

SERVICE PROVIDER LIABILITY FOR COPYRIGHT INFRINGEMENT IN INDIA: LEARNING FROM THE AMERICAN EXPERIENCE

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Introduction

The emergence of the Internet as one of the most important media of communication has given rise to a host of legal problems. Application of legal concepts which were developed prior to the evolution of the internet to the 'web' of problems arising from use of this new medium, has led an American judge to liken such an attempt to plugging a round hole with a square peg¹. However, sans a comprehensive law dealing with the Internet, the present approach of adapting existing principles seems to be the most feasible.

The liability of Service Providers² for copyright infringement by the affirmative action of users is an area where the advisability of application of existing legal principles is coming into question³. Here, the traditional doctrines of infringement often compete for applicability. This article explores the effectiveness of the various doctrines in handling the different situations which have been brought before the judiciary of the United States of America and attempts to extend the lessons learnt to the Indian experience, particularly in the light of the *Copyright Act, 1957* and the *Information Technology Act, 2000*.

I

The Lay of the Law

The term "copyright" refers to a bundle of rights¹ that aim to prevent the copying of defined cultural, informational and entertainment productions². Copyright owners are given the exclusive right of reproduction³, of distribution⁴ and of public display⁵ of the work. Violation of these rights may result in an

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¹ *Computer Associates v. Altai*, 982 F 2d. 693.

² The term service provider is used widely to include both operators who provide services online as well as those who provide internet access services.

³ See generally, George B. Delta & Jeffrey G. Matsuura, *Law of the Internet*, pp.5-30, 2nd edn.

⁴ The bundle of rights have been defined in Section 14, *Copyright Act, 1957*.

⁵ The works in which Copyright subsists are defined by Section 13, *Copyright Act, 1957* W.R. Cornish, *Intellectual Property*, p. 7, Universal Law Publishing Co., New Delhi, 3rd edn., (2001).

action for infringement. Such action will survive if the plaintiff can show⁶ -

- (a) Ownership of the copyright in the infringed work
- (b) Copying⁷ of the work

Near universal theories of infringement suggest that an action for the same may be on the following grounds

- (a) Direct Infringement
- (b) Contributory Infringement
- (c) Vicarious Liability

(a) *Direct Infringement*: The unauthorized exercise of one of the bundle of rights that is copyright would result in direct infringement¹¹. Such infringement would not require any particular level of knowledge that the offending act would amount to infringement¹². A theory of strict liability is applicable¹³. As a general rule, direct infringement finds scant application in ascertaining liability of the service provider for copyright infringement by users. However, in some cases it may find application¹⁴.

(b) *Contributory Infringement*: Liability may arise in cases where the defendant induces, causes or materially contributes to the infringing conduct, knowing that such conduct amounts to infringement¹⁵. The law requires knowledge of

⁶ Section 14(a)(i), *Copyright Act, 1957*.

⁷ Section 14(a)(ii), *Copyright Act, 1957*.

⁸ Section 14(a)(iii), *Copyright Act, 1957*.

⁹ *Whelan v. Jaslow Dental*, 797 F 2d 1233; *Fiest Publications v. Rural Telephone Services*, 499 US 340.

¹⁰ The term copying has been defined as a violation of one of the exclusive rights of the copyright holder See *SOS Inc. v. Payday Inc.*, 886 F 2d 1081 at p. 1085. N.3.

¹¹ Section 51, *Copyright Act, 1957*.

¹² *Performing Rights Society v. Urban District Council*, AIR 1930 PC 314; *Mansell v. Valley Printing*,

[1908] 2 Ch. 441; *Byrne v. Statist Co.*, [1914] 1 KB 622; *Playboy v. Frena*, 839 F Supp 1552; *Howard v.*

Sterchi, 974 F 2d 1272.

¹³ *Ibid.*

¹⁴ *Playboy v. Frena*, 839 F Supp 1552; *MAI Systems v. Peak Computer Inc.*, 991 F 2d 511.

¹⁵ *Albert v. Hoffnung*, (1922) 22 SR (NSW) 75; *Infabrics v. Jaytex*, 1978 FSR 451; *LA Gear v. HI-Tec*, 1992 FSR 121; *Gershwin Publishing v. Columbia Artists Management*, 443 F.2d. 1159; *Sony Corporation v. Universal City Studios Inc.*, 464 US 417.

the fact that such conduct amounts to infringement¹⁶. However, the necessity of knowledge has been considerably watered down in recent years¹⁷. The doctrine of contributory infringement, is the one theory of liability, which may find application in the area of service provider liability.

(c) *Vicarious Liability*: In the United States, when a defendant has the right and ability to control the infringers act and receives a direct financial benefit from infringement, he/she may be found liable under a theory of vicarious liability¹⁸. The United Kingdom lays down a more stringent test to determine the same¹⁹. Unlike contributory infringement, knowledge that the act amounts to infringement is not a prerequisite for maintaining an action under the doctrine of vicarious liability²⁰.

The three mutually non-exclusive theories of liability for copyright infringement are presently applied by judiciaries the world over. This article proposes to examine the appropriateness and justness of the application of each of these in the area of service provider liability for copyright infringement by the users of the services in India, in the light of the American experience.

II

From 'Frena' to 'Napster': Tracing the American Experience

An analysis of the judicial attempts at imposing liability on service providers in the United States brings to light the extremely complicated nature of the issue. Different courts have taken different approaches at different times, resulting in the absence of a clearly enunciated jurisprudence. However, the Court of Appeals judgement in *A & M Records v. Napster*²¹, is a notable attempt at clearing the muddy waters.

Any analysis of the trends within the American judiciary on this issue shall begin with an examination of the following cases:

¹⁶ *Albert v. Hoffnung*, (1922) 22 SR (NSW) 75 at p. 81; *Van Dusen v. Krutz*, [1936] 2 KB 176; *Infabrics v.*

Jaytex, [1978] FSR 451; *LA Gear v. Hi-Tec*, [1922] FSR 121 CA.

¹⁷ *Religious Technology Center v. NETCOM Online Communication Services*, 33 IPR. 132; *Playboy*

Enterprises v. Hardenborough, 982 F Supp 503.

¹⁸ *Dreamland Ball Room Inc., v. Shapiro, Bernstein & Co.*, 36 F. 2d. 354; *Shapiro Bernstein & Co. v. H.L.*

Green Co., 316 F. 2d 304.

¹⁹ *Evans v. Hulton*, [1923-28] Mac. C.C. 51; *Falcon v. Famous Players*, [1926] 2 KB 474.

²⁰ *A&M Records v. Napster*, 50 I.P.R. 232.

²¹ 50 I.P.R. 132.

- (a) *Playboy v. Frena*²²
- (b) *Sega Enterprises v. MAPHIA*²³
- (c) *Religious Technology v. NETCOM*²⁴
- (d) *A&M Records v. Napster*²⁵

(a) *Playboy v. Frena*²⁶

In *Playboy v. Frena*²⁷, the defendant operated a Bulletin Board System (hereinafter referred to as BBS), which could be accessed by telephone modems. Customers could upload pictures onto the BBS. Some of the pictures available on the BBS were the copyright of the plaintiff. The question arose whether the defendant could be held liable for the violation, even though there was no evidence that he had uploaded the infringing pictures.

The Court held that the defendant had publicly distributed a copyrighted work. Public distribution is a right reserved by the copyright owner²⁸. The Court noted that it did not make a difference whether the defendant made the copy or not. The defendant had violated the plaintiff's right to publicly display his copyrighted work.

The primary defense that the customers uploaded the photographs was shot down on the basis of strict liability. A further defense of fair use was put up. The Court declined to label the activity 'a fair use' since the activity was commercial. The Court therefore held the Bulletin Board Operator liable under the theory of direct infringement.

(b) *Sega Enterprises v. MAPHIA*²⁹

In *Sega*³⁰, the defendants ran a Bulletin Board System where users could transfer information amongst themselves. Sega's video games were among

²² 839 *F Supp* 1552.

²³ 857 *F Supp* 679.

²⁴ 33 I.P.R. 132.

²⁵ *Supra* n. 19.

²⁶ *Supra* n. 20.

²⁷ *Ibid*.

²⁸ Section 14(a)(iii), *Copyright Act, 1957*.

²⁹ *Supra* n. 21.

³⁰ *Ibid*.

the “information” which were transferred utilising the services of the Bulletin Board. The Defendant knew that Sega games were being exchanged through the BBS. The defendant encouraged the activity. The court accepted the plaintiffs argument and relied upon the ruling in *Gershwin Publishing Corporation v. Columbia Artists Management Inc*³¹ that:

One who with knowledge of the infringing activity induces, causes or materially contributes to the conduct of another may be held liable as a contributory infringer.

(c) Religious Technology v. NETCOM³²

In *Religious Technology*³³, plaintiff held copyright in the published and unpublished works of L. Ron Hubbard, a preacher. The alleged infringer uploaded these copyrighted works into an online discussion forum. The plaintiff attempted to persuade the defendant to withdraw the infringing work and failed. On failure, the plaintiff contacted NETCOM, a provider of Internet access, with a request that the infringer be not allowed to use the Internet. NETCOM refused the request. The plaintiff approached the Courts of law seeking a remedy against the Internet user, the BBS and the Internet service provider.

The question of direct infringement rests on whether possessors of computers are liable for incidental copies automatically made on their computer using their software as a part of a process initiated by a third party. The Court held that the access provider and the BBS operator remaining passive in the process and not actively infringing copyright, were not liable for direct infringement³⁴.

The Court compared the activities of the service providers to that of an owner of a copying machine. The machine owner’s liability rests not on the plane of direct infringement, but on the theory of contributory infringement³⁵. The

³¹ *Gershwin Publishing Corporation v. Columbia Artists Management Inc.*, 443 F 2d 1159
Cassella v. Morriss, 820 F 2d 302 at p. 365.

³² Supra n. 22.

³³ Ibid.

³⁴ See Nina Ellein-Koren, “Copyright Law and Social Dialogue on the Information Superhighway: The Case Against Copyright Liability of Bulletin Board Operators”, 13 *Cardozo Arts & Ent. L.J.* 346 at p. 390.

³⁵ *RCA Records v. All Fast Systems Inc.*, 594 F Supp. 335.

application of contributory infringement is preferred in cases like these because it focuses attention on the relation between the user and the service provider³⁶.

Where the defendant, with knowledge of the infringing activity induces, causes or materially contributes to the infringing activity of the other, he/she would be liable for contributory infringement³⁷. The Court held that if an online service provider could not reasonably verify a claim of copyright infringement, there would be no liability.

With regard to the degree of contribution required, NETCOM argued that where the use of premises did not render a lessor liable for contributory infringement, a service provider could not be held liable. The court rejected the analogy since an online service provider maintained more control over his/her website than a lessor did over leased property. The court further went on to hold that if NETCOM could verify the claim of copyright infringement, it would be liable for infringement. However, on facts it was held that NETCOM could not have verified the claim.

On the question of vicarious liability, the Court held that such arises when the defendant³⁸.

- (a) had the right and ability to control the infringers act and
- (b) receives a direct financial benefit from the infringement.

On facts it was held that NETCOM derived no direct financial benefit from the infringement. The BBS operator was similarly held not liable.

- (d) *A&M Records v. Napster Inc*³⁹.

The plaintiffs are owners of copyright in musical compositions and sound recordings. The defendants were engaged in operation of a system, which allowed transmission, and storing of sound recordings utilising technology popularly known as MP3 technology. Napster's technology allowed users to

³⁶ Melvilleb. Nimmer and David Nimmer, "Nimmer On Copyright", §12.04 [A] [2] [b] at 12-78 to 12-79 (1995).

³⁷ *Sony Corporation Of America v. Universal City Studios*, 464 US 417.

³⁸ *Gershwin Publishing Corporation v. Columbia Artists Management Inc.*, 443 F 2d 1159; *Shapiro Bernstein v. H.L. Green*, 316 F 2d 304.

³⁹ *Supra* n. 23.

- (a) make songs stored on users hard disks available for copying
- (b) search for songs stored and made available by other users
- (c) transfer these songs via the internet

The plaintiffs alleged that the defendants were liable for contributory and vicarious infringement of copyright.

The Court held that the plaintiff established direct infringement by users of Napster technology. However, the question of contributory infringement was slightly more complex. It involved an analysis of the facts to see if Napster possessed the requisite level of knowledge to be held liable as a contributor. Contributory infringement requires the secondary infringer to know or have reason to know of the infringement⁴⁰. The Court refused to impute knowledge to Napster merely because the file sharing technology may be used to infringe plaintiff's copyright⁴¹.

The court with regard to vicarious liability applied the two-pronged test of control and financial benefit. Within the facts, the Court held that the plaintiffs had established both control and financial benefit and therefore had established a case of vicarious liability. The test of financial benefit was applied to include even benefit, which was not a direct consequence of the infringement or inducement of infringement.

The amorphous landscape of American jurisprudence in the determination of service provider liability for subscriber copyright infringement is reflective of the complex nature of the problem. A comprehensive analysis of the relationship between the Service Provider and the subscriber is required prior to application of doctrines such as vicarious liability to the problem. However, that the multifarious roles of a service provider demands a multipronged approach to service provider liability is evident.

⁴⁰ *Cable/Home Communication Corporation v. Network Products*, 902 F 2d 829; *Religious Technology v. NETCOM* 33 IPR. 132.

⁴¹ *Universal City Studios v. Sony Corporation.*, 480 F Supp 429; See also Alfred C Yen, "Internet Service Provider Liability for Subscriber Copyright Infringement, Enterprise Liability and the first Amendment", 88 *Geo. L.J.* 1833.

III

Extrapolating a Possible Indian Jurisprudence on Service Provider Liability

For the removal of doubts, it is hereby declared that no person providing any service on a network service provider shall be liable under this Act, rules or regulations made thereunder for any third party information or data made available by him if he proves that the offence or contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence or contravention⁴².

The *Information Technology Act, 2000* imports into Indian jurisprudence the requirement of either knowledge or lack of diligence for culpability. The law therefore, foresees both lack of knowledge and due diligence as separate defences. Considering that the requirement of knowledge often cannot be satisfied, this section seems to have been drafted inadequately. It would result in most Bulletin Board Services and Internet Service Providers escaping liability under the "lack of knowledge" defense.

Section 79 reiterates that it applies only to offences under the *Information Technology Act, 2000*. Therefore, it would not be attracted in cases of infringement of copyright under Section 51 of the *Copyright Act, 1957*. As such the various theories of infringement must be read in light of the *Copyright Act, 1957* and the nature of the interaction between the service provider and the subscriber.

Direct infringement would apply if the service provider indulged in any act prohibited by the *Copyright Act, 1957*⁴³ (hereinafter the *Copyright Act*). The *Copyright Act* provides for strict liability and as such the defences of lack of knowledge or due diligence would not apply⁴⁴. However, with regard to infringement of the right to communicate work to the public, the Act incorporated the defence of lack of knowledge and lack of reasonable ground to believe that communication would amount to infringement⁴⁵. The wording of the Act indicates that where there is an allegation of infringement, the service provider would have the duty to inquire and ascertain whether such allegation was false or not.

The Doctrine of Contributory infringement has not been the subject matter of legislative exponentiation. Therefore, application or non-application of the

⁴² Section 79, *Information Technology Act, 2000*.

⁴³ Section 51, *Copyright Act, 1957*.

⁴⁴ *Power Control Appliances v. Sumeet Machines*, (1994) 2 SCC 448.

⁴⁵ Section 51 (a)(ii) of the *Copyright Act, 1957*.

same would depend on the judicial mind. Considering the trend towards harmonisation of intellectual property rights laws, application of tests similar to those adopted in the United States would probably be the norm.

The nature of the relationship between service provider and its subscriber is not that of a master and his servant. The employer-employee relationship, which forms the basis of the doctrine of vicarious liability⁴⁶, does not exist in the relationship between a service provider and a subscriber. The doctrine of vicarious liability, based on the maxim respondent superior, as envisaged under Indian Law⁴⁷ will not apply to cases involving liability of service provider for copyright infringement by subscribers. However, a similar contention was rejected in *Religious Technologies v. NETCOM*⁴⁸.

The Indian courts would presumably differ with the United States approach in the application of vicarious liability to liability of service providers for subscriber infringement of copyright. The United States approach is based on a doctrine of vicarious liability, which extends not only to master-servant relationships, but to any case in which a defendant has the right and ability to supervise the infringing activity and also derives a direct financial benefit from it. Such an extension of the law might not be feasible in India in the light of *M.S. Grewal v. Deep Chand Sood*⁴⁹, where the Supreme Court reiterated that the master-servant relationship was a pre-requisite for application of vicarious liability.

Conclusion

The Indian judiciary has not yet been called upon to adjudicate on a matter involving a service provider's liability for copyright infringement by subscribers. The lack of legislation would probably lead the judiciary down a path mired in confusion and conflict. In an era where the software and knowledge industries seem poised to be the harbingers of the next revolution, India can ill-afford such uncertainty. The economic canon of certainty demands a clear law and prudence recommends that the requisite degree of clarity would be obtained only after the enactment of legislation on the extent of service provider liability for copyright infringement by subscribers.

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⁴⁶ *M.S. Grewal v. Deep Chand Sood*, (2001) 8 SCC 151.

⁴⁷ *Dharagadhara Chemical Works v. State of Saurashtra*, AIR 1957 SC 264; *Silver Jubilee Tailoring House*

v. Chief Inspector of Shops, (1974) 3 SCC 498.

⁴⁸ *Supra* n. 16.

⁴⁹ (2001) 8 SCC 151.