one field of law to another. Criminal intent for example, is assumed as soon as the accused knows the facts that the law requires for criminal liability, while knowledge under tort law includes knowledge of the illegality of the conduct. Thus, where knowledge is a requirement of the provision stating the cause of action, it has to be interpreted according to the rules for the respective area of law.

But with regard to section 79 of the IT Act, which applies to any form of liability, the object of knowledge is not evident. Does it mean that the ISP has merely to be aware of the content or he has to be aware of the illegality of the content as well? For example, a software product is stored on the servers of an ISP. To
fulfil the knowledge requirement for holding the ISP liable, should he just know about the presence of the software or should he also know about its illegality. But especially copyright violations are often far from evident even if the ISP knows of the individual file on its server. To determine a file’s legality/illegality, the ISP needs to know not only the law but also additional facts on the creation of the work, the author, licences, individual contracts between the parties, etc. Should the ISP judge for himself whether that content is legal or not? This would be stretching his responsibilities beyond his capacity and capability. Should he employ legal specialists who judge the legality/illegality of the gigabytes present or passing through his servers? Even if he does so, the specialists’ judgment could go ‘wrong’, as ultimately it is for the court to judge the legality.

To deal with this problem, the DMCA has established a notification procedure in order to induce ISP with knowledge of the infringing material. It provides that an intermediary cannot be held liable if he blocks access in good faith reliance upon a notification or believing that the material is infringing, regardless of whether the material is ultimately determined to be infringing. In addition, the DMCA states that, to remain immune for all claims, a hosting service provider who removes material upon notification must promptly notify the subscriber that access to his Web page has been disabled, and put the content back on the server, upon receipt of a ‘counter notification’ from the Web site owner claiming that the removal was unjustified. This counter notification must comply with similar formal requirements as are applicable to the notification of claimed infringement. Interestingly no such clear provisions have been made in the IT Act, 2000.

39 S. 512(g)(1) and (4) of the US Copyright Act.
40 S. 512(g)(2) of the US Copyright Act.
41 S. 512(g)(3) of the US Copyright Act.
Due diligence

Apart from the knowledge requirement, for an ISP to escape liability, section 79 prescribes "due diligence" to be exercised by him. The provision requires actual knowledge or breach of the duty of care. What should be the extent of the "due diligence" requirement? Should the ISPs be required to monitor and judge legality of millions of files that are present or passing through their servers? But, if we say that the ISPs should not be under an obligation for "due diligence", it might encourage them to consciously 'look away' and evade all liability. It can be safely concluded that ISPs are not liable for the (infringing) gigabytes that are stored and passing through their servers unless they are put on notice. If an ISP encounters particularly suspicious circumstances, he may be subject to "due diligence" i.e. a duty of care to investigate further whether material he hosts or refers to is unlawful and, where found to be so, to block access.

Why ISPs are unsuited to decide whether the alleged unlawful material should be taken down from the Internet and what are the consequences likely to follow from having ISPs making these choices and thus policing the Internet? Cases of copyright infringement are often not at all straightforward. Courts often struggle mightily with questions such as the following: Who owns the copyright? Has the duration of any copyright expired? Does the alleged infringer have a license to publish the allegedly infringing work? What is the scope and duration of any such license? Does the allegedly infringing act fall within any copyright exception or defence? Similar difficult legal and factual questions arise in cases involving defamation, fraud, misleading advertising, unfair competition, and the like. In short, the same legal and factual questions that arise in resolving many off-line disputes arise also in disputes concerning alleged on-line activities. Complaints made to ISPs may not only be based on a good faith, but mistaken belief that one's rights are infringed. Indeed, demands for removal of allegedly illegal material are sometimes made to shut down Web sites for illegitimate purposes, such as to hinder legitimate competition, stifle debate, and the like. While
disputes about allegedly illegal material are often difficult even for courts to resolve, it goes without saying that ISPs are not at all well-equipped to deal with such issues.\footnote{Rosa Julià-Barceló and Kamiel J. Koelman, “Intermediary Liability In The E-Commerce Directive: So Far So Good, But It’s Not Enough” \textit{Computer Law & Security Report} 231-239 (2000-4).}

In opposing the limitation, some experts looked at the publishing industry and asked why should ISPs be granted a limitation on liability. The publishing industry has always been held strictly liable for copyright infringement, what makes the ISP’s any different? In this regard, it is important to keep three things in mind. First, ISPs, as technical intermediaries, are not at all like publishers. Unlike publishers, they do not have any say over the allegedly illegal material, the decision to publish it, or the persons placing such material on their systems. It is, therefore, inappropriate to equate complaints made to Internet intermediaries to complaints made, for example, to newspaper publishers. The latter have a completely different relationship to the allegedly illegal material and to its source; instead of a merely technical intermediary role. Second, ISPs, as private providers of technical facilities, do not have the skills, knowledge, or personnel necessary to evaluate whether any particular material among the billions of bytes flowing over their facilities is infringing or illegal. In particular, this task may prove virtually impossible for the small ISPs that comprise the Indian market. Third, and most importantly, ISPs have neither the ability nor the obligation to take into account the myriad of legal and public policy considerations that must be considered by a court in deciding any case of allegedly illegal information. They have neither the obligation nor the ability to, for example, evaluate whether certain allegedly defamatory material must remain open to public access in order to preserve freedom of expression and public discourse.\footnote{\textit{Ibid.}}
Under Article 15 of the European E-commerce Directive a duty to monitor cannot be imposed upon ISPs. In other words, Member States cannot impose upon online intermediaries an obligation to monitor the information which they transmit or store, nor can Member States require intermediaries to seek facts or circumstances indicating illegal activity. 44 Unlike the Directive, the DMCA does not totally rule out a duty to monitor. In *Stratton Oakmont, Inc., v. Prodigy Services Co.*45, a US lower court held that a Bulletin Board Service (BBS) operator who exercises editorial control, *inter alia*, through the use of automatic software screening programs, must be regarded as a ‘primary publisher’ and therefore can be presumed to have knowledge of a defamatory third party statement.

If knowledge of the mere existence of an individual copyrightable file were enough, ISP liability would be as vague and as wide as it were before the statutory limitation of section 79. The purpose of section 79 was to limit ISP liability. If an ISP would be under a duty to examine each file of third-party music, graphic or software, even with regard to circumstances that are not obvious from the file itself then we would be stretching the liability to the limits of sheer impracticality. Otherwise it would simply mean the end for many ISPs.

**Due diligence and technology**

Technologies in the form of filtering and screening softwares that could be employed to check infringing material and facilitate the monitoring of the transmitted, cached or hosted content are available and will definitely undergo advancement in the years to come. What could be the impact of these technologies on such a duty of care? Consequently, the invention and application of monitoring technologies in the future may lead to greater liability. First, could

44 Ibid.

45 *Stratton Oakmont, Inc., v. Prodigy Services Co.* No. 31063/94, 1995 WL 323710 (N.Y. Sup. Ct. 1995). This case was decided before the DMCA came to force.
the duty of care mentioned in the IT Act require ISPs to implement and operate filtering and control mechanisms? Second, could those ISPs who fail to implement such mechanisms be held liable for failure to comply with the mentioned duty of care? Third and more importantly, will ISPs be held liable if they fail to detect and remove material that, according to certain (yet undefined) standards, they should have been able to identify? Indeed, an aggrieved party could argue that the failure of an ISP to identify allegedly infringing material was due to a negligent implementation or operation of filtering mechanisms.

All these questions need to be addressed. Implementing these technologies could impose on the ISPs substantial costs and burdens. Considering the ISP sector in India, it may not be appropriate to burden ISPs with such technologies. Moreover, these technologies can never be fool proof. So there is a great dander of an ISP pandering to litigation because he, maybe in good faith, had disabled user's content which was not infringing. So, in the interest of the growth of ISP industry in India the ISPs should not be burdened to implement these monitoring technologies.

**Notifying ISP for removing infringing material**

It is clear that upon obtaining knowledge as to the illegality of material an ISP has to remove it from its servers. As discussed above, it is very difficult for an ISP first, to be aware of all the files that are present or passing through its servers and second, to be certain about their legality/illegality. So how to induce ISP with the knowledge of the infringing material so as to make him liable? This could best be achieved by notifying the ISP regarding the illegality of the material that is present or passing through his servers.

The legislator while drafting the IT Act, 2000 did not establish a notification procedure. But it can be considered implicit in the knowledge requirement because a takedown of infringing material can be effected by notifying the ISP,
thereby inducing knowledge of the material as a prerequisite for liability under section 79 of the IT Act. On the one hand, lack of an official or formal notification procedure could induce the self-cleaning forces of the Internet, as anyone is free to notify the ISP, government agencies as well as copyright owners and third parties. But on the other hand, there are some drawbacks of not having any formal notification procedure as it can open the door to misuse through unsound and frivolous takedown requests.

In this regard, the best example, as described above, is that of the DMCA. Under the DMCA an intermediary must expeditiously block access to the information if he receives a notification of infringement. If an ISP were to take down material that turns out to be non-infringing, the Web site owner may have grounds to hold him liable for the damages suffered as a result of the removal of the material. Therefore, only if the ISP obtains this knowledge in a specific way, namely by receiving a notification that meets certain statutory requirements, will he incur liability.

To limit this potential, some commentators are of the opinion that the notification has to be concrete enough in order to trigger the knowledge requirement; i.e. it must enable the ISP to easily find the content. And in the copyright setting they suggest that the notification contain factual data that allows the examination into existing copyrights. The ISP is only liable if the notice makes it aware of individual files and, in the copyright context, of additional facts sufficient to trigger the knowledge requirement. If it does so, the notice is justified. If, on the contrary, the notice is not definite enough, ignoring it does not trigger any liability, because the notice has not given enough facts to constitute knowledge of the ISP. Misuse through unsound takedown requests is thereby excluded.

In addition to the “notice and take down procedure”, the DMCA includes a “put-back procedure” which establishes under which circumstances the person whose
material has been taken down can object and have his material put back on the Net by the on-line intermediary.

Furthermore, it has to be taken into account that ISPs might be responsible to their customers under the hosting contract if he disables their content. The potential contractual liability gains importance in assessing whether the ISP could be expected to take down materials where it has doubts as to their illegality.

It is desirable that India should adopt within the IT Act, 2000 a notification procedure for ISPs to disable content. This would allow ISPs to disable specific content upon receiving specific information from specific persons. This would be in the interest of the copyright holders and ISPs both.

Reasonability

ISPs under article 5 (2) and (4) of the German Teleservices Act are liable only if they are technically able and may reasonably be expected to prevent the use of illegal contents. The focus is on the reasonableness, because it will always be technically possible to stop access to illegal contents caused by the ISP – in the worst case simply by giving up all the services provided. Whether it may reasonably be expected to bar use of illegal contents on the server may depend on whether it is technically possible to separate and remove the contents individually.46 This doctrine of reasonability and practicality is just not existent within section 79 of the IT Act and needs to be brought in as it would be futile to fix liability which cannot be reasonably fulfilled.

**Burden of proof**

Under section 79 of the IT Act, the onus of proof lies on the ISP to prove any of the above two circumstances i.e. “knowledge” and “due diligence” to claim exemption from liability.

It is to be noted that matters of a civil nature are always decided on a preponderance of probabilities and the burden of proof in such case is not to be discharged as conclusively as would be expected in a criminal trial. On the other hand in criminal cases the prosecution must prove the guilt beyond a reasonable doubt and the burden of proof lies on prosecution; no presumption regarding an offence can be raised and the onus is shifted to the accused only when the prosecution has led evidence which if believed would sustain conviction or which makes a *prima facie* case.

So, the slippery wicket of burden of proof differs from statute to statute, depending on numerous factors. The expression used in section 79 of the IT Act “if he proves” imposes the burden of proving his innocence on the ISP in all circumstances and situations. This would be unfair to the ISPs considering that their liability could arise under various statutes of both civil and criminal nature. So, to be fair and logical this expression “if he proves” should be removed from section 79 of the IT Act and the rules for burden of proof need to be determined in accordance with the specific statute under which an ISP has been charged.

**International harmonization**

Content on the Internet can be hosted from anywhere in the world. In other words it is not necessary that the contents, which have an infringing impact in India,

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47 S. 105, Indian Evidence Act.
48 1974 Cr LJ 509.
49 AIR 1974 SC 778.
have to be necessarily hosted from India. So, even if a takedown of infringing material is effected the person is free to change ISP and can approach a foreign ISP for whom the laws of India will have little practical consequence.

The liability issue thus assumes significant international implications. Because the Internet is a borderless medium and its markets are global, it is critical that compatible approaches to this issue be adopted around the world. So when we are talking of an international consensus, we have countries that have experimented with legislation that specifically targets ISP liability and we have criticisms being raised against these legislations; we find it tough to arrive at some sort of international consensus as to when an ISP can be said to be liable, but there are certain broad yardsticks for determining, across the world, when exactly an ISP will be liable. It is not necessary that the approaches be identical: they may differ depending on the particular circumstances and legal traditions in any given country. But they must be interoperable if global networks and electronic commerce are to develop smoothly.\textsuperscript{50}

\textbf{EXPANSION AND DEVELOPMENT OF ISP’S PRIMARY AND SECONDARY LIABILITY}

Various countries’ copyright laws contain concepts of liability for contributing to the infringing activities of another. Generally, the determination of liability will turn on the degree of participation and knowledge of the party that is contributing to the infringement.

In the USA, the question whether ISPs be held primarily or secondarily liable has been addressed in several decisions. At first, the courts approached the issue in a rather rigid fashion. One of the earliest cases on ISP liability in the USA is

\textsuperscript{50} Intellectual Property on The Internet: A Survey of Issues, at 44, para 76, WIPO document No. WIPO/INT/02, December 2002.
Playboy Enterprises v. Frena. The plaintiff, Playboy Enterprises found that their photographs were made available by a subscriber on a Bulletin Board Service (BBS). The subscriber had scanned the images from various magazines of Playboy and posted them on the BBS. Playboy sued not just the person who had uploaded it, but sued the bulletin board service as well.

A district court found the ISP to be liable, even though the operator had not uploaded the work and was unaware of the infringement taking place. The court found that the operator had directly infringed copyrights and simply stated that ‘intent or knowledge is not an element of direct copyright infringement’. The judge said that you distributed these images and you publicly displayed them which are in violation of the copyright owner’s right and therefore you infringe. This case was criticized because theoretically the BBS should have been secondarily liable not primarily, because he wasn’t responsible for the content.

In the landmark Netcom decision a district court of the USA, for the first time, mitigated the strictness of the liability of online intermediaries. The court stated that temporary copies made while transmitting a work over the Internet constitute reproductions for the purpose of copyright law and acknowledged that fault is not required under the US Copyright Act. However, mainly on grounds of public

policy and sheer reasonableness, the court required an additional element of ‘volition or causation’ to hold the ISP liable for direct infringement.

The reasoning in the *Netcom* case was followed in several other decisions where it was found that a BBS operator cannot be a direct infringer if he does not ‘directly cause’ the infringement. According to these decisions, if an intermediary does not initiate the infringement nor create or control the content of its service, he cannot be considered to have caused the infringement and therefore is not a direct infringer. The courts in these decisions added that an intermediary may still be held indirectly liable under the doctrine of contributory infringement, in which case fault on the part of the provider must be proven i.e. the plaintiff must show that the provider knew or should have known of the direct infringer’s conduct.

Some other courts in the USA after the *Netcom* case, however, had held online intermediaries directly liable, even when the defendant acted as passively as in *Netcom*.

A Dutch lower court came to a similar result, as did the court in the *Netcom* decision. In the Dutch *Scientology* case, the court found that a hosting service

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53 The *Netcom* Court stated, inter alia, that the ‘plaintiffs’ theory would create many separate acts of infringement and, carried to its natural extreme, would lead to unreasonable liability. [...]. Where the infringing subscriber is clearly directly liable for the same act, it does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet. Such a result is unnecessary as there is already a party directly liable for causing the [infringement].”

54 WIPO Document No. OSP/LIA/1 Rev.1 at p. 12.


56 Ibid.

provider does not directly infringe copyrights and may only be held liable if he knows or has a reason to know of the actual wrongful act taking place over its installations.\textsuperscript{58} So, service providers were held not directly liable for copyright infringement, but general duty of care may result in indirect liability if provider fails to intervene upon notification of infringement.

In \textit{Godfrey v. Demon} \textsuperscript{59}, the court found that a hosting service provider couldn’t invoke the liability limitation of the Defamation Act after receiving notification of the existence of defamatory messages on his server.

In, \textit{Himalayan Drug Company v. Sumit}\textsuperscript{60}, the plaintiff, the Himalaya Drug Company, had on their Web site a huge database on Ayurvedic concepts and the whole range of products and herbs listing out the herbs’ Sanskrit and Latin names, their properties, the medicines it was used in, etc., etc. with graphical and pictorial presentation. The whole database was exactly copied by the defendant who was based in Italy and pasted on a Web site called ‘ayurveda.sumit.net’. The only contact with the plaintiff’s was the one stated on the Web site in the form of an e-mail address ‘sumit@democrat.com’. So, the plaintiff sued the defendant along with the Internet service provider, also an Italian entity, virtualace.net, who had actually sub leased the domain name and Web space to the infringer. The court exercised jurisdiction in this case because it was a case of copyright violation and under section 62 of the Copyright Act, 1957, a suit can be filed at a place where the plaintiff in based. Moreover the Web site could be opened in Delhi and the damage could also be said to have occurred there. The

\textsuperscript{58} Religious Technology Center and Church of Spiritual Technology v. Dataweb B.V. and others, Cause list number 96/1048, District Court of the Hague (9 June 1999), available at: http://www.xs4all.nl/~kspaink/cos/verd2eng.html.


\textsuperscript{60} Himalayan Drug Company v. Sumit, Suit No. 1719 of 2000 (High Court of Delhi).
fact that the defendants belonged to Italy did not desist the court from exercising jurisdiction.

Most of the time in every set of action that a copyright owner takes against infringements on the Internet, by and large the action is simultaneously taken against the ISP as well, apart from the person who actually commits the infringement. There are reasons behind ISPs being sued so often when it comes to Internet infringements; and this is true not only for copyright infringements but also for all other kinds of infringements that take place on the Internet.

First, it is very easy to trace an ISP. For example, a software product is found loaded on a Web site which anyone is free to download. Let's presume the Web site actually operates some kind of bulletin board, i.e. a site where people just upload and download files and where anyone can contribute as well as can take. In such situations, often you can trace out the Web site owner but you can't trace out the actual contributor. But you definitely can find out the ISP who's facilities have been used to upload the software. In digital environment products are priced high and much damage can occur in less time. So, apart from suing the actual offender people would always like to sue the ISP as well. The idea in such a case is to accuse the ISP for contributory infringement and make him remove the infringing material from his servers. Second, normally an ISP, as a business entity, has deeper pockets and is also more capable of paying the damages than is an individual private user. Persons from whom one cannot obtain any damages might do the infringing activities on the Internet. For example, a 13-year-old boy may upload pirated software, thereby infringing your copyright in the software. The 13-year-old boy may not be able to pay you damages or his liability could be limited by various statutes like Indian Penal Code, 1860 or Indian Contract Act, 1872 which limit the liability of persons who are below a certain age. But the person who hosts the infringing software, the ISP in question, will be able to pay the damages, if sued and held liable. Third reason is that it deters infringement by other subscribers. If on a Web site there are
fifteen subscribers, all of whom can upload and download content to and from that Web site, if you sue one of them, the next day someone else might upload the same content. But if you sue the ISP directly it would have to shut off and make it very clear to his subscribers that the infringing content will not be uploaded on this Web site ever again. So, with the intent of deterring infringement again, suing an ISP is quite practical.

It is far easier to try and stop the copyright infringement by suing the ISP directly because he controls that network, as opposed to suing just a mere user of that who, contributes to the infringement. It makes far more practical sense to do it against the ISP, because you can block it in one go. Napster, though did not fall strictly under the definition of an ISP under the DMCA, but inference could be drawn for the benefit and effectiveness of suing the ISP. Millions of people were engaged in trading illegal files on the Internet using Napster's servers, but everything could be stopped by just an action against Napster.

In the light of increasing trend towards targeting ISPs, it has become important to provide the required legal safeguards to ISPs, otherwise they will be confronted with litigation everywhere leading them to cut down or close down their services.

CONCLUSION

The liability of Internet service providers is one of the most controversial legal issues to emerge from cyberspace which is the result of the very nature of digital networks. Should ISPs be treated as electronic publishers, and thus made directly liable for all the infringing gigabytes flowing through their servers? Or are they merely the postmen of the Internet, common carriers exempt from all liability? As always in the realm of the law, the answer lies somewhere in the middle.61

After discussing the various facets of ISP liability nationally and internationally, it could be concluded that keeping in mind the situations and characteristics of Indian legal system, it is only wise to have adopted a horizontal approach for determining the liability of ISPs, i.e. their liability should be defined as per the existing statutes for contributing to illegal activities and then it be filtered through the IT Act. In this regard the Copyright Act need not be amended and the existing provisions can be used to determine the liability of ISPs. The same is true about all other laws where the liability of ISPs might arise.

The preponderance of legislations around the world containing limitation clauses for ISP liability make us safely conclude that their liability has to be limited. The IT Act, 2000 is a welcome step towards this direction but it needs to be amended on many a count.

The concept of ISP is quite wide and subsumes within itself many roles within the domain of network communications. World over various statutes dealing with the liability of ISPs have classified ISPs into different heads like access providers, hosting service providers, etc. and their liability depends on their respective role in overall network communication. But no such classification has been attempted under the IT Act. It is desirable that in the IT Act various types of ISPs should be distinguished, depending upon the specific functions they perform and their liability should also be fixed keeping in mind the role they play in the overall transmission.

The IT Act only refers to two circumstances where ISPs will not be liable for any infringement. The first case is that of ‘knowledge’. If the ISP has knowledge of the infringing material then he could be deemed under the Act to be liable. But what is the exact way in which an ISP can be induced with such ‘knowledge’? The Act does not provide the acquisition of knowledge in any particular form contrary to what is contained in the DMCA. Does it mean that the ISP will have to
remove the content on a mere notice by anybody? If that were so, he could enter in unnecessary confrontation with the person whose content he is hosting. It is perfectly right to make ISPs liable if they even after obtaining knowledge about the illegality of content continue to store or transmit the same. But the IT Act has not provided the manner in which an ISP can be induced with knowledge. In this regard, it is appropriate that a notification procedure should be established which could provide ISPs definite circumstances under which they could disable potentially infringing material without being held liable for illegally removing the material.

The second ground for escaping liability is that the ISP acted with ‘due diligence’. Does this mean that the ISPs should be under a legal duty to monitor all the content they are storing and transmitting? And what tools should they compulsorily employ for such an exercise? In this regard, ISPs should not be burdened with a duty to monitor the content which they transmit or store as this would amount to stretching their liability to the limits of impracticality. Therefore, the expression ‘due diligence’ occurring in the IT Act should be removed from section 79.

ISPs should be made liable to remove infringing material only if they are technically able and may reasonably be expected to prevent its use. The focus should be on the reasonableness, because it will always be technically possible to stop access to illegal contents caused by the ISP – in the worst case simply by giving up all the services provided. This doctrine of reasonability and practicality is just not existent within section 79 of the IT Act and needs to be brought in as it would be futile to fix liability which cannot be reasonably fulfilled.

The ISP industry is not unduly lucrative and in rural areas may have extremely tight profit margins, and any increase in the number of lawsuits or in the cost of providing service could lead many ISPs and telecommunications companies to decide not to provide Internet services in rural areas. The ISP industry should not
be made a deep-pocket, third-party defendant in every on-line copyright infringement suit. Law’s lack of predictability in this area and its standards for ISP copyright liability over the past few years have caused real concerns for this new and growing industry. A narrow limitation on copyright infringement liability should be established for ISPs so that those who are building the Internet will have a clearer sense of how and when they might be held liable for on-line copyright infringement. A heightened level of certainty about their liability will help speed the growth of the Internet by encouraging more entrepreneurs to enter the ISP industry. Moreover, cooperation between ISPs and the content community is what is needed to address properly the issue of on-line copyright infringement.

ISPs are the prime movers of ‘information’ which is the raw material in knowledge economy. It was truly said for the last millennium that ‘a man without roads is a man without civilisation’. For this millennium we can verily say that ‘a man without information is a man without progress’. In a world where the growth of ISP industry is directly proportional to the spread of information and connectivity is used synonymously with advancement, the ISPs as transporters of the information superhighway, need precise rules and regulations to govern their activities. It has rightly been stated:

To promote the progress of knowledge on the Internet, those who are building the Net itself need fair and predictable ground rules. 62

62 House Judiciary Committee Hearing on WIPO Treaty & Online Copyright Legislation, September, 1997, at 89 (prepared statement of Roy Neel, on behalf of the US Telephone Association).