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## ISPs could not rely on immunity in two cases

### CDA defense ruled out in trademark case; safe-harbor defense nixed in DMCA case.

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INTERNET service providers (ISPs) are an integral part of the growth of the Internet in general and the World Wide Web in particular. One major concern of the ISPs is the potential for liability for infringement of intellectual property. In order to address this concern, Congress has passed legislation that offers certain limitations of liabilities to the ISPs. Two landmark pieces of legislation in this area are the Communications Decency Act of 1996 (CDA)<sup>1</sup> and the Digital Millennium Copyright Act (DMCA).<sup>2</sup> As two recent cases show, however, these acts do not make the ISPs totally immune from liability for infringement of trademark and copyright. Indeed, a failure by ISPs to act properly and in a timely manner can cause them to lose the limitations on their liability for trademark or copyright infringement.

Sec. 32(1) of the U.S. Trademark Act of 1946, the Lanham Act,<sup>3</sup> provides one basis under

which an ISP may face trademark-infringement liability for use of a mark where such use is likely to cause confusion with a mark registered in the U.S. Patent and Trademark Office.

Further, under § 43(a) of the Lanham Act,<sup>4</sup> unauthorized use of a mark that causes false designations of origin, false descriptions, or false or misleading representations of fact shall give rise to civil liability. Thus, an ISP may be liable for trademark infringement when the facts disclose that the ISP has on its Internet site a trademark of another which results in a false designation of origin, or false descriptions or representations.

In the recent case of *Gucci America v. Hall & Associates*,<sup>5</sup> the U.S. District Court for the Southern District of New York examined the intersection between the potential liability of an ISP for trademark infringement under the Lanham Act, §§ 1114(1) and 1125(a), and several defenses to trademark infringement, including the CDA, and held that the defenses were not valid arguments to support the ISP's motion to dismiss.

In *Gucci America*, the plaintiff owned the trademark "Gucci,"

which it used on and in connection with various articles of jewelry, fashion accessories, apparel, and related services. Hall had a website with a uniform resource locator (URL) of [www.goldhaus.com](http://www.goldhaus.com), which allegedly included advertising for jewelry that bore, and infringed, the Gucci trademark. Mindspring, an ISP, provided Web hosting services to Hall at this URL.

The plaintiff alleged that Mindspring had twice been notified by e-mail that Hall was using Mindspring's services to aid in the acts of trademark infringement through the unauthorized use of the Gucci trademark in the advertising of jewelry on Hall's Web site. The plaintiff asserted, among other things, claims against Mindspring for direct and contributory trademark infringement, and false designations of origin and false descriptions and representations under § 43(a) of the Lanham Act.

### CDA Immunity Claims

Mindspring responded with a motion to dismiss premised on defenses under the CDA and the First Amendment. CDA § 230(c)(1) provides: "No pro-

vider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.”

The CDA defines an “interactive computer service” as any “information service, system or access software provider that provides or enables computer access by multiple users to a computer server, including specifically a service or system that provides access to the Internet and such systems operated or services offered by libraries or educational institutions.”<sup>6</sup> Mindspring, as an ISP, is included within the definition of an interactive service provider.

The CDA defines an “information content provider” as “any person or entity that is responsible, in whole or in part, for the creation or development of information provided through the Internet or any other interactive computer service.”<sup>7</sup> Hall was identified as the “information content provider.”<sup>8</sup>

Mindspring argued that the CDA “immunizes” it from liability for information posted on the Goldhaus Web site by Hall, asserting that the language of CDA § 230(c)(1) provides immunity to the ISP from liability for trademark infringement. The plaintiff Gucci, on the other hand, pointed to CDA § 230(e)(2) which states, “Nothing in this section shall be construed to limit or expand any law pertaining to intellectual property.” The district court

agreed with Gucci and held that “[t]he plain language of Section 230(e)(2) precludes Mindspring’s claim of immunity.”<sup>9</sup> The district court reached this conclusion after discussing a U.S. Supreme Court decision<sup>10</sup> which held, under the doctrine of contributory infringement, that “if a manufacturer or distributor ... continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement,” the manufacturer or distributor itself may be held liable for infringement. Thus, immunizing Mindspring from the plaintiff’s claims would limit the laws pertaining to intellectual property, which the district court was not ready to do.

Mindspring also argued that Congress, when it adopted the DMCA, had the opportunity to alter the extent to which ISPs may assert statutory immunity from trademark infringement and chose not to do so. The court disagreed with Mindspring’s conclusion and held that “Congress’ enactment of the DMCA – pertaining only to copyright infringement – two years after Section 230 was passed, lends further support to the proposition that Section 230 does not automatically immunize ISPs from all intellectual property infringement claims. To find otherwise would render the immunities created by the DMCA from copyright infringement actions superfluous.”<sup>11</sup>

Focusing on Mindspring’s argument that enforcement of trademark law is limited by the First Amendment and particularly so with respect to freedom of speech on the Internet, the district court concluded that the Internet context does not necessarily alter the First Amendment/trademark rights analysis, and denied Mindspring’s motion to dismiss.<sup>12</sup>

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**One ISP learned that a failure to respond properly and speedily to even an imperfect DMCA notice is at the ISP’s peril.**

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#### **Adequacy of DMCA Notice**

In the second recent case, *ALS Scan Inc. v. RemarQ Communities Inc.*,<sup>13</sup> another ISP argued the DMCA safe-harbor defense shielded it from liability for copyright infringement, but it learned that failure to respond properly and expeditiously to even an imperfect DMCA notification can be perilous. The DMCA adds a safe harbor provision shielding an ISP from liability for copyright infringement under certain circumstances. The effectiveness of the safe-harbor defense depends on what the ISP does upon receipt of notification of copyright infringement activity from a copyright owner.

The DMCA defines a “service provider” broadly to mean “an entity offering the transmission,

routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received."<sup>14</sup> Thus, an ISP is generally a "service provider" under the DMCA.<sup>15</sup>

In *ALS Scan*, the U.S. Court of Appeals for the 4th Circuit concluded that the service provider was given notice of infringing activity that substantially complied with the DMCA, and therefore it could not rely on a claim of defective notice to maintain the immunity defense provided by the safe harbor. In reaching this conclusion, the court reversed a summary judgment in the district court in favor of the ISP and remanded the case to that court for further proceedings.

According to the 4th Circuit, ALS Scan Inc. is engaged in the business of creating and marketing "adult" photographs in which ALS holds the copyright. RemarQ Communities Inc. is an ISP that has approximately 24,000 subscribers to its newsgroup base and provides access to more than 30,000 newsgroups which cover thousands of topics. ALS discovered that two of the newsgroups to which RemarQ provides its subscribers access contain ALS' name in the titles and contained hundreds of postings that infringe ALS' copyrights.

ALS asserted that it had sub-

stantially complied with the notification requirement of the DMCA by directing RemarQ to a representative list of the infringing materials and therefore that RemarQ had lost its safe harbor from copyright infringement. RemarQ argued in response that it did not have knowledge of the infringing activity as a matter of law because ALS failed to identify the infringing works—i.e., the infringing pictures in which ALS claimed copyright—as required by the DMCA. These positions thus framed the issue for the 4<sup>th</sup> Circuit as whether ALS complied with the notification requirements of the DMCA.<sup>16</sup>

The 4<sup>th</sup> Circuit, referring to the legislative history<sup>17</sup> of the DMCA, noted that the law was enacted not only to preserve copyright enforcement on the Internet, but also to provide immunity to service providers from copyright infringement liability for "passive" and "automatic" actions in which a service provider's system engages in infringing activity through a technological process initiated by another without the knowledge of the service provider.<sup>18</sup> As the 4<sup>th</sup> Circuit stated, however, "[t]his immunity ... is not presumptive, but granted only to 'innocent' service providers who can prove they do not have actual or constructive knowledge of the infringement, as defined under any of the three prongs of 17 U.S.C. § 512(c)(1). The DMCA's protection of an innocent service

provider disappears... at the moment it becomes aware that a third party is using its system to infringe. At that point, the Act shifts responsibility to the service provider to disable the infringing matter, 'preserv[ing] the strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment.'... In the spirit of achieving a balance between the responsibilities of the service provider and the copyright owner, the DMCA requires that a copyright owner put the service provider on notice in a detailed manner but allows notice by means that comport with the prescribed format only 'substantially,' rather than perfectly."<sup>19</sup>

The 4<sup>th</sup> Circuit interpreted the words of the DMCA<sup>20</sup> to mean: "This subsection specifying the requirements of a notification does not seek to burden copyright holders with the responsibility of identifying every infringing work—or even most of them—when multiple copyrights are involved. Instead, the requirements are written so as to reduce the burden of holders of multiple copyrights who face extensive infringement of their works. Thus, when a letter provides notice equivalent to a list of representative works that can be easily identified by the service provider, the notice substantially complies with the notification requirements."<sup>21</sup> The effect of this

ruling was to remove the ISP's safe-harbor defense, as the court returned the case to the district court for further proceedings.

The bottom line is that when serving notice on ISPs under the Lanham Act for trademark infringement, or under the DMCA for copyright infringement, counsel for intellectual property owners should attempt to provide as much identifying information as reasonably appropriate to the facts. For example, depending on the facts, counsel should identify specific URLs where the client's infringing material is located and attach printouts of the pages on the ISP's Web site that contain the infringing materials.

The 4th Circuit's opinion teaches that the notification does not have to be perfect but must provide reasonably sufficient information to enable the ISP to locate the information. The district court in *Gucci America* teaches

that proper notice to the ISP of the infringement will enhance the intellectual property owner's potential remedies.

Thus, the ISP, and counsel for the ISP, need to evaluate in a timely manner the information provided by trademark and copyright owners concerning any infringing activity on the ISP's Internet Web site. A failure to act may result in the ISP being held liable for damages—including attorney fees and costs—if the innocent infringer defense or the safe harbor defense is lost.

- (1) 47 U.S.C. 230.
- (2) 17 U.S.C. 512.
- (3) 15 U.S.C. 1114(1)(b)
- (4) 15 U.S.C. 1125(a)(1)(A).
- (5) 2001 WL 253255 (S.D.N.Y. March 14, 2001). After the filing of the case, Mindspring merged with another company to become EarthLink Inc., but is referred to in the court's decision, and this article, as Mindspring. Defendants Hall & Associates and Denise Hall are together referred to as "Hall."

- (6) 47 U.S.C. 230(f)(2).
- (7) 47 U.S.C. 230(f)(3).
- (8) 2001 WL 253255 at \*2.
- (9) *Id.* at \*3.
- (10) *Inwood Labs Inc. v. Ives Labs Inc.*, 456 U.S. 844, 854 (1982).
- (11) 2001 WL 253255 at \*6.
- (12) *Id.* at \*10.
- (13) 239 F.3d 619 (4th Cir. 2001).
- (14) 17 U.S.C. 512(k).
- (15) One of the liability-limiting provisions that the DMCA added is found in 17 U.S.C. 512(c).
- (16) Sec. 17 U.S.C. 512(c)(3)(A)(ii) and (iii).
- (17) Citing H.R. Conf. Rep. No. 105-796, at 72 (1998), reprinted in 1998 U.S.C.C.A.N. 649; H.R. Rep. No. 105-551(I), at 11 (1998).
- (18) Similarly, under U.S. trademark law 15 U.S.C. 1114(1)(b), "the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive."
- (19) 239 F.3d at 625.
- (20) 17 U.S.C. 512(c)(3)(A).
- (21) 239 F.3d at 625.

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