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**COPYRIGHT AND THE INTERNET:
THE LIABILITY OF
BULLETIN BOARD SYSTEM OPERATORS
FOR THEIR SUBSCRIBERS'
COPYRIGHT INFRINGEMENTS**

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ABSTRACT

The Internet and the digital age create new challenges for copyright law. An issue which is contentious in the United States, but which has received little attention in the Commonwealth to date, is that of the appropriate level of liability for Bulletin Board System (BBS) operators whose subscribers commit copyright infringements. It is argued in this paper that they should not be subject to the strict liability of direct infringement, but should be judged against the standards of authorising an infringement, and secondary infringement. Three main areas are considered in order to support this view:

(1) Which of the frameworks are conceptually most appropriate?

The subscriber who uploads an unauthorised copy to a BBS provides the impetus for, and causes, breaches of the copyright holder's exclusive rights to copy the work, to show the work, and to issue copies of the work to the public, and so should be held directly liable for this. The BBS operator merely provides the means for this to take place - thus potentially authorising the infringement; and deals with the infringing copy - thus potentially secondarily infringing.

(2) Analogies.

The BBS should be viewed somewhat differently from traditional intermediaries and does not usually act as a publisher. BBSs are more readily compared to both photocopiers and distributors. These entities have the potential to be found liable for authorisation of infringement and secondary infringement respectively.

(3) Policy.

In addition, strong policy reasons exist for not holding BBS operators strictly liable. To expect BBS operators to screen every upload is totally unrealistic, and would result in much of the Internet's great potential for decentralisation, democratisation, and increased social discourse being lost.

Finally, comments are made about which BBS situations should be found to satisfy the standards of authorisation of infringement and secondary infringement.

Word Length

The text of this paper comprises approximately 15 300 words.

INTRODUCTION

We have the ability to make a perfect digital copy of text or images or multimedia, and to make it accessible instantly to millions of users. Despite the exciting ramifications, such technology can also constitute a license to steal another's property cheaply, easily and in a manner that destroys any incentive for future creativity.¹

The digital age and the continually increasing use of the Internet² bring new challenges for copyright law, which was developed in relation to print media.³ While the Internet can be of great benefit to copyright holders in allowing them to disseminate their works widely and possibly receive financial return from licensing or charging on a pay-per-view basis, it also constitutes a huge threat to their intellectual property rights. Whereas in the print world, copying by individuals does not constitute a great threat as copying is laborious and distribution is limited, digitisation makes copying far easier and of better quality, and the Internet makes distribution cheaper and far more effective.⁴ Works which are in analog form⁵ can be digitised, and works which are already in digital form but protected from copying,⁶ can be "hacked," and then made

¹ S Metalitz *The National Information Infrastructure* (1993) 13 Card Arts & Ent LJ 465, 472.

² The Internet has been described as:

...a collection of thousands of local, regional, and global Internet Protocol networks. What it means in practical terms is that millions of computers in schools, universities, corporations, and other organisations are tied together via telephone lines. The Internet enables users to share files, search for information, send electronic mail and log onto remote computers. But it isn't a program or even a particular computer resource. It remains only a means to link computer users together. Unlike on-line computer services such as CompuServe and America OnLine, no one runs the Internet....

No one pays for the Internet because the network itself doesn't exist as a separate entity. Instead various universities and organisations pay for the dedicated lines linking their computers. Individual users may pay an Internet provider for access to the Internet via its server.

D Brunning "Along the InfoBahn" *Astronomy* 23(6) (June 1995), 76.

³ M Ethan Katsh *In A Digital World* (Oxford University Press, New York, 1995), 220.

⁴ See JC Ginsburg "Putting Cars on the 'Information Superhighway': Authors, Exploiters, and Copyright in Cyberspace" (1995) 95 *Columb LR*, 1466, 1488 (describing how Cyberspace has created an environment in which individuals can potentially do far more damage to copyright holders); N Elkin-Koren "Copyright Law and Social Dialogue on the Information Superhighway: The Case Against Copyright Liability of Bulletin Board Operators" (1995) 13 *Card Arts & Ent LJ* 345, 383 (describing the ease of digital copying).

⁵ The term 'analog' is used throughout this paper as a contrast to the word 'digital.'

⁶ For instance computer software, or works which are only intended to be available to certain individuals, such as those who have paid to view the material.

accessible to huge numbers of people over the Internet, thus potentially diminishing greatly the number of legitimate purchasers of the work.⁷

Often, pursuing the individual responsible for an infringement may not prove fruitful for copyright holders. The individual infringer may be impossible to find or may not have the money to cover the damage done. For this reason, it may be asked whether liability should also extend to the operator of the Bulletin Board System (BBS) on which the unauthorised copy resides.

BBSs vary in size from "small, privately operated bulletin boards" to "large, corporate, sponsored boards such as CompuServe, America Online, and Prodigy, which together have approximately 10 million subscribers."⁸ They provide subscribers with a variety of information and services, which typically include a public message area, a conferencing area, e-mail service, and a file area.⁹ The file area allows subscribers to upload¹⁰ files and thus make them available for other subscribers to download.¹¹ While this capability can be used for innocuous and useful ends, it may also be used to disseminate unauthorised copies of copyrighted works.

This paper examines the important issue of what level of liability BBS operators should be held to for unauthorised copies uploaded by the subscribers.¹² To date, very little Commonwealth literature exists on this point, which will have important ramifications for copyright holders, Internet users, and BBSs. Joseph Myers recognises that United States commentators and courts "have generally fallen into one of two groups."¹³ There are those who argue that BBS operators should be held strictly liable so that copyright holders are provided

⁷ The dissemination of pirated software programs over the Internet and other computer networks is considered a serious problem in the United States. The computer software industry, which reportedly lost US\$ 1.57 billion due to piracy in 1993, has organised a watch group to police the Internet and bulletin boards. K Tickle "The Vicarious Liability of Electronic Bulletin Board Operators for the Copyright Infringement Occurring on their Bulletin Boards" (1995) 80 Iowa L Rev 391, 396.

⁸ Above n 7, 395.

⁹ Above n 7, 394-95.

¹⁰ Uploading refers to sending messages or files to the bulletin board. Above n 7, 395.

¹¹ Downloading refers to retrieving messages or files from the bulletin board. Above n 7, 395.

¹² Trotter Hardy describes this issue as a "new" problem, meaning that it genuinely requires new consideration and debate as traditional copyright principles and policies cannot be adapted with only minor reconsideration. T Hardy "The Proper Legal Regime for 'Cyberspace'" (1994) 55 U Pitt L Rev 993, 1002.

¹³ JV Myers "Speaking Frankly About Copyright Infringement on Computer Bulletin Boards: Lessons to be Learned from *Frank Music*, *Netcom*, and the White Paper" (1996) 49 Vand L Rev 439, 442.

with redress. Others believe that BBS operators should be judged by a standard which requires the BBS operator to have some degree of knowledge, arguing that forcing BBS operators to screen all postings may be an impossible duty to fulfil, given the vast amount of information flowing BBSs and the difficulty in determining whether material is infringing. The thesis of this paper is that BBS operators should not be considered direct infringers and thus subject to strict liability, but should instead be judged under the framework of 'contributory infringement',¹⁴ which has a knowledge element. This is more appropriate conceptually, when compared to traditional analogies, and from a policy point of view.

Part I of this paper examines the United States cases which deal with the liability of BBS operators for copyright infringements carried out by their subscribers. This will be useful for two reasons. First, it illustrates some of the different situations which might arise. Second, and more importantly, because the cases provide the only relevant jurisprudence on the area of BBS operator liability, they provide guidance on how BBS operators should be dealt with by New Zealand courts. The appropriate level of liability will then be analysed from three different angles. In Part II, the Copyright Act 1994 is applied to the BBS situation and it is argued that BBS operators do not meet the requirements of direct liability, but have the potential to be judged as authorisers of infringement, and contributory infringers, both of which require constructive knowledge. In Part III, BBSs are compared to some real space¹⁵ entities and it is argued that those which are somewhat analogous are judged by the same standards applied to BBS operators in Part II. Part IV argues that the authorising and secondary infringement frameworks are also most appropriate from a policy point of view, notwithstanding the contrary arguments from the United States Information Infrastructure Task Force that strict liability should be applied to BBS operators. Finally, Part V will consider more closely which BBS situations should be caught as authorising infringement or secondary infringement.

¹⁴ Contributory infringement is applied situations in which the defendant does not directly carry out the infringing act, but in some way contributes to it. When used in a general sense in this paper, the term includes the American doctrine of contributory liability, and New Zealand's authorisation of infringement and secondary infringement provisions.

¹⁵ The term 'real space' is used in this paper to refer to the material world and is used in contrast to the world of cyberspace, see below n 16. Real space entities thus include traditional publishers, distributors, retail outlets and so on.

I UNITED STATES CASES DEALING WITH THE LIABILITY OF BBS OPERATORS FOR THE COPYRIGHT INFRINGING ACTS OF THEIR SUBSCRIBERS

There is considerable controversy in the United States about how copyright law should apply to the cyberspace¹⁶ environment and about the appropriate level of liability for BBS operators.¹⁷ The cases which have dealt with the issue have conflicted in a number of respects and it is not completely clear what the current position of the law is.

This section will examine the cases against BBS operators for the copyright infringements of their subscribers. The United States Report of the Working Group on Intellectual Property Rights entitled "Intellectual Property and the National Information Infrastructure"¹⁸ (the White Paper), will then be examined.

A *Playboy Enterprises, Inc v Frena*¹⁹

The *Playboy* case involved a claim against Frena, the operator of a BBS, by Playboy Enterprises Inc for infringement of their copyright. Various pictures from Playboy magazines had been uploaded by Frena's subscribers to his BBS, thus making them available to other subscribers of Frena's BBS. Frena claimed that he did not personally upload any of the infringing material, that he had no knowledge of the infringing material being available on his BBS, and that he did not intend to infringe Playboy's copyright.

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Cyberspace is the realm of digital data. Its shores and rivers are the computer memories and telephone networks that connect computers all over the world. Cyberspace is a hidden universe behind the automatic teller machines, telephones, and WESTLAW terminals which many of us take for granted. It is also a way for computer users all over the world to interact with each other instantaneously.

DJ Loundy "E-Law: Legal Issues Affecting Computer Information Systems and Systems Operator Liability" (1993) 3 Alb LJ Sci & Tech 79, 81.

¹⁷ See for example above n 13 (arguing BBS operators should be held strictly liable). Compare Elkin-Koren, above n 4 (arguing against strict liability for BBS operators).

¹⁸ Information Infrastructure Task Force "Intellectual Property and the National Information Infrastructure: The Report of the Working Group on Intellectual Property Rights" (September 1995, USA).

¹⁹ 839 F Supp 1552 (MD Fla 1993).

The court held that Frena had directly infringed both the plaintiff's distribution and public display rights. The court stated that Frena "supplied a product containing unauthorized copies of a copyrighted work" and that it was irrelevant that he did not personally make the copies²⁰ and that he did not know of the infringement, as neither intent nor knowledge are elements of direct copyright infringement.²¹

B Sega Enterprises, Ltd v MAPHIA²²

In *Sega*, the court imposed a preliminary injunction against the operator of the MAPHIA bulletin board, holding that he was liable as a contributory infringer because subscribers to the BBS copied Sega video games off the BBS.²³ Because the defendant encouraged the copying by specifically soliciting the copying and expressing the desire that these games be uploaded onto the BBS to enable downloading, the court found that the test for contributory infringement was satisfied.²⁴

The decision in *Sega* uses some language which suggests the court may have also found direct infringement for copying the video games.²⁵ It is not clear upon which basis this finding was made.²⁶ The court in *Religious Technology Centre v Netcom On-Line Communication Services, Inc*²⁷ interpreted this finding as relating to direct infringement by the subscribers who uploaded or downloaded video games, reasoning that the *Sega* court was considering contributory infringement, and this requires the direct infringement of another.²⁸

C Religious Technology Center v Netcom On-Line Communication Services Inc²⁹

Netcom represents a major departure from the *Playboy* reasoning. *Netcom* concerned the liability of Netcom, an on-line service provider, and Klemesrud, a

²⁰ Above n 19, 1556.

²¹ Above n 19, 1559.

²² 30 USPQ 2d 1921 (ND Cal 1994).

²³ Above n 22, 1926.

²⁴ Above n 22, 1924.

²⁵ Above n 22, 686.

²⁶ See Elkin-Koren, above n 4, 363 (considering possible bases for the court's finding).

²⁷ 907 F Supp 1361 (ND Cal 1995; 33 IPR 132 (1995)).

²⁸ Above n 27, IPR 142.

²⁹ Above n 27.

BBS operator, for unauthorised copies posted on their services without their knowledge. An individual named Erlich copied works relating to the Church of Scientology, in which the plaintiffs held copyright. Erlich transmitted the copies to Klemesrud's BBS, which briefly held the copies and then automatically retransmitted the copies to Netcom, which in turn stored the copies temporarily and automatically retransmitted copies via the Internet to other BBSs. In this way copies of the copyrighted works were made available to a huge number of people.

Unlike the court in *Playboy*, the *Netcom* court found neither Netcom nor Klemesrud to be direct infringers of the plaintiff's copyright. In both cases the infringing material was uploaded by subscribers rather than the BBS operators, but only the *Netcom* court found this fact relevant to its analysis. It found that the direct infringement framework was inappropriate because there was an absence of volition or causation on behalf of the BBS operators; they had not initiated the infringements and their systems acted automatically to copy the material and thus make it available to subscribers.³⁰

The court also found that Klemesrud and Netcom were not vicariously liable. In the United States, the essential elements of vicarious liability for the actions of a primary infringer are that "the defendant (1) has the right and ability to control the infringer's acts and (2) receives a direct financial benefit from the infringement."³¹ The court held that while there was an issue as to whether Klemesrud and Netcom had the right and ability to control Erlich's conduct, the services received no direct benefit from handling the infringing works as they received only fixed fees for providing their services.³²

In the United States, liability for contributory infringement will attach where the defendant, "with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another."³³ In relation to the claim of contributory liability, the court held that the plaintiffs had an arguable case in relation only to work posted after the plaintiffs had alerted Klemesrud and Netcom of Erlich's infringing postings, as it was possible then that the

³⁰ Above n 27, IPR 139-144.

³¹ Above n 27, IPR 147, citing *Shapiro Bernstein & Co v HL Green Co* 316 F 2d 304, 306 (2d Cir 1963).

³² Above n 27, IPR 149.

³³ *Gershwin Publishing Corp v Columbia Artists Management Inc* 443 F 2d 1559 (2d Cir 1971).

defendants knew or should have known of the infringing postings prior to notification, and arguably could have exercised control over Erlich's infringing conduct.

D *Reconciling Netcom and Playboy*

The *Playboy* and *Netcom* cases conflict in a fundamental way; the court in *Playboy* held the defendant BBS to the strict standard of direct liability, while the *Netcom* court judged its defendant BBS by the lesser standard of contributory liability. The *Netcom* court questioned the ruling in *Playboy*,³⁴ but purported to distinguish it on the basis that whereas Frena, the defendant BBS in *Playboy*, had been described as "supply[ing] a product," *Netcom* could not be so described, as, unlike Frena, it did not maintain an archive of its files for its users.³⁵ Also, it did not "create or control the content of the information available to its subscribers."³⁶

However, it would appear that *Netcom* severely restricts the scope of *Playboy* rather than merely distinguishing it. The reasoning in *Netcom* is fundamentally opposed to the holding in *Playboy*.³⁷ Also, it would appear that the fact used by the *Netcom* court to distinguish *Playboy*, namely that Frena maintained an archive of files for its users,³⁸ was not pivotal to the *Playboy* decision, and was not even mentioned in the court's reasoning on copyright infringement. The *Netcom* court questioned *Playboy*'s finding of direct infringement, stating that it was "perhaps influenced by the fact that there was some evidence that defendants in fact knew of the infringing nature of the works, which were digitised photographs labelled 'Playboy' and 'Playmate.'"³⁹

E *The Frank Music Settlement*

Commentators had hoped that the *Frank Music*⁴⁰ litigation would clear up some of the uncertainties relating to copyright issues involving BBSs, but the parties settled out of court, thus precluding the court from ruling on these

³⁴ Above n 27, IPR 142-3.

³⁵ Above n 27, IPR 143.

³⁶ Above n 27, IPR 143.

³⁷ See below, text at nn 74-93..

³⁸ It is not even clear exactly what the *Netcom* court meant by this.

³⁹ Above n 27, IPR 141.

⁴⁰ *Frank Music Corp v CompuServe, Inc* Civil Action No 93 Civ 8153 (SDNY 1993).

issues.⁴¹ The litigation concerned a music BBS, operated by CompuServe, which allowed subscribers to upload, browse and download digital copies of popular songs. Frank Music and the National Music Publishers Association, who held copyright in a number of the songs available on the BBS, sued CompuServe for its role in the copyright infringements occurring when their songs were uploaded or downloaded.⁴²

The settlement agreement included a licensing agreement which allows the music BBS to continue; provides for protection, licensing and royalty payments for the copyright owners; and specifies the level of liability which CompuServe will be held to, namely that actual knowledge is required for liability.

F The White Paper

This governmental report aimed to examine and analyse the intellectual property implications of the National Information Infrastructure⁴³ and recommend changes to the current law where appropriate.⁴⁴ The report has received heavy criticism from some commentators who claim that it leans too far in favour of copyright holders.⁴⁵

One of the issues considered by the White Paper was the level of liability which BBSs and on-line service providers should be held to for copyright infringements of their subscribers.⁴⁶ The White Paper advocated that BBSs and

⁴¹ Above n 13, 478.

⁴² Above n 13, 478.

⁴³ The "National Information Infrastructure," as discussed in the White Paper, "encompasses digital, interactive services now available, such as the Internet, as well as those contemplated for the future." Thus, its analysis and recommendations are applicable to the Internet, and indeed the White Paper for the most part discusses the issues in relation to the Internet as it is the currently functioning structure. Above n 18, 2. Conversely, the discussion in this paper is applicable to networks or services that are similar to the Internet.

⁴⁴ Above n 18, 2.

⁴⁵ For example Pamela Samuelson argues that Working Group:

depicts the changes to copyright law recommended in the White Paper as minor clarifications and updates to existing law. They are, in fact, a flagrant giveaway to the copyright industry, softened only by two public-interest provisions added to make the package appear more balanced than it really is.

P Samuelson "The Copyright Grab" *Wired* 4(1) January 1996, 134, 135-136. See also BD Rein "Edited Comments Concerning Managing Copyright Infringement in Electronic Fora" [1994] *Ann Surv Am L* 399, 400-401.

⁴⁶ See above n 18, 114-124.

on-line service providers should be held to a standard of strict liability, analysing them as direct infringers and arguing that while some contend that the liability level for BBSs should be lessened, policy considerations, which are referred to later in the paper, count against this.⁴⁷ Because the White Paper was released after *Playboy* but prior to *Netcom*, the state of the law at that time was that BBS operators would be held directly liable. Thus no major law change was recommended in this area.⁴⁸

It is debatable what the White Paper would have recommended on this issue had it been released after *Netcom*. Its comments about the appropriate liability level were not forcefully made,⁴⁹ and some flexibility was shown.⁵⁰ Also, its approach was to consider whether the status quo should be changed.⁵¹ Had the status quo at the time been contributory liability as *Netcom* found, rather than strict liability due to *Playboy*, it is possible that the White Paper may not have been so convinced that strict liability was the most appropriate level as to recommend altering the law to change the *Netcom* position.

⁴⁷ Above n 18, 122-124.

⁴⁸ The White Paper does recommend altering the copyright holder's exclusive right of distribution to explicitly include transmission, and this change is included in the NII Copyright Protection Bill. The recommendation is, however, of little relevance to the discussion of this paper, as the change will not create a new right, but merely clarify an ambiguity in the present law by recognising that the distribution right can indeed be exercised by means of transmission. Above n 18, 213-214. See also Rein, above n 45, 402 (arguing that the recognition of a transmission right is superfluous).

⁴⁹ The White Paper recommended further discussion on the topic, noting that while

it is not possible to identify *a priori* those circumstances or situations under which service providers should have reduced liability,...it is reasonable to assume that such situations should be identified through discussion and negotiation among the service providers, the content owners and the government.

Above n 18, 123.

⁵⁰ The White Paper commented that "[n]o one rule may be appropriate," and noted that it was arguable that exemptions should exist when the infringing material is encrypted, or when an entity was in the position of a common carrier. Above n 18, 122.

⁵¹ The extent to which the White Paper was influenced by the status quo, and perhaps the extent to which it awaited developments in the area, can be illustrated by the following passage, which sums up its position on the issue: "The Working Party believes it is - at best - premature to reduce the liability of any type of service provider in the NII environment." Above n 18, 122.

II THE CURRENT LAW IN NEW ZEALAND

To date there have been no cases in New Zealand relating to the liability of BBSs for copyright-infringing material posted on their systems. In fact, there have been no cases in New Zealand relating to copyright infringement on the Internet at all.

The BBS whose subscriber has uploaded an unauthorised copy could be dealt with in a number of different ways under current copyright law. Due to the peculiar way in which BBSs operate, it is debatable whether BBS operators in such a situation fall conceptually under the framework of direct infringement, authorisation of infringement, and/or secondary infringement. Each of these frameworks for treating BBSs have different requirements in order for liability to follow.

A The Potential for BBS Operators to be Liable for Direct Infringement under the Copyright Act 1994

When a subscriber uploads an unauthorised copy to a BBS, it is arguable that the BBS operator should be liable as a "direct" or "primary" infringer for its role in the infringement.⁵² As the typical BBS automatically copies the uploading and makes it available to other subscribers to access, it is arguable that the BBS operator breaches at least some of the rights holder's exclusive rights. For instance there may be a breach of the right to copy the work (s 16(1)(a)), to show the work in public (s 16(1)(e)), to issue copies of the work to the public (s 16(1)(b)), and to include the work in a cable programme service (s 16(1)(f)). If the BBS operator is considered a direct infringer, his or her knowledge will be irrelevant as direct infringers are held strictly liable.⁵³

In assessing whether the BBS operator should be held directly liable when a subscriber uploads an unauthorised copy, two issues need to be addressed. First, the question of whether this situation infringes any of the copyright

⁵² See ss 29-34 of the Copyright Act 1994. The Act refers to primary infringement, but this term is commonly used interchangeably with direct infringement. See for example A Brown & A Grant *The Law of Intellectual Property in New Zealand* (Butterworths, Wellington, 1989), 365.

⁵³ This can be contrasted to the position regarding secondary infringers, where some degree of knowledge is required. EP Skone James, J Mummery, JE Rayner & KM Garnett *Copinger and Skone James on Copyright* (Sweet & Maxwell, London, 1991), 161.

holder's rights must be considered. Second, if there is infringement, it must be asked whether the BBS operator is the party who directly carries out the infringement.

1 Are the copyright holder's rights infringed?

A number of rights are potentially infringed in the BBS situation. These will be examined in turn. The following discussions illustrate some of the difficulties in applying copyright law principles, developed for the print world, to the cyberspace environment.

(a) The right to copy the work (s 16(1)(a))

There is much controversy as to exactly what constitutes making a copy of a work in the digital context. In the United States case of *MAI Sys Corp v Peak Computer Inc*,⁵⁴ the court held that the creation of a temporary copy in a computer's "random access memory" (RAM) - which will disappear when the computer is switched off - does amount to a copy of the work being made.

Under this finding, many copies are created when somebody uploads an unauthorised copy onto a BBS. Firstly, if the original work is converted into digital form (for instance a written work is digitally scanned, or a musical work stored onto CD-Rom), the digital version created will be a copy of the original.⁵⁵ Then, when this copy is uploaded to a BBS, a copy is created in the storage system of the BBS.⁵⁶ The ramification of the finding in *MAI* which causes most controversy, however, is that a subscriber who accesses the BBS and merely reads this copy will create a copy in the RAM of his or her computer, as the work must enter the computer's RAM to be displayed on the computer screen.⁵⁷ This result may be unsatisfactory as it means that even though the subscriber has not stored the work in a more permanent form, such as printing it out or saving it to hard drive or disc, the copyright holder's exclusive right to copy the work has been infringed by the act of merely bringing it up on the computer screen. Leslie Kurtz strongly questions this result, arguing that "[b]ecause a work cannot be accessed on a computer

⁵⁴ 991 F 2d 511, 517-518 (9th Cir 1993). The case has subsequently been upheld in a number of cases, including *Netcom*.

⁵⁵ Above n 18, 65.

⁵⁶ Above n 18, 66.

⁵⁷ Above n 18, 66.

without copies being made, copyright owners would have, for the first time, what Professor Jessica Litman has called an exclusive right to read."⁵⁸ Cathie Harrison and Susy Frankel recognise that merely accessing a copyrighted work is something people are free to do in a library or book store, and that this should not amount to unauthorised copying.⁵⁹

Whether the reasoning in *MAI* will be accepted in New Zealand remains to be seen.

In New Zealand, copying a work is defined as "reproducing or recording the work in any material form; and [i]ncludes, in relation to a literary, dramatic, musical, or artistic work, storing the work in any medium by any means."⁶⁰ It is arguable that merely transmitting a work to a computer's temporary memory is too transient or evanescent to be considered storing in a medium.⁶¹ However, the court in *MAI* found that the United States definition of making a copy was satisfied, and this, like the New Zealand definition, also refers to a 'medium' and has a fixation requirement. Thus Brown's view that in New Zealand, "storing the work on a hard disk *or even in transient form* will be caught"⁶² is probably correct.

(b) *The right to show the work in public (s 16(1)(e))*

The right to show the work in public has the potential to be activated in the BBS situation. Drawing on the metaphor contained in the name 'bulletin board,' the posting of a work to a BBS is similar to placing it on a real space bulletin board where people can view it, and so the right to show would seem to come into play. Indeed, the courts in *Playboy* and *Netcom* both found that the United States counterpart to the right to show copies - the right to display copies - had been breached.⁶³

⁵⁸ LA Kurtz "Copyright and the National Information Infrastructure in the United States" [1996] 3 EIPR 120, 121.

⁵⁹ C Harrison & S Frankel "The Internet: Can Intellectual Property Laws Cope?" (1996) 1(3) NZIPJ 60, 62. On the other hand, the value of some works may not depend upon them being in more permanent or material form. If subscribers are able to read literature or databases, for example, they may not need to purchase them. Thus, even if subscribers do not store the work into more permanent form, the potential market for the work may decrease.

⁶⁰ Section 2 of the Copyright Act 1994.

⁶¹ See above n 58, 122.

⁶² A Brown "The new Copyright Legislation - An Analysis" Intellectual Property, Legal Research Foundation (Feb 1995), 13, 19 (emphasis added).

⁶³ Above n 19, 1556-7; and above n 27, IPR 146.

Whether or not the subscribers to a particular BBS are a group sufficiently public in nature to satisfy the section may be an issue. Copyright law draws a distinction based on the character of the audience.⁶⁴ If an audience is domestic or quasi domestic, such as a small gathering of friends or family at an individual's home, it will not qualify as public.⁶⁵ In contrast, an audience will be classed as public if it consists of members of a club and their guests.⁶⁶

In the cyberspace environment, the distinction between public and private is blurred. While it is reasonably clear that an individual corresponding with another person via e-mail is communicating privately, as the numbers involved in the communication increase, for instance where the communication is to a mailing-list,⁶⁷ it becomes unclear exactly when the communication becomes public.⁶⁸ Nevertheless, it would appear that in most situations, BBS subscribers would qualify as sufficiently public to satisfy the section. As Jane Ginsburg notes, "even acknowledging that cyberspace can promote a kind of friendship and perhaps even familial feeling among correspondents who do not otherwise know each other, the potential 'circle' of networked acquaintances is too capacious" not to be regarded as public.⁶⁹ The court in *Playboy* classified the audience to the infringing postings as public, holding that while it was limited to subscribers, it did meet the United States test of consisting of "a substantial number of persons outside of a normal circle of family and its social acquaintances."⁷⁰

(c) *The right to issue copies of the work to the public*
(s 16(1)(b))

The right to issue copies to the public would also appear to be breached when a subscriber uploads an unauthorised copy to a BBS as it is then made available to subscribers, but there is a conceptual difficulty. The way most BBSs operate, unlike the way in which distribution traditionally takes place in real space, does

⁶⁴ *Australasian Performing Rights Association v Telstra Corporation Ltd* (1994) 31 IPR 289.

⁶⁵ *Duck v Bates* (1884) 13 QBD 843; *Jennings v Stephens* [1936] Ch 469.

⁶⁶ *Harms (Inc) Ltd v Martans Club Ltd* [1927] 1 Ch 526.

⁶⁷ A mailing-list is "an e-mail address that is a macro for many e-mail addresses. Users send their mail to a single address. The mail thereupon is redirected to the list's subscribers, either directly or after a process of selection." Above, Elkin-Koren, n 4, 388.

⁶⁸ For a full discussion of the difficulties in applying the public/private distinction to the cyberspace environment, see above Elkin-Koren, n 4, 390-9.

⁶⁹ Above, Ginsburg, n 4, 1480.

⁷⁰ Above n 19, 1557.

not involve the *sending out* of material to subscribers. Rather, subscribers are able to *access* the material on the computer on which the BBS operates. This fact sits somewhat uneasily with the concept of issuing copies.⁷¹ However, s 9 defines the right as "the act of putting into circulation copies not previously put into circulation." This seems to place the emphasis on the copies being made available, rather than being physically distributed, and would appear to accommodate the BBS situation. Again, the courts in *Playboy* and *Netcom* both found that the United States counterpart to the right to issue copies - the right to distribute copies - had been breached.⁷²

(d) *The right to include the work in a cable programme service*
(s 16(1)(f))

The definition of a cable programme service is provided by s 4 of the Act. A BBS would appear not to meet the definition. A BBS should qualify as an interactive transmission service, which is excluded from the definition of cable programme service by s 4(2)(a).⁷³

To sum up this section, it would appear that when an unauthorised copy is placed on a BBS, there will be breaches of the copyright holder's exclusive rights to copy the work, to show the work, and to issue copies to the public.

2 *Does the BBS operator carry out the infringement, or facilitate it?*

It should be noted at the outset that where BBS operators personally place unauthorised copies on their bulletin board, they will be directly liable. The following discussion concerns the less clear situation in which a subscriber uploads infringing material, potentially unbeknown to the BBS operator.

In most cases, the BBS copies the infringing material and makes it available to other subscribers to access. However, as the subscriber initiates the process, and the BBS itself, rather than the BBS operator, automatically carries out the process, it is far from clear whether the BBS operator, the subscriber, or both,

⁷¹ For a more complete discussion of the difficulties and implications of equating distribution with access, see above, Elkin-Koren, n 4, 387-89.

⁷² Above n 19, 15567; and above n 27, IPR 146.

⁷³ Above n 59, 64. Cathy Harrison and Suzy Frankel consider in some depth whether the definition of a cable programme service includes the provision of a web page. They conclude that it would "in some circumstances but not in others." Above n 59, 63.

should be considered the direct infringer. This uncertainty is reflected in the opposing views of commentators, and also the contrasting reasoning displayed by the United States courts.

In the United States case of *Playboy*, the court described Frena, the BBS operator, as "suppl[ying] a product," and thus directly liable for displaying infringing copies on the service and also directly liable for distributing unauthorised copies to its subscribers.⁷⁴

This characterisation of the role of the BBS operator in the infringement can be contrasted to the way the defendant BBS operator's role was characterised in the United States *Netcom* case. In that case the court found the operator not directly liable, reasoning that:⁷⁵

Netcom⁷⁶ did not take any affirmative action that directly resulted in copying plaintiffs' works other than by installing and maintaining a system whereby software automatically forwards messages received from its subscribers onto the Usenet,⁷⁷ and temporarily stores copies on its system. Netcom's actions, to the extent that they created a copy of plaintiffs' works, were necessary to have a working system for transmitting Usenet postings to and from the Internet. ...neither Netcom nor Klemesrud initiated the copying. Thus...the mere fact that Netcom's system incidentally makes temporary copies of plaintiffs' works does not mean Netcom has caused the copying.

The court similarly ruled that Netcom and Klemesrud were not directly liable for violating the rights to public distribution and display, reasoning that "[o]nly the [uploading] subscriber should be liable for causing the distribution of plaintiffs' work, as the contributing actions of the BBS provider are automatic

⁷⁴ Above n 19, 1559.

⁷⁵ Above n 27, IPR 139.

⁷⁶ Netcom was the on-line service provider which automatically received (and thus also automatically made the material available to its subscribers) the material from Klemesrud, a BBS operator. The Court stated that this reasoning applies equally to Klemesrud. Above n 27, IPR 154.

⁷⁷ The Usenet is:

a worldwide community of electronic BBSs that is closely associated with the Internet and with the Internet Community....The messages in Usenet are organised into thousands of topical groups, or "Newsgroups"...As a Usenet user, you read and contribute (post) to your local Usenet site. each Usenet site distributes its users' postings to other Usenet sites based on various implicit and explicit configuration settings, and in turn receives postings from other sites.

and indiscriminate."⁷⁸ In contrast to the *Playboy* court's characterisation of the defendant BBS's act as "supplying a product," the court in *Netcom* likened *Netcom* and *Klemesrud* to mere "conduits."⁷⁹

Which way New Zealand courts will rule on such an issue remains to be seen; whether they will conceptualise the actions of defendant BBSs as falling under the direct infringement framework or the secondary infringement framework. It is submitted that for a number of reasons, the *Netcom* approach is to be preferred.

First, the *Netcom* case was far more fully reasoned on this point than *Playboy*. The *Playboy* court, without explanation, characterised the BBS operator as supplying a product, making the operator a direct infringer and knowledge irrelevant. In contrast, the decision in *Netcom* is well-reasoned, and thoroughly considers the true nature of the operation of a BBS, as well as examining some policy reasons for not imposing strict liability.

Second, *Playboy's* assessment of Frena's role in the infringement as "supplying a product containing unauthorized copies of a copyrighted work"⁸⁰ can be criticised as simplistic⁸¹ and problematic.⁸² As Niva Elkin-Koren notes, it is an inadequate description of the BBS operator's role in the infringing activity.⁸³ The court failed to examine in any detail the true nature of the way BBSs operate.

When someone makes an unauthorised copy and disseminates it over a BBS, the BBS does not "initiate the unauthorized copying or communication; they simply provide[] the means by which another party [can] disseminate the infringement to the public."⁸⁴ The BBS operator must take the active step of setting up the system which will automatically copy material placed on the

⁷⁸ Above n 27, IPR 142.

⁷⁹ Above n 27, IPR 143.

⁸⁰ Above n 19, 1559.

⁸¹ See JV Myers "Speaking Frankly About Copyright Infringement on Computer Bulletin Boards: Lessons to be Learned from *Frank Music*, *Netcom*, and the White Paper" (1996) 49 Vand L Rev 439, 447.

⁸² Elkin-Koren, above n 4, 361 (arguing that describing a BBS's operation as "supplying a product" is awkward and confusing).

⁸³ Elkin-Koren, above n 356.

⁸⁴ Ginsburg, above n 4, 1492. This discussion focuses on the type of BBS which appears in the caselaw and which is most commonly referred to in the literature on the subject. There may, however, be other methods of running a BBS to which this discussion does not apply.

system by subscribers and make it available to others. However, once this system is in place, a BBS operator plays no further active part in disseminating a subscriber's message. The operator does not need to make a conscious decision each time a subscriber uploads material about whether or not to allow it onto the system - the system operates automatically. The only control the operator retains is the overall control of being able to terminate a subscriber's access and ability to make postings. As Jane Ginsburg puts it, BBSs "provide the fora of communication."⁸⁵

As Kelly Tickle notes, the court in *Playboy* "did not recognize the bulletin board as a separately functioning entity," and treated the defendant BBS operator "as if he had personally made the photographs available to users, rather than the bulletin board."⁸⁶ This is comparable to the owner of a photocopying machine who makes it available for public use being treated as personally making copies when people use the machine.

In contrast, the *Netcom* court's analysis of the BBS operator's part in the infringement is sound. As David Dobbins argues, "[i]f a user does upload or download copyrighted material, it is the user's uploading or downloading, not the operator's provision of a bulletin board, that is the primary cause of the violation of the copyright. The bulletin board is merely a tool by which the user infringes."⁸⁷ Joseph Myers presents an opposing view, stating that the court in *Netcom* "ignored the role of the [BBS operator] in the infringement of RTC's [the plaintiff's] copyrights."⁸⁸ He agrees that when infringing material is uploaded or downloaded, the subscriber who does this uploading or downloading, rather than the BBS operator, violates the copyright holder's reproduction right. Myers argues, however, that "it is simply underinclusive to claim that the subscribers' infringements of the reproduction right are the only direct infringements taking place,"⁸⁹ and that the public display and distribution rights are also violated in the BBS situation. Thus, he argues, the BBS operator should be held to directly infringe these rights. However, the arguments raised so far about the subscribers being the direct infringers are no less applicable here. The uploading subscriber initiates the public display and distribution; the

⁸⁵ Ginsburg, above n 4, 1492.

⁸⁶ Above n 7, 403.

⁸⁷ MD Dobbins "Computer Bulletin Board Operator Liability for Users' Infringing Acts" (1995) 94 Mich L Rev 217, 223.

⁸⁸ Above n 13, 473.

⁸⁹ Above n 13, 450.

BBS, while facilitating it, is only the means the subscriber uses. This was indeed the way the *Netcom* court ruled on the issue.⁹⁰

Third, the scheme of the Copyright Act would indicate that BBS operators are best judged under the rubrics of secondary infringement and infringement authorisation. Because the Act is specifically structured to apply different criteria to direct, authorising, and secondary infringers,⁹¹ it makes sense to analyse the uploading subscriber as the direct infringer and the BBS as the secondary infringer, as the uploader has initiated the infringement, while the BBS has provided the means. As Edward Cavazos and Chin Chao argue, "[h]olding [BBS operators] liable for direct infringement simply ignores the fact that someone else is using the bulletin board to conduct infringing activities."⁹²

As mentioned at the beginning of this section, a BBS operator who personally places unauthorised copies on the bulletin board does infringe directly. The reasoning in *Netcom* would also appear not to apply to another BBS situation. Where BBS operators screen postings and decide which ones to allow onto their bulletin board, they do provide the impetus for further copying and dissemination, and so should be held directly liable.⁹³

3 *The innocent infringer provision - s 121(1)*

At first sight, it may appear that even if a court did hold a BBS operator directly liable, some relief may be provided for an unknowing BBS operator by s 121(1), which, in some circumstances, disentitles the plaintiff to damages, thus

⁹⁰ The court stated that holding a BBS operator directly liable for public display and distribution of a copyrighted work

suffers from the same problem of causation as the reproduction argument. Only the subscriber should be liable for causing the distribution of plaintiff's work, as the contributing actions of the BBS provider are automatic and indiscriminate.

Above n 27, IPR 143.

⁹¹ Although direct infringers and infringement authorisers are grouped together in the Act as 'primary infringers,' these two categories are clearly separable due to the knowledge element required for authorising infringement.

⁹² EA Cavazos & GC Chao "System Operator Liability for a User's Copyright Infringement" 4 *Tex Intell Prop LJ* 13, 16.

⁹³ In this situation, the BBS is acting as a publisher. For further discussion on this point, see below, text at nn 122-133.

limiting the claim to an account of profits.⁹⁴ However, it will be argued that this section will be of no use to a BBS operator. Section 121(1) provides that:

Where, in proceedings for infringement of copyright, it is proved or admitted that at the time of the infringement the defendant did not know, and had no reason to believe, that copyright existed in the work to which the proceedings relate, the plaintiff is not entitled to damages but, without prejudice to the award of any other remedy, is entitled to an account of profits.

The provision is different to that which existed under the Copyright Act 1962,⁹⁵ and, while Brown and Miles argue that the level of knowledge remains the same,⁹⁶ the scope of the section has been decreased in a way which is relevant to the BBS situation. The old provision exempted from damages a defendant who lacked the necessary knowledge that their act *was an infringement of copyright*, whereas the current provision exempts those who lacked knowledge that *copyright existed in the work*.

At the recommendation of the Dalglish Committee,⁹⁷ the 1962 innocent infringer provision departed from its United Kingdom counterpart. The Committee felt that due to the United Kingdom provision's focus on whether copyright subsisted in the work, it would fail to protect a defendant who realised copyright subsisted in the work and sought to gain a licence to use it but obtained the licence from someone other than the actual copyright owner, thinking that this third party was the owner, perhaps because of a misrepresentation by this third party.⁹⁸

⁹⁴ It is unclear exactly how an account of profits claim would be applied in a suit against a BBS operator for a subscriber's unauthorised uploading, as BBS's will usually not profit directly from infringing uploading. This is discussed more fully below, text at 176-178.

⁹⁵ Section 24(2) of the 1962 Act provided that:

Where in an action for infringement of copyright it is proved or admitted-

- a) That an infringement was committed; but
- b) That at the time of the infringement the defendant was not aware, and had no reasonable grounds for supposing, that it was an infringement of copyright- the plaintiff shall not be entitled under this section to any damages against the defendant in respect of the infringement...

⁹⁶ A Brown & J Miles *Update on Intellectual Property Reforms* (NZLS Seminar, April 1995),

17.

⁹⁷ 1959 Report of the Copyright Committee, paras 340-47 and recommendations 52 and 53.

⁹⁸ Above n 97, para 342.

With the introduction of the Copyright Act 1994, the provision reverts back to being equivalent to its United Kingdom counterpart,⁹⁹ which does indeed fail to apply to the situation envisaged by the Committee.¹⁰⁰ BBS operators will effectively be in this position. They will assume that the copyright in works uploaded by their subscribers belongs to those subscribers, and that, by the act of uploading the works onto their system, they are granting permission for these works to be copied and made available over the BBS. When the true copyright owner claims for breach of copyright, s 121(1) will afford no defence as the BBS did not mistakenly think that copyright did not *exist* in the work, but that there would be no breach.

B The Potential for BBS Operators to be Liable for the Authorising of Infringement under the Copyright Act 1994

By virtue of ss 16(1)(i) and 29 of the Copyright Act, authorising another person to do any of the restricted acts¹⁰¹ constitutes primary infringement of copyright. It is arguable that BBS operators should be liable for authorising the copyright infringing activities of their subscribers in some situations.

Authorisation refers to "the grant or purported grant, which may be express or implied,¹⁰² of the right to do the act complained of."¹⁰³ The type of authorisation which will be relevant for present purposes is where the means for infringement are provided. As Copinger and Skone James note, determining liability in these types of cases can sometimes cause difficulties.¹⁰⁴ The situation of copyright abuse over a BBS would appear to be one of these times.

In the Australian case of *University of New South Wales v Moorhouse*,¹⁰⁵ the University was held to have authorised infringing copies made on its photocopier. The court stated that:¹⁰⁶

⁹⁹ Section 97(1) of the United Kingdom Copyright, Designs and Patents Act 1988.

¹⁰⁰ *James Arnold & Co Ltd v Miafern Ltd* [1980] RPC 397.

¹⁰¹ The relevant restricted acts are described in ss 16(1)(a)-(f).

¹⁰² If the alleged authorisation is implicit, the test is whether the relevant circumstances lead to an inference of authorisation. *University of New South Wales v Moorhouse* (1975) 6 ALR 193.

¹⁰³ *CBS Songs Ltd v Amstrad Consumer Electronics Plc* [1988] AC 1013 (HL).

¹⁰⁴ Above n 53, 220.

¹⁰⁵ (1975) 6 ALR 193; 133 CLR 1.

¹⁰⁶ Above n 105, ALR 200-201.

a person who has under his [or her] control the means by which an infringement of copyright may be committed - such as a photocopying machine - and who makes it available to other persons, knowing, or having reason to suspect, that it is likely to be used for the purpose of committing an infringement, and omitting to take reasonable steps to limit its use to legitimate purposes, would authorize any infringement that resulted from its use.

Because of a lack of adequate notices placed on machines informing users that machines were not to be used in such a way as to infringe copyright and an absence of supervision of copying, the court held that the University had made a general implied authorisation to copy. In considering the level of knowledge required, the court held that the requirement that the authoriser must have knowledge, or reason to suspect, that the machine is likely to be used to infringe copyright did not necessitate the existence of knowledge or suspicion of the particular act.¹⁰⁷ Thus, knowledge in the general sense of realising the machine was likely to be used to make unauthorised copies was held to suffice.¹⁰⁸

In many respects, as the *Netcom* court recognised,¹⁰⁹ the BBS operator is in a similar position to the owner of a photocopier who makes it available for public use. They both make available means which can be used to perfectly innocuous and useful ends, but which will also almost definitely be used by some to infringe copyright. It could be argued that most BBS operators would know that due to the potentially huge number of copyright infringements being committed on the Internet, the chances are high that some infringements will take place over their system. This general kind of knowledge of infringement, as opposed to knowing of particular abuses, was sufficient to satisfy the knowledge requirement in the *Moorhouse* case. So the knowledge requirement of authorising infringement will usually be met in the BBS situation. If, however, the BBS operator was not aware of the possibility of infringement over his or her system, because for example, the BBS was usually used only for a specific purpose which would not foreseeably involve copyright infringement, that operator should escape liability.

¹⁰⁷ Above n 105, ALR 201.

¹⁰⁸ The point was also made that a purpose of profit from the machines is not a requirement and is irrelevant to the existence of an implied invitation for users to copy as they see fit. Above n 105, ALR 209.

¹⁰⁹ Above n 27, IPR 139.

An element of authorising infringement which may arguably allow BBSs to escape liability is that of control. The importance of this requirement is emphasised by the English case of *CBS Songs Ltd v Amstrad Consumer Electronics Plc*,¹¹⁰ in which the House of Lords held that a company which sold double-speed twin-tape cassette decks had not authorised the copying of pre-recorded works, as once it had sold the decks, it had no control over the manner of their use.¹¹¹

BBSs do ultimately have control over their subscribers in that they can actually remove postings or cut off subscribers. However, in many instances they will not have practical control in terms of being able to monitor their subscribers' postings to find infringements. However, the court in *Moorhouse* appeared unsympathetic to this difficulty of practicality of control, which existed for the owner of the photocopying machine also. Following this reasoning, it would appear that the potential to control will be sufficient.

In refusing to find authorising infringement, the courts in cases such as *CBS Songs* and others,¹¹² most notably the United States *Sony* case,¹¹³ have emphasised that the machines that have been used to infringe copyright also have substantial non-infringing uses. Implicit in their reasoning is the concern that were copyright law to be too strict on suppliers of these products, the use of these legitimate products may be stifled.¹¹⁴

Sony concerned a suit by holders of copyrights in films and television programs against a manufacturer of VCRs which could record programs off television, for the actions of its customers who used the VCRs to make infringing copies. The Supreme Court quoted, with approval, this passage from the district court:¹¹⁵

Selling a staple article of commerce - e.g., a typewriter, a recorder, a camera, a photocopying machine - technically contributes to any infringing use subsequently made thereof, but this kind of

¹¹⁰ Above n 103.

¹¹¹ The Court in *Amstrad Consumer Electronics Plc v British Phonographic Industry Ltd* [1986] FSR 159 (CA), 207 held that there must be some power to permit the act or prevent it.

¹¹² See, for example above n 111, 211.

¹¹³ *Sony Corp of America v Universal Studios, Inc* (1984) 464 US 417.

¹¹⁴ For example, in *Amstrad*, Lord Templeman noted that recording machines, blank tapes and borrowed or purchased records "could be said to be 'materials which by their nature are almost inevitably to be used for the purpose of an infringement.' But lenders and sellers do not authorise infringing use." Above n 111, 204.

¹¹⁵ Above n 113, 426, quoting *Universal City Studio, Inc v Sony Corp of Am* (1970) 480 F Supp 429, 461.

"contribution," if deemed sufficient as a basis for liability, would expand the theory beyond precedent and arguably beyond judicial management....Commerce would indeed be hampered if manufacturers of staple items were held liable as contributory infringers whenever they "constructively" knew that some purchasers on some occasions would use their product for a purpose which a court later deemed...to be an infringement.

Perhaps this principle of substantial non-infringing use is one of the reasons that Copinger and Skone James question whether *Moorhouse* would be decided the same way now.¹¹⁶ BBSs can clearly be seen as having substantial non-infringing uses - indeed the majority of communications and postings on BBSs will not infringe copyright and the Internet is in general very useful and socially desirable.¹¹⁷ The non-infringing use cases are, however, distinguishable as the defendants had no ability to control the use of its products once they were sold. Perhaps what should be taken from the cases for present purposes is the policy principle that the sellers of staple articles of commerce, or, in this case, useful services, should not be overly inhibited because the things which they are selling can also be put to a use which infringes copyright.

If BBSs are held to qualify as potential infringement authorisers, the duty this imposes may not be overly onerous. In the *Moorhouse* case, the court implied that the University would have escaped liability if it had put up a "clearly worded and accurate notice on each machine in a position where it could not be overlooked."¹¹⁸ If this reasoning is followed, BBSs may simply have a duty to warn and educate their subscribers about copyright.

C The Potential for BBS Operators to be Liable for Secondary Infringement under the Copyright Act 1994

Unlike direct infringement, the secondary infringement provisions require knowledge in order for liability to follow.¹¹⁹

Section 36 of the Act provides that copyright will be infringed by possessing or dealing with an infringing copy of a work. The BBS situation would appear to come within the factual requirements of the section. Where a BBS is run as a

¹¹⁶ Above n 53, 222.

¹¹⁷ See below, text at nn 190-204.

¹¹⁸ Above n 105, 203.

¹¹⁹ See ss 35-39.

business,¹²⁰ the material held on a bulletin board can properly be described as being possessed in the course of a business (s 36(a)).¹²¹ Because material on a bulletin board is normally able to be accessed by many people, and because BBSs will often distribute material over Usenet, a BBS can also be described as exhibiting in public or distributing the material in the course of a business (s 36(d)). If the BBS is not run as a business, then it may still be caught under s 36(e) as distributing otherwise than in the course of a business to such an extent as to affect prejudicially the copyright owner. The crucial consideration, however, will be the knowledge requirement.

Under s 36, an infringer must know or have reason to believe that the object they are dealing with is an infringing copy. It is not entirely clear exactly what situations this would cover. Clearly, actual knowledge would suffice, and probably some form of constructive knowledge. Part V will consider in more detail which situations may satisfy the knowledge requirement.

III ARE ANY REAL SPACE ENTITIES ANALOGOUS TO BBSs?

In attempting to determine what level of liability BBSs should be held to, commentators have suggested many real space entities as analogies. These entities range from publishers, which attract strict liability, to common carriers, which attract no liability for any copyright infringing goods they may be carrying. Perhaps the breadth of the analogies suggested gives some idea of the difficulty in applying to the digital environment copyright law principles which were developed for the print media.

Several suggested analogies will be examined here. It will be argued that although the matches are not perfect, the owner of a photocopier available for public use and a distributor of information are the two best-fitting analogies and are useful to an analysis of the appropriate liability level of BBSs. The fact that these entities are not held directly liable but are subject to liability for authorising infringement and secondary infringement respectively, supports the analysis thus far.

¹²⁰ The Copyright Act provides little help in determining whether this is the case or not, s 2 merely defining "business" as including a trade or profession. It would appear that where a BBS charges a subscription fee or sells advertising space, it would be run as a business.

¹²¹ Indeed, the court in *Netcom* referred to a BBS operator possessing a digital copy on the BBS. See above n 27, IPR 142-143.

A *BBS as an 'Electronic Publisher' or a Distributor?*

The White Paper states that "[w]ith respect to the allowance of uploading of material by their subscribers, [BBSs] are, in essence, acting as an electronic publisher [sic]."¹²²

However, it is submitted that this analysis misunderstands the true position of most BBSs. To analogise BBSs to publishers presupposes editorial control and an active role in publishing the material, two characteristics which most BBSs do not have. BBS operators do not generally select which postings they will allow on their board, edit them, or even monitor postings in any meaningful way. The role BBSs play in making the material available is qualitatively different from the role real space publishers play. Most BBSs merely provide the means for subscribers to upload and download files and material, rather than actively disseminating material. For these reasons, most BBSs should not be treated as analogous to publishers as they are far less responsible for the content on their systems.

There may, however, be BBSs to whom the publisher analogy is applicable. BBS operators who do select which postings are made available on their board could arguably be treated similarly to real space publishers, because they are then responsible for what is on their board and provide the impetus for material being placed on their board.¹²³ This idea that editorial control is an important factor in determining what level of liability BBS operators should be held to is reflected in the *Cubby*¹²⁴ and *Prodigy*¹²⁵ line of United States cases, which were decided in the slightly different context of defamation.¹²⁶

¹²² Above n 18, 122.

¹²³ As mentioned previously, BBS operators will be held directly liable for unauthorised copies which they themselves post to their boards. See text at n 74.

¹²⁴ *Cubby, Inc v CompuServe, Inc* 776 F Supp 135 (SDNY 1991). For a more full discussion of this decision, the *Prodigy* decision, and of the United States law relating to defamation occurring on BBSs, see MC Sideritis "Defamation in Cyberspace: Reconciling *Cubby, Inc v CompuServe, Inc* and *Stratton Oakmont v Prodigy Services Co* (1996) 79 Marq L Rev 1065.

¹²⁵ *Stratton Oakmont, Inc v Prodigy Services Co* 1995 WL 323710 (NY Sup Ct May 24, 1995).

¹²⁶ Edward Samuels notes that the issues involved in attempting to find the appropriate liability level for BBS operators for copyright infringement are different to those involved in considering the appropriate liability level for defamation. E Samuels "Copyright Concerns on the Information Superhighway" [1994] Ann Surv Am L 383, 392. Nevertheless, the defamation cases are instructive for the limited purpose for which they are being used here: to determine in what situations BBSs could be considered to be exercising editorial control.

In *Cubby, Inc v CompuServe, Inc*, it was held that the defendant service provider was similar to a distributor rather than a publisher as it lacked editorial control over the content on its system, and so was not liable for defamatory comment placed there.¹²⁷ That case can be contrasted with the *Stratton Oakmont v Prodigy Services Co* case. In this case, Prodigy, an on-line service provider, was found to act as a publisher because it exercised sufficient editorial control over its boards.¹²⁸ The court found the situation to be distinguishable from that in *Cubby* for two reasons. First, Prodigy had marketed itself as controlling the content of its bulletin boards.¹²⁹ Second, Prodigy operated a screening program which automatically screened postings for offensive language, and issued guidelines which its Bulletin Board Leaders¹³⁰ were required to enforce.¹³¹

While the principle expounded in *Prodigy* - that BBS operators may be treated similarly to publishers if they exercise editorial control - may be sound, it is arguable that the case was not decided correctly on its facts. Matthew Siderits argues that courts in future should examine the actual nature of the editorial control exercised and that an automatic offensive language screener such as that used by Prodigy should be considered insufficient to render it a publisher.¹³² It is submitted that what should be considered is whether the BBS operator has the editorial control sufficient to put it in a position to judge content. Where this is the case, or where some limited form of control is exercised, such as occasional editing, BBS operators may more readily be found to qualify as secondary infringers as they may be more likely to satisfy the knowledge requirement. The actions of a BBS operator would only appear to circumvent the *Netcom* reasoning, and be judged direct when they exercise a discretion about whether or not postings should be allowed onto the board or be allowed to remain on the board. If this is the case, the impetus for a posting to go onto, or remain on, the board will come from the operator.¹³³

¹²⁷ *Cubby*, above n 124, 134-135.

¹²⁸ Above n 125, *3

¹²⁹ Above n 125, *4

¹³⁰ Bulletin Board Leaders were people contracted by Prodigy to encourage use of the boards, and participate in on-line discussions. See Siderits, above n 124, 1077.

¹³¹ Above n 125, *4.

¹³² Siderits, above n 124, 1080.

¹³³ See above, text at n 93.

B BBS Operator Compared to the Owner of a Photocopying Machine

As previously discussed, the *Netcom* court likened the operator of a BBS to the owner of a photocopier who makes the copier available to the public. The court reasoned that because such a photocopier owner is judged under contributory liability rather than direct liability, the same should hold for BBS operators.¹³⁴

It is arguable, however, that the analogy does not hold, for the following reason. When an individual uploads material to a BBS, the computer upon which the BBS runs automatically makes a copy of the upload, and retains this copy so that it can be accessed by other subscribers. This is arguably different from the operation of a photocopier, which does not make or retain an internal copy. Thus, it may be argued that where the material uploaded is an unauthorised copy, the BBS operator should be considered to have personally made an unauthorised copy of the work and thus be treated as a direct infringer.

For the following reasons, however, it is submitted that the BBS situation is very similar to that of the owner of a photocopier, and that the differences which do exist should not make the operator directly liable

Copies made in the operation of a BBS are actually similar in many important respects to those made in the operation of a photocopier. A photocopier and a BBS are both copy-creating mechanisms which are separate entities from their owner or operator respectively. In both situations it is an individual other than the BBS operator or photocopier owner who initiates the copying; the operator and owner take no positive steps in causing the individual copy. The fact that a BBS, unlike a photocopying machine, retains a copy of the work within its system does not mean it should be treated like a direct infringer. Instead, this point illustrates that the peculiar nature of the way a BBS functions means that

¹³⁴ The court stated that:

The court believes that Netcom's act of designing or implementing a system that automatically and uniformly creates temporary copies of all data sent through it is not unlike that of the owner of a copying machine who lets the public make copies with it. Although some of the people using the machine may directly infringe copyrights, courts analyse the machine owner's liability under the rubric of contributory infringement, not direct infringement.

Above n 27, IPR 139-140.

its operator should not only be considered a potential authoriser of infringement like the owner of a photocopier, but, since, due to the operation of a BBS, it retains a copy and this is accessible to subscribers, the BBS operator should also be judged under the secondary infringement provision of "dealing with" infringing copies (s 36).

It is also worth pointing out that the copies created by the bulletin board are often only created incidentally to allow the transference of data. Every time an upload or download is made, a copy is created by the bulletin board. As the court recognised in *Netcom*, if BBS operators were held directly liable for copying in this way, this would mean that even were a BBS operator to remove an infringing posting from the bulletin board straight away, it would already have infringed due to this copy being made.¹³⁵ For a BBS operator to look at uploads in order to be able to ensure that they do not infringe copyrights, a copy will need to be created by the operation of the bulletin board. Thus, holding the operator directly liable for copies like this will lead to nonsensical results.

Interestingly, no cases have found BBS operators liable for directly infringing the reproduction right.¹³⁶ In *Playboy*, the defendant BBS was held to have directly infringed the distribution and public display rights, but not the reproduction right.¹³⁷

C *BBSs Considered Common Carriers*

Drawing on the fact that BBSs often act as passive conduits for information, it is arguable that BBSs or service providers should be treated as common carriers and therefore escape any liability for infringements taking place on their systems. In the United States, certain analog entities, such as telephone and telegraph companies, are classified as common carriers.¹³⁸ As Trotter Hardy explains,¹³⁹

¹³⁵ Above n 27, IPR 140

¹³⁶ Above n 27, IPR 141-142. See also text at n 28.

¹³⁷ See above, text at nn 19-21.

¹³⁸ There is no explicit recognition of a common carrier doctrine in New Zealand, but in a sense it exists de facto, due to the fact that it is extremely unlikely that a New Zealand plaintiff would sue a telephone or telegraph company for copyright infringements carried upon its lines.

¹³⁹ Above n 12, 1004.

[a] common carrier has no choice but to carry messages and thus in a sense gains immunity from defamation, privacy, and copyright infringement claims in exchange for agreeing to provide service on the same terms to all members of the public.

The White Paper, in its discussion of on-line service provider liability, indicated that it may be arguable for providers in some situations to claim common carrier status.¹⁴⁰ In the *Netcom* case, Netcom's counsel argued that holding a Usenet server liable "would be like holding the owner of the highway, or at least the operator of a toll booth, liable for the criminal activities that occur on its roads."¹⁴¹

While analogising a BBS to an electronic publisher is inappropriate in many situations as it overstates the amount of input to content that BBSs have, analogising them to common carriers understates their involvement. The *Netcom* court expressed some doubts about the analogy, stating that "Netcom does more than just 'provide the wire and conduits.'"¹⁴² Common carriers are required not to have "any direct or indirect control over the content or selection of the primary transmission."¹⁴³ As previously discussed, BBSs, while often having little control, may exercise some limited control and, in any case, retain the ability to remove postings. A number of other characteristics of common carriers make the analogy inappropriate. BBSs and on-line service providers are not natural monopolies - on the contrary, there is much competition between them.¹⁴⁴ Many BBSs do not market to the public generally - another characteristic of common carriers - tending to market themselves through other BBSs, if at all.¹⁴⁵ Finally, finding on-line service providers or BBSs to be common carriers would subject them to a strict regulatory regime.¹⁴⁶ This would be "wholly inappropriate for most smaller BBSs, and, with competition

¹⁴⁰ The Working Party stated that:

If an entity provided only the wires and conduits - such as the telephone company, it would have a good argument for an exemption if it was truly in the same position as a common carrier and could not control who or what was on its system.

Above n 18, 122.

¹⁴¹ Above n 27, IPR 139.

¹⁴² Above n 27, IPR 139.

¹⁴³ Above n 27, IPR 139.

¹⁴⁴ See Above n 12, 1004. This point was also recognised in *Netcom*, above n 27, IPR 139.

¹⁴⁵ Above n 12, 1004-5.

¹⁴⁶ AS Pink "Copyright Infringement Post Isoquant Shift: Should Bulletin Board Services Be Liable?" (1995) 43 UCLA L Rev 587, 630.

as seen as it is, wholly unnecessary for even the largest commercial BBSs." Moreover, subjecting them to such a regime may restrict BBSs to such an extent that information flow will be slowed and expression will be chilled, the very effect that exempting BBSs as common carriers seeks to avoid.¹⁴⁷

D Analogising BBSs to Real Space Intermediaries

It may be argued that because BBSs are intermediaries, in that they play a role in allowing a creator (or for that matter an unauthorised copier) to reach an audience, the way in which real space intermediaries are dealt with by copyright law should guide our treatment of BBSs. However, a number of factors mean that there is too much difference between real space and cyberspace intermediaries to let real space analogies determine the level of liability for BBSs.

The role BBSs play as intermediaries in cyberspace is vastly different from the role intermediaries play in real space. This is caused by the nature of BBSs as conduits for information flow. Whereas in real space, due to costs and practical difficulties, creators are at the mercy of publishers, distributors and retailers if they wish to disseminate their works, creators in cyberspace need simply post their material on a BBS without fear of rejection. Intermediaries as they are now known will largely not exist in cyberspace, as works can be marketed directly to the end-user.¹⁴⁸ In sum, BBSs play a far less active and powerful role than real space intermediaries.

Trotter Hardy identifies a further factor which makes existing copyright principles and policies relating to intermediaries in real space difficult to apply to BBS operators.¹⁴⁹ There is some consistency between intermediaries of a particular type in real space in terms of size and scope. For example, most bookstores have comparable amounts of books, most record stores have a comparable number of records for sale.¹⁵⁰ There is far greater variability

¹⁴⁷ Above n 146, 630. For discussion of the chilling of expression which strict liability would cause, see below, text at nn 190-204.

¹⁴⁸ See Ginsburg, above n 4, 1477-1479.

¹⁴⁹ Although the factors are raised by Trotter in relation to the issue of defamation in cyberspace, they are equally applicable to the issue of copyright in showing the difficulties of analogising real space intermediaries to the position of BBSs.

¹⁵⁰ Where a particular intermediary is dealing with a markedly different quantity of goods, it is likely to have a correspondingly greater or lesser number of staff to cope with the level of goods. Because works on a BBS are not dealt with physically, the number of staff involved in

among BBSs. The number and size of messages they carry, the amount these messages are monitored or created by their operators differs hugely, and so the practicalities of forcing BBSs to screen messages on their system will vary correspondingly. For example, while it would be virtually impossible for large BBSs like Prodigy and America OnLine to monitor every message passing through their systems, it may not be so onerous to impose such a duty on desktop BBSs which get only a few messages a day.¹⁵¹

Apart from these conceptual difficulties and incongruencies, several separate, but closely linked policy reasons make the analogy between real space intermediaries and BBSs a poor one. These are discussed below.¹⁵²

IV POLICY CONSIDERATIONS - WHAT SHOULD THE APPROPRIATE LEVEL OF LIABILITY BE?

It has been argued that BBS operators should not, and, most probably will not, be held to the strict standard of direct liability under the Copyright Act. They will instead be potentially judged as authorisers of infringement or secondary infringers, and either way, an element of knowledge must be shown before liability will flow. The real space entities which are somewhat analogous to BBSs are also not treated as direct infringers, so provide no reason to change this analysis. However, it must also be asked whether this is the appropriate level of liability for BBS operators in terms of policy. The White Paper and several commentators¹⁵³ argue that BBSs should be held to a standard of strict liability. The issue has major ramifications for all involved. The following section will identify the interests which should be considered in determining which level of liability is appropriate from a policy viewpoint. Then the arguments of the White Paper and commentators will be examined. This will lead on to a speculative consideration of the probable repercussions of imposing strict liability as opposed to a less onerous level of liability.

the running of a particular BBS may not correspond to the number of messages.

¹⁵¹ See above n 12, 1003.

¹⁵² See below, text at nn 164-177.

¹⁵³ See above n 13.

A *Factors to Balanced*

Copyright law is commonly referred to as being about finding the appropriate balance between copyright holders and the users of copyrighted works.¹⁵⁴ In the cyberspace environment, a couple of other considerations can be thrown into the mix. Patrice Lyons and James Dunstan urge us to also consider the development needs of the new technology.¹⁵⁵ This is a valid point, as overly vigorous regulation could indeed stifle development of the information superhighway, which promises to prove increasingly useful, provide powerful access to information, and revolutionise the way in which people communicate.¹⁵⁶

Dianne Zimmerman argues for another important factor to be balanced when considering the appropriate level of copyright regulation of cyberspace: "the interest of the public in maintaining some approximation of our current cheap and simple access to copyrighted works for research, scholarship and pleasure."¹⁵⁷ Zimmerman suggests three factors which may dramatically alter the delicate balance between ownership and free use which copyright laws have struck in the past. She identifies a shift to electronic libraries, which may make real space libraries as we now know them obsolete; the fact that (at least under current United States law) whenever a work is browsed on-line a copy is made and so the copyright holder's rights are brought into play; and the ability to use technolocks¹⁵⁸ to control access to information.

If real space libraries do indeed become less prevalent, these factors may contribute to an environment in which people wishing to browse through material for research or enjoyment in a similar manner to the way people

¹⁵⁴ See for example Samuelson, above n 45.

¹⁵⁵ JE Dunstan & P Lyons "Access to Digital Objects: A Communications Law Perspective" [1994] *Ann Surv Am L* 363, 363. Loftus Becker, Jr. warns of the gravity of the issue of the standard of liability for BBS operators, arguing that the standard "will not only directly affect the legal rights of some thousands of systems operators" but also "help determine whether computer bulletin boards continue to develop as a widespread alternative to the far more limited, traditional methods of communication." LE Becker, Jr. "The Liability of Computer Bulletin Board Operators for Defamation Posted by Others" (1989) 22 *Conn L Rev* 203, 205.

¹⁵⁶ See below, text at nn 190-204.

¹⁵⁷ DL Zimmerman "Copyright in Cyberspace: Don't Throw out the Public Interest with the Bath Water" [1994] *Ann Surv Am L* 403, 405.

¹⁵⁸ Technolocks allow copyright holders to control the access or use of their works. For instance, one type of technolock, digital encryption, makes work readable only by those possessing the digital right "key" to decode it. For a detailed examination of the various types of technolocks available, see above n 18, 183-189.

currently may browse in a library or bookshop, may face "cumbersome and unduly costly barriers,"¹⁵⁹ thus inhibiting to some extent the "acquisition of information and happy chance encounters with illuminating ideas among the very audience for whom these works are created."¹⁶⁰ While this point should not be over-emphasised, as the marketplace would most likely prevent costs from becoming too exorbitant,¹⁶¹ it is nonetheless a valid concern and a factor to be balanced.

B Arguments for BBSs to be Held Strictly Liable

In its White Paper, released in September 1995, the Task Force enumerates some of the arguments made by BBS providers that liability should not be strict.¹⁶²

...that the volume of material on a service provider's system is too large to monitor or screen; that even if a service provider is willing and able to monitor the material on its system, it cannot always identify infringing material; that failure to shield on-line service providers will impair communication and availability of information; that exposure to liability for infringement will drive service providers out of business, causing the NII to fail; and that the law should impose liability only on those who assume responsibility for the activities their subscribers (and, presumably, they) engage in on their system.

While acknowledging that "[i]t is a difficult issue, with colorable issues on each side," the Task Force argue that strict liability is the appropriate standard for copyright infringements carried on BBSs.¹⁶³ The key arguments raised in the White Paper and by other commentators in favour of strict liability will be examined. It will be argued that, notwithstanding these arguments, strong counter-arguments mean that policy requires knowledge to be an element of infringement.

¹⁵⁹ Above n 157, 405.

¹⁶⁰ Above n 157, 407.

¹⁶¹ Indeed, at present, virtual libraries like Westlaw and Lexis obtain licences from copyright holders (or their collective licensors) to allow their subscribers access. Their subscribers are then charged for time spent on-line rather than per article viewed. Often, substantial dispensation is allowed for universities to allow their students cheap or free access. This may well continue to happen as this form of library becomes more prevalent. There is also the potential for virtual libraries to charge a flat fee for access, or even state-funded virtual libraries allowing free use.

¹⁶² Above n 18, 114.

¹⁶³ Above n 18, 114.

1 *Real space intermediary analogies*

While the Task Force acknowledges that it may be impossible to screen everything placed on a particular BBS, it argues that other intermediaries in the analog world are also held strictly liable in situations in which it would also be impossible for them to screen everything.¹⁶⁴ For instance, in the United States, photo developers, book sellers, record stores, news-stands and computer software retailers may be held strictly liable for distributing infringing copies, even where they have no knowledge of the infringement and even though it would be a near-impossibility for them to screen all the works they deal with.

Trotter Hardy examines the policies behind the imposition of strict liability on analog intermediaries in the United States. He states that:¹⁶⁵

[t]he no-scienter¹⁶⁶ cases in copyright law appear to be justified by the underlying policy that ignorance of the law is no excuse: We do not want to encourage citizens to try to be "wilfully ignorant," and we do not want to face the exceedingly difficult task in litigation of separating "true" ignorance from "deliberate" ignorance. Implicit in this policy applied to copyright is the belief that "ignorant" copyright infringers should be made liable so that they will educate themselves and be on guard against the possibility that they may be infringing another's rights the next time.

While these policies may hold true for intermediaries in the traditional print world, they are not so applicable to BBSs in cyberspace for the following reasons.

First, the enormous volume of material flowing through many BBSs means that it is even more unrealistic to expect BBSs to screen messages on their system for copyright infringement than to expect screening by real space intermediaries.¹⁶⁷ Holding the owners of a nightclub or bar to a strict liability standard for infringements committed by bands they hire to perform is not overly onerous, as they will often know in a general sense whether the material being performed has a likelihood of infringing copyright and whether they therefore need to acquire a licence, which they can do easily and cheaply. Likewise, while it may be the case that such an owner may honestly not realise

¹⁶⁴ Above n 118, 116.

¹⁶⁵ Above n 12, 1006 (footnote omitted).

¹⁶⁶ A no-scienter offence is one for which knowledge is not an element.

¹⁶⁷ See below, text at n 169.

the necessity of obtaining a licence, "once they know, they know,"¹⁶⁸ so it makes sense to hold them strictly liable. In the absence of similar licences being available for BBS operators, there is no sense in fining BBS operators as a warning for next time as screening messages may be an impossibility, regardless of the operator's awareness and willingness.

The examples the White Paper mentions of intermediaries held to a strict liability standard - photo developers, book sellers, record stores, news-stands and computer software retailers - provide better examples of intermediaries for whom monitoring for copyright abuses will often be extremely onerous.

However, in many instances the volume of material these real space intermediaries will need to screen will not compare with the volume of material travelling through a BBS, nor the rate at which the material may be disseminated. To give an example which is not particularly out of the ordinary, one desktop BBS, run by an individual, carried, as of January 1994, 11 063 files available for its users to download, and held 45 782 e-mail messages.¹⁶⁹ As mentioned above, BBSs vary greatly, both in terms of the volume of material travelling through them and the manner in which they are run. This is a further factor counting against the imposition of a blanket strict liability standard for all BBSs. Several other factors also make screening more impractical for BBSs.

First, book sellers, record stores and the like only need to screen for copyright infringements in their particular medium or genre - for example book sellers will be primarily concerned with infringements of literature and record stores with infringements of musical works. However, because of the range of different types of works possible on the Internet, including multi-media works, BBSs would need to be aware of the whole spectrum of fields in which copyright may exist. Also, most real space intermediaries play something of a "hands on" role in regards to their stock; they are physically dealing with the material and play a proactive role in making it available to the public. In contrast, many BBSs simply provide the fora for communication to take place. They may never even see the infringing material let alone read every word, and will play only a passive role in making it available.

¹⁶⁸ Above n 12, 1007.

¹⁶⁹ Above n 12, 1006, citing Kathleen Doler "Computers and Automation" Section *Inv Bus Daily* February 17, 1994, 4.

BBS operators face another problem which their real space counterparts do not: that infringing material may be encrypted. This means that it will be readable only by someone with the correct digital "key" to "decrypt" the work. A BBS without the correct key will be unable to check encrypted material short of "hacking" it.

Apart from the difficulties of screening, there is also a difference between the reliability and likelihood of solvency of publishers which intermediaries deal with in real space as opposed to those dealt with by intermediaries in cyberspace.¹⁷⁰ In real space, bookstores, libraries and the like will mainly deal with reliable, known, and solvent publishers. This will mean that the aggrieved copyright holder will usually be able to identify the primary infringer, locate them, and receive redress from them, having no need to go after the intermediary. On the information superhighway on the other hand, it will often be far more difficult to gain redress from the actual infringer. This is because cyberspace "publishers" will often be individuals and may not be solvent. Also, in many cases they will use anonymous-remailers or provide false names and be impossible to track down.¹⁷¹

The argument advanced by the White Paper that BBSs should be held strictly liable like analog intermediaries clearly holds less weight in the New Zealand and Commonwealth context because of the different treatment of secondary infringers under the copyright law of these jurisdictions. In New Zealand most intermediaries are not held strictly liable.¹⁷² In the usual chain of distribution, consisting of producer, wholesaler, and retailer, only the first act of putting into circulation copies not previously put into circulation will attract direct liability for issuing copies of a work to the public.¹⁷³ Thus, it would appear that only the original producer or importer will be directly liable.¹⁷⁴ Bookshops, music

¹⁷⁰ See above n 12, 1005.

¹⁷¹ See above n 147, 629.

¹⁷² One reason why intermediaries are dealt with more strictly in the United States may be the existence of a copyright registration system in that country. As Brown and Grant note, both the United Kingdom's Gregory Committee and New Zealand's Dalglish Committee (1959) gave the absence of such a system in their respective jurisdictions as the reason for the knowledge requirement. Above n 52, 369. Another reason may be the United States' desire to offer strong protection for copyright holders in general, no doubt influenced by the fact that in the United States intellectual property is a huge source of revenue domestically and internationally. Above n 147, 589.

¹⁷³ Section 16(1)(b), as defined by s 9.

¹⁷⁴ This view is advanced in relation to the equivalent United Kingdom provision by Copinger and Skone James, above n 53, 203, and in relation to the New Zealand provision by Brown and Miles, above n 96, 12. The view is supported by ss 9(1)(a) and 9(1)(c), which exclude acts of

stores and other retailers are dealt with as secondary infringers, and thus will only be liable if they can be found to have known, or had reason to believe that they were dealing with an infringing copy.¹⁷⁵ There is some potential for the owners of clubs or bars to be treated as directly liable for the copyright infringements of bands they hire,¹⁷⁶ but they are usually classified as authorisers of infringement.¹⁷⁷

2 *BBSs "reap rewards" for copyright infringement*

The Task Force also argues in the White Paper that service providers "reap rewards for infringing activity."¹⁷⁸ This will not be true where BBSs charge no fee to their subscribers. When a fee is charged, the point is debatable. The BBS does not gain directly from activity which infringes copyright, as the charge is a fixed fee and subsequent activity brings no further financial gain. However, the BBS may benefit in the indirect sense of gaining a greater number of subscriptions as people become aware of the possibility of obtaining copyrighted works, such as bootleg software.

However, these concerns do not necessarily demand the imposition of strict liability. A lesser standard of liability, requiring constructive knowledge, may also catch many of the situations which should be caught. If a BBS is set up as a forum for the exchange of copyrighted works, the element of knowledge will be satisfied and liability will follow.¹⁷⁹ Even where the BBS is not quite so proactive in encouraging illicit copying, but its system is more attractive to subscribers because of the availability of bootlegs, it may well be arguable that if this feature of the BBS was known to potential subscribers, the BBS operator

subsequent distribution, sale, and importation from the definition of issuing to the public. Both commentators note, however, that even holding importers directly liable appears to conflict with s 35, which treats importers as secondary infringers and thus makes knowledge an element, Copinger and Skone James calling the result "anomalous and unduly harsh." Above n 53, 203.

¹⁷⁵ Section 36 of the Act.

¹⁷⁶ In *Australasian Performing Rights Association v Koolman* the court found the owner of a club to have authorised infringement when a band played copyrighted music at his club. McGregor J indicated that he would also have been prepared to regard the club owner as directly breaching the public performance right. [1969] NZLR 273, 275.

¹⁷⁷ See above n 53, 220.

¹⁷⁸ Above n 18, 117.

¹⁷⁹ *Sega Enterprises, Ltd v MAPHIA* 30 USPQ 2d 1921 (ND Cal 1994). In that case the Court found the defendant BBS liable for contributory infringement, because he not only facilitated, but encouraged the copying.

also knew, or should have known.¹⁸⁰ Where the presence of infringing material is such a minor part of the service that it is not a major attraction to subscribers, and does not indicate that the operator should have known of it, perhaps it is fair not to hold the operator liable.

3 *Contractual approach best promoted by strict liability*

Joseph Myers advocates a contractual approach to determining liability levels in particular situations, and argues that this is best promoted by a strict liability standard for BBS operators.¹⁸¹ Myers draws on Trotter Hardy's arguments that because BBSs present a new problem, and are diverse in terms of size and function, the ideal solution is to encourage interested parties, such as BBS operators, their subscribers, and copyright holders, to contract as to the liability appropriate in the particular situation.¹⁸²

Myers argues that having strict liability as the default rule will drive BBS operators to the bargaining table as they will "seek to contract around liability in order to continue to operate their systems."¹⁸³ He cites the *Frank Music* settlement,¹⁸⁴ which provided for the copyright owners to receive licensing and royalty payments and CompuServe to be held to an actual knowledge standard of liability, as illustrative of this taking place.

However, while it may be desirable to encourage individual parties to enter into such contracts, this does not necessitate a strict liability standard. Under a contributory liability standard, the parties in the *Frank Music* settlement would still have needed to reach an agreement in order for the music BBS in question to continue as it was; as soon as Frank Music and the National Music Publishers Association alerted CompuServe of the infringements,¹⁸⁵ CompuServe would

¹⁸⁰ For a more full discussion on the issue of whether BBSs profit from subscriber infringements in a slightly different context (that of whether BBSs satisfy the US vicarious liability's "direct financial benefit" test), see above n 7, 414; and Ginsburg, above n 4, 1494. In *Netcom*, the defendant BBSs were held not to have received a direct financial benefit as they charged a fixed fee and there was no evidence that infringing enhanced the value of services to subscriber or attracted new subscribers. Above n 6, 148-9.

¹⁸¹ Above n 13, 480.

¹⁸² Above n 12, 1043-1044.

¹⁸³ Above n 13, 477.

¹⁸⁴ See above, text at nn 40-43.

¹⁸⁵ This may have been the case even earlier, if CompuServe should have known of the infringements at an earlier stage.

have been under a duty to investigate, and to remove the infringing postings.¹⁸⁶ For the infringements to remain on the BBS with CompuServe's knowledge, an agreement between the parties would still have been necessary.

Moreover, while a contributory liability standard encourages BBS operators to contract in situations where this is desirable, like the situation in *Frank Music*, it does not impose liability in situations when such contracting out of strict liability would be impossible. When a BBS operator is made aware of infringements taking place over his or her system it makes sense to require the BBS operator to obtain the permission of the copyright holder in order to allow the infringements to remain on the system. It may also make sense when it is obvious due to the type of BBS that infringements against certain copyright owners are taking place. This may have been the case in *Frank Music*; the fact that the BBS was a forum for the exchange of digital copies of popular songs should arguably have put the operator on guard that infringements of music copyrights would be taking place, thus forcing an agreement with the music copyright holders. However, where the infringement is not known by the BBS operator and is not obvious due to the nature of the BBS or some other factor, the BBS operator is going to be unable to contract out of liability. For instance, it would be wholly unreasonable to hold the operator of, say, a BBS primarily concerned with gardening information which had an unauthorised copy of a new computer game on its system, strictly liable on the ground that the operator should have entered into a contract with the game's copyright holder. Such an approach would necessitate BBS operators entering into contracts with every copyright holder imaginable.

4 *Avoiding a standard which promotes wilful blindness*

In the White Paper, the Task Force states that "[w]hether or not [BBSs] choose to reserve the right to control activities on their systems, they have that right."¹⁸⁷ It reasons that a level of liability less than strict may encourage intentional and wilful ignorance, as it would be in the interests of BBSs not to monitor their system so that the knowledge element of a lowered liability standard would not be met.

¹⁸⁶ *Netcom*, above n 27, IPR 145.

¹⁸⁷ Above n 18, 122

To what extent wilful blindness is encouraged depends to a large extent on the level of knowledge required by the lower standard of liability, and is an important consideration in determining whether that standard is appropriate. It is argued in this paper that secondary infringement has an element of reasonableness.¹⁸⁸ As such it avoids promoting wilful ignorance, because BBS operators who fail to investigate when they should will not escape liability.

5 *BBS in best position to guard against infringement*

The White Paper also notes that between the on-line service provider and the copyright owner, the service provider is in a better position to prevent or stop infringement.¹⁸⁹ This is because the service provider has a business relationship with its subscribers and can warn and educate them, enter into indemnity agreements with them, and, even if only to an extremely limited extent, monitor its members' postings. This is probably the most persuasive argument the White Paper makes for strict liability, and leads to a consideration of the possible effects of applying a strict liability standard as opposed to a standard with a knowledge element, such as authorising infringement or secondary infringement.

C *The Potential Effects of the Level of Liability*

Clearly, there is much at stake for copyright holders in the level of liability imposed on BBSs. There is the potential for massive abuses of copyrights to occur over the Internet and, if BBSs are not held strictly liable, there may be no redress in many situations, as the actual primary infringers are insolvent or unidentifiable. As the White Paper argues, in many ways it makes sense to transfer this risk to BBS operators because they can at least have some control over postings on their system.

1 *Social and political costs of imposing liability*

However, as Niva Elkin-Koren warns, there may be great social and political costs in holding BBSs strictly liable.¹⁹⁰ She argues that the decentralised nature of the Internet has great potential to aid democracy and increase the number of people involved in social and political dialogue, and fears that imposing too high

¹⁸⁸ See below, text at 217.

¹⁸⁹ Above n 12, 117.

¹⁹⁰ See Elkin-Koren, above n 4, 399-407.

a level of liability on BBSs may hinder this potential and recreate the centralised nature of social and political dialogue of the analog world.

At present, real space intermediaries such as publishers, broadcasters, and distributors, hold a great deal of power as they control people's access to channels of communication.¹⁹¹ This is due to the fact that they govern the link between the creators of information and the users of that information. Power is thus centralised in these intermediaries, who can "select which works will be published and consequently the message that ultimately will be conveyed."¹⁹² This creates a bottleneck of information. Often economic considerations such as ratings or readership will influence the type of material reaching an audience.

The Internet has the potential to change this power structure. Works of authorship can be made available directly to their audience, thus decentralising the power over information flow, diversifying the information available, and allowing more individuals to engage in public discourse.¹⁹³ Authors who may not have been published are able to make their work available, and end users are able to actively select what they want to access. Thus, people with beliefs or interests different from the majority are able to receive and impart views and information which they would not have been able to in the print media. As Elkin-Koren notes, "[b]y weakening the role of intermediaries digitised dissemination causes private thoughts and public opinion to become more interconnected."¹⁹⁴

This wonderful potential for democratisation, decentralisation, and increased social discourse, Elkin-Koren argues, will be greatly diminished if BBS operators are held to too harsh a standard of liability for unauthorised copies posted on their systems.¹⁹⁵ As BBS operators would want to avoid liability, they would be forced to monitor the messages on their systems, thus

¹⁹¹ The importance of communication and social dialogue to society and individuals is elucidated by postmodern scholars, who "emphasize the significance of dialogue over meaning as the essence of the human cultural being and the struggle over meaningmaking as the essence of political action in postmodernity." The ability to personally access and to control others' access to communication channels determines an individual's power to influence meaning. "The politics of meaning-making is a struggle to 'fix and transform meanings in a world where access to the means and the medium of communication is limited.'" Elkin-Koren, above n 4, 400.

¹⁹² Elkin-Koren, above n 4, 401.

¹⁹³ See Elkin-Koren, above n 4, 402-3.

¹⁹⁴ Elkin-Koren, above n 4, 403.

¹⁹⁵ Elkin-Koren, above n 4, 404-7.

reproducing the information bottleneck. A centralised power structure would again arise as BBS operators edited and selected which messages to allow. Some BBSs would aim to decrease the cost of screening messages by limiting the postings they allow, for instance by limiting the number of subscribers able to upload, or more dramatically, by only posting information they have created or are licensed to use. People may be discouraged by the threat of copyright liability from continuing or beginning to run BBSs and this would lessen the channels of communication.¹⁹⁶ Basically, in forcing BBS operators to weed out unauthorised copies available on their bulletin boards, an inevitable chilling of legitimate communication will occur. The Netcom court recognised this threat, noting that "[i]f Usenet servers were responsible for screening all messages coming through their systems, this could have a serious chilling effect on what some say may turn out to be the best public forum for free speech yet devised."¹⁹⁷

The increased cost of monitoring messages faced by BBSs would presumably be transferred to subscribers in the form of increased fees. This would have the effect of dissuading some people from accessing BBSs and so decrease the potential pool of social communicators in cyberspace.

Another possible outcome identified by Elkin-Koren is that BBSs may require copyright clearances before they allow works to be posted.¹⁹⁸ This would discourage postings and remove one of the strengths of the Internet - that it allows exchanges among people to be made instantly and with little effort.

Whether the imposition of too high a level of liability on BBSs would lead to quite the dystopia Elkin-Koren predicts remains to be seen. In the United States, copyright law contains an innocent infringer provision, which allows reduction of damages for innocent infringers.¹⁹⁹ Because of this innocent infringer provision, Karen Frank notes that if BBS operators follow up

¹⁹⁶ Above n 147, 631.

¹⁹⁷ Above n 27, IPR 149.

¹⁹⁸ Elkin-Koren, above n 4, 407.

¹⁹⁹ The United States Congress has stated that the provision "is sufficient to protect against unwarranted liability in cases of occasional or isolated innocent infringement, and it offers adequate insulation to users, such as broadcasters and newspaper publishers, who are particularly vulnerable to this type of infringement suit," but, "by establishing a realistic floor for liability, the provision preserves its intended deterrent effect; and it would not allow an infringer to escape simply because the plaintiff had failed to disprove the defendant's claim of innocence." House Report, 163, reprinted in 1976 USCCAN, 5779.

complaints and remove obvious copyright abuses from their systems, they can at least avoid damages for wilful infringement.²⁰⁰ In contrast, New Zealand's innocent infringer provision (s 121 of the Copyright Act) would appear to be of little use to BBS operators if they were held to strict liability.²⁰¹ The White Paper also notes that BBSs may be able to take out errors and omissions insurance policies to insure themselves against claims, or enter into indemnification and warranty agreements with their subscribers, or enter into licensing agreements.²⁰² The availability of these options may mean that imposing strict liability may not bring about such a fundamental change to the Internet as to force all BBSs to monitor all postings. However, it seems likely that a substantial number would be forced to monitor or decrease uploading and thus substantial effects of the kind Elkin-Koren warns against will still take place.

If insurance, indemnity agreements, and licensing do mean that some BBSs are able to carry on running their systems in a manner similar to which they do now - with minimal monitoring of material on their systems - the implementation of these options would of course transfer extra cost to the subscribers, something to be avoided in itself from a policy point of view. Because some people would not be able to afford access, the democratising nature of the Internet would be reserved for the rich. Leslie Kurtz cautions that if copyright law's delicate balance between authors and users is tipped too far in favour of authors' rights, then the information superhighway, rather than fulfilling its potential of going some way towards evening out social, economic and geographical inequalities,²⁰³ may become a "toll road" leading to "an increasingly polarised society of information haves and have nots."²⁰⁴

²⁰⁰ Karen S Frank "Potential Liability on the Net" 437 PLI/Pat 417. (Practicing Law Institute, Patents, Copyrights, Trademarks, and Literary Property Course Handbook Series) (1996), (page numbers unavailable on Westlaw database).

²⁰¹ See above, text at nn 94-100. Presumably BBS operators who lacked knowledge would, however, avoid the award of any additional damages under s 121(2).

²⁰² Above n 18, 123.

²⁰³ Bill Gates discusses this potential, noting that:

one of the wonderful things about the information highway is that virtual equity is far easier to achieve than real world equity. It would take a massive amount of money to give every grammar school in every poor area the same library resources as the schools in Beverley Hills. However, when you put schools on-line they all get the same access to information, wherever it may be stored. We are all created equal in the virtual world, and we can use this equality to help address some of the sociological problems that society has yet to solve in the physical world. The network will not eliminate barriers of prejudice or inequality, but it will be a

D *Striking the Appropriate Balance*

It is submitted that some sort of contributory liability, involving a constructive knowledge element, would best serve the competing interests involved in the issue of BBS liability. BBS operators would not be able to encourage infringements over their systems, would be forced to check up on claims of abuse on their systems, remove postings they knew to be infringing, and take active steps to educate their subscribers.²⁰⁵ Copyright holders would thus have some redress in a number of situations²⁰⁶ and, if they find infringements taking place on a BBS, can notify the BBS operator and place him or her under a duty to investigate. While there will be a large number of infringements for which copyright owners will be unable to gain redress from BBSs, it must not be forgotten that they may sometimes be able to get redress from the actual infringer. Also, technolocks may provide some protection for copyrighted material on the Internet.²⁰⁷

Holding BBS operators to a contributory liability standard should also be seen to strike a reasonable balance from the point of view of the BBSs and those concerned with the stifling effect imposing strict liability may have on the social advantages of the Internet. It is preferable to a strict liability standard as, unlike strict liability, it recognises the reality of most BBSs - that it would be virtually impossible to monitor all postings. As such, while it may force BBS operators to modify the way they operate to some extent, it avoids a deleterious alteration to the power structure of cyberspace and a chilling of expression. A standard of contributory liability is best able to take into account the variability in size, scope and method of operation of BBSs;²⁰⁸ best addresses the relationship

powerful force in that direction.

Bill Gates *The Road Ahead* (Penguin Books, New York, 1995), 258-59.

²⁰⁴ Above n 58, 126.

²⁰⁵ Most commentators agree that this is a good thing. Even Elkin-Koren, who advocates a very low level of regulation of BBSs agrees with this, above n 4, 410.

²⁰⁶ This is preferable to what the situation would be if BBSs were treated like common carriers, because if this were the case, copyright holders would have no redress against BBSs at all. See above n 147, 632.

²⁰⁷ See above n 18, 183-189.

²⁰⁸ See above n 126, 391 (opining that the "correct" solution may allow for a range of outcomes, depending on the circumstances).

between the BBS and the subscriber; and best reflects the way BBSs operate.²⁰⁹

V A CLOSER EXAMINATION OF HOW THE RELEVANT LAW APPLIES TO BBS OPERATORS

It has been argued that in New Zealand, the situation of a BBS operator whose system has carried infringing material uploaded by a subscriber should be judged under the rubrics of 'authorising infringement' and 'secondary infringement.' The strict liability of direct infringement is inappropriate, both conceptually and from a policy point of view. This section will examine in closer detail what implications the law of authorising infringement and secondary infringement will have for BBS operators and whether this law deals adequately with the BBS situation.

If this paper's analyses of how the laws of authorising infringement and secondary infringement apply to BBS operators is accepted, these two laws will apply to the BBS situation in a complimentary fashion. To avoid being liable as an authorising infringer, BBS operators will need to take reasonable steps to educate and warn their subscribers about copyright infringement, and to avoid liability as secondary infringement, they will need to remove postings which they know, or have reason to believe, infringe copyright.

A *Authorising Infringement*

Applying the reasoning in *Moorhouse* to the BBS situation, it is suggested that in order to avoid being held liable for authorising the infringing acts of their subscribers, BBS operators will need to provide clear warnings²¹⁰ to

²⁰⁹ Elkin-Koren argues that:

contributory infringement is more appropriate for dealing with BBS liability, first, because it focuses attention on the BBS-user relationship and the way imposing liability on BBS operators may shape this relationship, and second because it better addresses the complexity of the relationships between BBS operators and subscribers.

Above n 4, 363.

²¹⁰ For example, in *Moorhouse* it was not sufficient that the University made a copy of the copyright legislation available in the photocopying room and issued library guides stating that users had responsibility to obey copyright law and informing them of the legislation's availability. The court held that the meaning of the legislation would be "obscure to the layman" and recommended instead a "clearly worded and accurate notice on each machine in a

subscribers that their board is not to be used to post infringing copies and that copyright will be infringed if this is done.²¹¹ It will have to be made clear that the presence of material on the board does not mean that it is there with the copyright holder's permission, so subscribers should be wary about what they download, as downloading infringing material may also infringe copyright.²¹²

B Secondary Infringement

The level of knowledge required for secondary liability will be crucial to determining liability for BBS operators. Section 36 of the Copyright Act specifies that someone infringes copyright in a work if that person "knows or has reason to believe" they are dealing with an infringing copy of the work. This standard differs from the knowledge standard in the former Copyright Act 1962, which required actual knowledge, or notice of the necessary facts.²¹³ The new knowledge standard for secondary infringement corresponds to that introduced into the United Kingdom by the Copyright, Designs and Patents Act 1988.

Neither jurisdiction has fully tested the limits of the standard. Brown and Miles note simply that it "may have widened the circumstances in which infringing can be proved."²¹⁴ Copinger and Skone James, writing in the United Kingdom context, observe that the new standard may perhaps "render liable a defendant who has negligently failed to make inquiry."²¹⁵ The extent to which guidance as to how the knowledge standard applies to BBSs can be gained from the United States cases dealing with BBSs under contributory infringement is somewhat debatable, as the knowledge standard is arguably slightly different. It is submitted, however, that the difference between the United States

position where it could not be overlooked." Above n 105, ALR 203

²¹¹ In *Moorhouse*, it was held that in order to escape liability for authorising infringement, the owner of the photocopier should take reasonable steps to limit its use to legitimate purposes. A clear warning to users was suggested as sufficient. No more than this should be required in the case of a BBS, as it would arguably be even harder to monitor use. See above n 105, ALR 201-203.

²¹² Some may argue that this warning by BBS operators will be of little use to copyright holders as it will be ineffective in deterring subscribers from infringing copyright. However, while they will not stop subscribers who are determined to infringe, warnings of this kind may, over time, do something to decrease what Niva Elkin-Koren describes as the "public sense of legitimacy with respect to digital copying." Above n 4, 384.

²¹³ *IBM v Computer Imports Ltd* [1989] 2 NZLR 395, 419.

²¹⁴ Above n 96, 14.

²¹⁵ Above n 53, 240.

requirement that the defendant "knew or should have known"²¹⁶ and the New Zealand requirement of "knew or had reason to believe" is semantic only. Both standards would appear to involve an element of reasonableness, in that knowledge will be found where the defendant should have investigated.²¹⁷ The United States cases will thus be fully relevant to determining which situations will satisfy the knowledge standard.

1 *Which BBS situations will satisfy the knowledge requirement?*

In the United States, liability for contributory infringement will attach where the defendant, "with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another."²¹⁸ The two fundamental elements of contributory infringement are thus participation and knowledge.²¹⁹

The *Netcom* and *Sega* cases provide much guidance as to when BBS operators will satisfy the knowledge requirement. In *Netcom*, the court held that the relevant time for determining whether the BBS has knowledge is when it provides its services which allow the subscriber to infringe copyright.²²⁰ *Netcom* and *Klemesrud* were found not to have had knowledge or reason to know of the infringing postings prior to being alerted of them by the copyright holders. The implication is that, in the absence of some factor which puts the BBS operator on guard of an infringement, knowledge will not be inferred. Also, the court's reasoning means that there is no general duty on a BBS to screen all postings for copyright infringements.

The court found that there was an arguable case, however, that the defendant BBSs should have known of infringements posted by Erlich following receipt of the plaintiff's letter demanding that Erlich be kept off their respective systems.²²¹

²¹⁶ Above 27, IPR 207.

²¹⁷ Some support for the New Zealand standard having an element of reasonableness is provided by *Golden Editions Pty Ltd v Polygram Pty Ltd* (1995) 34 IPR 84. The defendant was found not to have satisfied the Australian innocent infringement provision's knowledge requirement of not being aware, and having no reasonable grounds for suspecting, as the circumstances were such that he should have investigated.

²¹⁸ *Gershwin Publishing Corp v Columbia Artists Management Inc* 443 F 2d 1559 (2d Cir 1971).

²¹⁹ Above n 147, 621.

²²⁰ Above n 27, IPR 145.

²²¹ The court stated that:

So, once a copyright holder alerts a BBS operator of an infringing copy on his or her system, the BBS is put under a duty to investigate. This would appear to be a fair balancing of the interests involved, as the factor which makes it so hard for BBS operators to discard infringing copies is a lack of knowledge. Once they are placed in a position to be able to find out and act to stop an infringement, they should have a duty to do so.

The *Netcom* court analysed the requirements of the notice given by the copyright holder to the BBS operator. It stated that "a mere unsupported allegation of infringement by a copyright owner may not automatically put a defendant on notice of infringing activity," but the argument "that liability must be unequivocal is unsupportable."²²² The BBS operator thus has a duty to determine the truth of the copyright holder's claim, regardless of the type of material posted.²²³

Under the reasoning in *Sega*, where BBS operators actually encourage infringing activity, they will rightly be caught as contributory infringers. As the court stated, "[e]ven if [the defendants] do not know exactly when games will be uploaded to or downloaded from [their] bulletin board, their role in the copying, including provision of facilities, direction, knowledge and encouragement, amount to contributory infringement."²²⁴

The *Netcom* and *Sega* cases thus provide guidance on how the knowledge requirement will apply to BBSs in some situations. However, the limits of any duty to investigate are still far from tested, and there is a lack of consensus among commentators as to what the limits should be.²²⁵

[i]f plaintiff can prove the knowledge element, *Netcom* will be liable for contributory infringement since its failure to simply cancel Erlich's infringing message and thereby stop an infringing copy from being distributed worldwide constitutes substantial participation in Erlich's public distribution of the message.

Above n 27, IPR 145.

²²² Above n 27, IPR 145.

²²³ Above n 27, IPR 145 (noting that the fact that the material in question was written material, as opposed to software - which BBS operators are better able to judge whether it is infringing or not - is immaterial).

²²⁴ Above n 22, 1924.

²²⁵ Compare the contrasting approaches of above n 147 (arguing that contributory liability should impose a heavy duty on BBS operators to prevent direct infringement by subscribers);

The reasonableness aspect of the knowledge requirement will allow courts to take into account variances in BBS operator's situations. It is preferable to an actual knowledge standard, as wilful ignorance will not be encouraged, because where BBS operators should have investigated, they will have the requisite knowledge.

Given that the suggestion in this paper as to how the BBS situation should be analysed has yet to be tested in a Commonwealth court, it would be premature to attempt to fully demarcate the limits of the knowledge requirement as it applies to BBS operators and any duty it places upon them to check their board's content. Such limits are best developed by the courts on a case by case basis. Nonetheless, general comments will be made about two areas which are likely to be contentious: whether a BBS operator will be imputed with constructive knowledge of the contents of his or her board where it is not impractical to screen uploads, and whether an operator's general knowledge that unauthorised copies may be rife on his or her board will satisfy the knowledge standard.

2 *A duty to screen based upon the practicality of doing so?*

It is implicit in the *Netcom* reasoning that the court did not advocate any general duty on the part of BBS operators to screen every upload. This is rightly so, given the sheer volume of information travelling through most BBSs. However, perhaps it is reasonable for the operator of a smaller BBS to check all uploads when it would not be impractical to do so. Cathie Harrison and Susy Frankel argue that:²²⁶

[l]iability should depend, it is submitted, on the extent to which the system operator or access provider could realistically be expected to monitor what is placed on a particular site or transmitted across the net. If that party cannot realistically exercise a form of editorial control, it is quite artificial (and quite counter-productive) to impose liability on that party.

above n 87 (arguing for a duty of periodic monitoring); and KM Cox "Online Service Providers and Copyright Law: The Need for Change" (1995) 1 *Syracuse J Legis & Pol'y* 197 (arguing that BBS operators should only be liable when they have actual knowledge).

²²⁶ Above n 59, 62.

The problem with imposing a duty on operators to screen their boards where it would not be completely impractical to do so is that operators of small desktop BBSs may face the burden of being under such a duty, while large commercial BBSs would escape responsibility to screen. This would be antithetical to the argument raised in this paper that the Internet aids decentralisation and individual involvement in social discourse.²²⁷

A suggestion made by David Dobbins may alleviate this unjust situation. Dobbins argues that BBS operators should be under a duty to periodically monitor the content of their boards.²²⁸ Such a requirement would impose a similar burden on all operators, and would strike a reasonable balance between the competing interests; it would not be unreasonably onerous on operators and would provide some protection to copyright holders and preclude BBS operators from turning a blind eye.

3 *A duty to screen based upon the manner of the bulletin board?*

Another debatable point is whether BBS operators who have special reason to think that infringements could be taking place on their boards will be found to have sufficient knowledge. An example of this would be where the nature of the bulletin board makes it particularly susceptible to uploads of unauthorised

²²⁷ Many operators of small BBSs may still be able to argue that it would be unreasonable to expect them to screen every upload.

²²⁸ Above n 87, 237. Dobbins suggests that courts, in determining whether knowledge should be imputed to a BBS operator, should apply several non-exhaustive, fact-based tests:

1. How many infringing items were present on the board? If many items on the board contained infringing material, an operator should have been aware that users were abusing the board.
2. How long had the infringing material been on the board? The longer material had been on the board the more courts should infer that the operator knew it was there.
3. What was the nature of the infringing item? If the item is the newest version of a popular software product or clearly marked as the intellectual property of the copyright holder, it would be relatively easy for the operator to determine the infringing nature of the item. It is highly unlikely, for example, that Microsoft would wish to distribute Windows '95 for free over the Internet while at the same time trying to sell it in stores.
4. Was it possible for the operator to know of the infringement? Some sophisticated hackers are able to camouflage their use of an innocent operator's bulletin board. In this situation, the bulletin board has no reasonable means to discover the infringing use, and the knowledge element of contributory copyright infringement would therefore be missing.

Above n 87, 237-38.

copies. This could have been the case in the *Frank Music* litigation,²²⁹ which concerned a music BBS that enabled subscribers to upload, browse, and download digital copies of popular songs. Arguably, the operator had reason to believe that some uploads would be unauthorised copies and so should be held to be a secondary infringer for unauthorised copies found on the BBS. On the other hand, the kind of knowledge the BBS operator has is of a general nature; she or he has no suspicion about any particular uploading.²³⁰

A case in the United Kingdom decided prior to the new knowledge standard addressed the issue of whether a general knowledge of infringement will suffice. In *Columbia Picture Industries v Robinson*,²³¹ it was held, perhaps surprisingly, that the owner of a video store who had knowledge of a general nature that many of the video recordings in his store were probably unauthorised, did not have the requisite knowledge. The court reasoned that:²³²

[a] general knowledge of the sort which Mr Robinson [the defendant] possessed is consistent with a specific video tape being a pirate tape. It is also consistent with a specific tape being legitimate. Unless a defendant has some degree of specific knowledge about a specific tape, his general knowledge that a tape is quite likely to be a pirate does not, in my judgment, fix him with knowledge sufficient for the purposes of section 16(3), that the tape was made in breach of copyright.

The court went on to find that there was no duty on a person who sells or hires video tapes to check the stock of videos to avoid liability.²³³ This approach can be contrasted with that employed by the court in *Moorhouse* and implicit in the reasoning of *CBS Songs*,²³⁴ that knowledge of a general kind is sufficient. It is likely that the new knowledge level would not require specific knowledge, and whether or not knowledge of this general nature will suffice in a particular situation will depend upon whether the knowledge was sufficient to impart a duty to investigate further.

²²⁹ As mentioned above, the position was never ruled upon as the parties settled out of court.

²³⁰ If the BBS operator did have suspicion about a particular uploading, there would presumably be a duty to investigate.

²³¹ [1987] Ch 38.

²³² Above n 231, 68.

²³³ Above n 231, 68.

²³⁴ Had the court believed that the knowledge was not sufficient due to not being of a specific nature, it could have dispensed with the plaintiff's claim on this ground. Instead, it found for the defendant due to lack of control.

It is submitted that the fact that a BBS is particularly susceptible to infringing uploads should not mean it has a duty to screen all uploadings. The impracticality of screening will be no less for the operator of such a BBS, and if the operator actually encourages infringing uploads, he or she will be caught under the reasoning in *Sega*. If collective licensing agencies become more common then perhaps a duty should be implied, to encourage specialist BBSs to contract with the relevant agency, as Myers and Hardy suggest.²³⁵ Until this happens, David Dobbins' suggestion of a duty of periodic monitoring would appear useful. It may best serve the competing interests involved if operators running BBSs which are particularly susceptible to infringing uploads have a duty to monitor more regularly than those which are not so susceptible.

CONCLUSION

Many commentators argue that copyright law, which was developed to deal with the print media, is unable to cope, conceptually, with digital technology and the Internet.²³⁶ Several conceptual difficulties have been raised in this paper,²³⁷ but it appears that the existing law is able to deal, conceptually, with the situation at issue in this paper: the liability of BBS operators whose subscribers infringe copyright. It has been argued that such BBS operators should not be subject to the strict liability of direct infringement, but should be judged against the standards of authorisation of infringement and secondary infringement. This level is appropriate conceptually; when BBSs are compared to traditional entities; and from a policy point of view.

BBS operators will need to warn subscribers against breaching copyright in order to avoid authorising infringement. Whether BBS operators will be held to be secondary infringers will depend upon whether the constructive knowledge standard is satisfied. To enable courts to correctly balance competing interests, the constructive knowledge standard should be interpreted to contain an element of reasonableness. Where BBS operators are told of or discover infringements, they should be under a duty to remove them if possible, and

²³⁵ See above, text at nn 181-185.

²³⁶ See for example Elkin-Koren n 4; JP Barlow "Selling Wine Without Bottles; the Economy of Mind on the Global Net" (1994) 7 Aust IPL Bull, 16; above n 3. Compare EA Cavazos & G Morin *Cyberspace & the Law - Your Rights and Duties in the On-Line World* (MIT Press, Massachusetts, 1995) (arguing that current copyright law principles are able to cope adequately with the digital age).

²³⁷ See especially the discussions on the exclusive rights to copy, to show the work, and to issue copies of the work to the public. Above, text at nn 54-72.

where they refuse, copyright holders should be able to obtain injunctions forcing them to remove the infringing postings. Where damage is done before the infringing copies can be removed, liability should attach where the operator failed to discharge a duty to investigate. While the limits of such a duty are certainly debatable, it is argued that a duty of periodic monitoring would best recognise the reality of the nature of BBSs, yet still provide some protection for copyright holders, thus maintaining the incentive to create.

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