
Intellectual Property:
Piracy for Sale:
Vicarious and Contributory Copyright Infringement:

Arista Records v. Flea World, 356 F. Supp. 2d 411 (2005).

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INTRODUCTION

The purpose of the United States Copyright Act is to balance the competing interests of fostering scientific and artistic innovation through widespread public dissemination of ideas and expressions while providing authors with exclusive rights in their works as an incentive to create such works as to prevent monopolies over such ideas.¹ Article I, Section 9, Clause 8 of the U.S. Constitution provides that Congress has the power “to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”² As technology has advanced into the digital age, the introduction of new copying capabilities brings cries of infringement and piracy from established media distributors including record labels and motion picture companies.³ Due to an influx of cases brought by such media moguls, courts have found it necessary yet difficult to apply traditional legal theories to conflicts that arise due to high technology; such as imposing tort based secondary liability to copyright infringement.⁴ Further, courts have purposefully avoided making amendments to copyright law and instead have fervently relied on Congress to make transformations in accordance with the advancement of new technology.⁵

In response to this technological growth, Congress enacted the Digital

1. See BRYAN BERGMAN, *Into The Grey: The Unclear Laws of Digital Sampling*, 27 Hastings Comm. & Ent. L.J. 619. (2005)

2. See KELLY M. MAXWELL, *Software Doesn't Infringe, Users Do? A Critical Look at MGM v. Grokster and the Recommendation of Appropriate P2P Copyright Infringement Standard*, 13 Comm. Law Conspectus 335 (2005).

3. See MICHAEL RUCCI, *Congress Wants to Give the RIAA Control of Your I-pod: How the Induce Act Chills Innovation and Abrogates Sony*, 4 J. Marshall Rev. Intell. Prop. L. 534 (2005).

4. See *id* generally.

5. See MAXWELL *supra* note 2 at 340.

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Millennium Copyright Act (hereinafter "DMCA") in 1998 to "facilitate the robust development and world-wide expansion of electronic commerce, communications, research, development, and education".⁶ Title II of the DMCA, known as the safe harbor provision, shields Internet Service Providers (hereinafter "ISP"), from secondary copyright liability for the infringing acts of its users.⁷ A service provider is immune from monetary judgments against it but may subject to limited injunctive relief if it meets the statutory requirements set forth by the DMCA.⁸ The DMCA has emerged as the major means to regulate the unlawful dissemination of digital music. In examining that very issue in the recent case of *Arista Records, Inc. v. Flea World, Inc.*,⁹ a federal court held that the Defendant's claimed defense of the DMCA safe harbor provision for ISPs was not applicable to an outdoor farmer's market because a farmer's market falls outside the scope and legislative intent of "Internet Service Provider" as set out in the DMCA.¹⁰

FACTS

In January of 2005, The United States District Court for the District of New Jersey heard *Arista Records v. Flea World, Inc.*, in which it examined the issues of vicarious and contributory copyright infringement with regards to the sale infringing compact discs and cassette tapes.¹¹ The Plaintiffs, Arista Records, (hereinafter Arista), along with thirteen other member companies of the Recording Industry Association of America, ("RIAA"), brought suit against the Flea World flea market in June of 2003 for copyright infringement based on theories of both contributory and vicarious liability. The Defendants, Flea World, located in Columbus, New Jersey, owned one of the largest outdoor flea markets on the East Coast.¹² Many of Flea World's vendors sold pirate and counterfeit compact discs and cassette tapes in violation of federal copyright and state laws.¹³ Flea World provided the facilities, space, and services necessary for its vendors to operate.¹⁴ Arista claimed that Flea World was aware of, materially contributed to, and obtained a direct financial benefit from the sale of such infringing goods at its Farmer's Market.¹⁵ Arista further complained that although Flea World supervised and controlled its premises, it did not prevent the sale of unlawful recordings. Alternatively, it assisted and

6. GREG ADAMS. *A Proposal for Rebalancing the Digital Partnership Between Content Providers and Internet Gate Keepers*. 13 DePaul-LCA J. Art & Ent. L. 203, 212(2003).

7. See *id* at 213.

8. See *id*.

9. *Arista Records v. Flea World, Inc*, 356 F. Supp. 2d 411 (2005).

10. See *id* at 423.

11. See *id* at 415.

12. Plaintiff's First Amended Complaints for Contributory and Vicarious Infringements of Copyrights. <www.riaa.com/news/newsletter/pdf/njFleaMarketComplaint.pdf>.

13. See *id*.

14. *Flea World*, 356 F. Supp. 2d 411 at 416.

15. See *id* at 416.

facilitated the sale of over 7,500 pirated recordings.¹⁶ Therefore, Flea World should be held vicariously and contributorily liable for copyright infringement.¹⁷

Although Flea World conceded that illegal sales took place and it did in fact provide the means for the sale of such imitation products, it claimed several affirmative defenses notwithstanding, including the safe harbor provision of the DMCA.¹⁸ Flea World responded to Arista's claims via a counterclaim based on false light, defamation, trade libel and copyright misuse all of which were dismissed.¹⁹ The court denied Flea World's motion for reconsideration from an order that struck a number of its prior asserted affirmative defenses including damages caused by third parties, corporate immunity, no legal duty to provide police investigations, and first sale doctrine.²⁰ However, the mainstay of Flea World's liability rested within the theories of vicarious and contributory copyright infringement.²¹

HISTORY

Although the Copyright Act does not expressly impose liability on anyone other than direct infringers, courts now recognize that under certain circumstances, vicarious or contributory liability is applicable. Generally, a Plaintiff can base his or her copyright infringement suit on the theories of direct infringement and/or secondary/third party liability.²² Direct infringement results from the actions of an individual who copies all or a substantial portion of a work without authorization by the author or the copying does not fall within one of the exceptions as carved out within the Copyright Act.²³ Secondary liability or indirect infringement occurs when another party either aids in or is responsible for the directly infringing act or actor.²⁴ The two applicable principles of secondary liability, which find their roots in traditional tort law, are contributory and vicarious copyright infringement.²⁵ Vicarious liability will be enforced when one (a) has the "right and ability" to control infringing conduct and (b) receives a material, financial benefit from the infringement.²⁶ Contributory liability examines the correlation between a third

16. See Amended Complaint, *supra* note 12.

17. See *id.*

18. *Flea World*, 356 F. Supp. 2d 41.

19. See *id.*

20. *Flea World*, 356 F. Supp. 2d at 416.

21. See generally *Arista Records v. Flea World, Inc.* 365 F. Supp. 2d 411 (D.N.J. 2005)

22. See MAXWELL, *supra* note 2.

23. See *id.* at 342, citing to, JESSE M. FEDER, *Is Betamax Obsolete?: Sony Corp. of America v. Universal City Studios, Inc. in the Age of Napster*, 37 Creighton L. Rev. 859, 910 (2004).

24. JENNIFER NORMAN, *Staying Alive: Can the Recording Industry Survive Peer-to-Peer?* 26 Colum. J.L. & Arts 371 (2003).

25. See *id.* at 373.

26. BENJAMIN H. GLATSTEIN, *Tertiary Copyright Liability*. 71 U. Chi. L. Rev. 1605 (2004).

party and one who directly infringes.²⁷ Such liability will be applied when a third party knowingly causes, instigates, or materially assists another's infringing conduct.²⁸ In the similar case of *Fonovisa v. Cherry Auction*, the United States District Court for the Eastern District of California court reversed and remanded, holding that a defendant flea market was vicariously liable for copyright infringement because it had both control over direct infringers as well as a material financial interest in the infringing activity.²⁹ The court also held that contributory copyright infringement was established since the defendants "knowingly contributed to the infringement by providing the site for the activity."³⁰ Lastly, the court supported its claim that contributory infringement existed by stating that the defendants were "willfully blind" to the ongoing infringement.³¹ The court in *Flea World* were faced with the same issue and held in a similar fashion.

Prior to the enactment of the DMCA, Plaintiffs filed direct infringement suits against ISP's in place of suing its users.³² Because this was yielding negative results, it became evident that the two key elements of knowledge and ability to control, under a traditional theory of secondary liability, could be expanded to hold ISPs liable for the infringing acts of its users.³³ In December 1996, The United States signed onto two international intellectual property treaties at the World Intellectual Property Organization ("WIPO") conferences held in Geneva, namely, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.³⁴ The treaties were intended to give member nations, including the United States, legal protection to authors of copyrighted works from digital piracy over the Internet.³⁵ As a result of WIPO, Congress constructed the DMCA to reduce the liability of Internet service providers while simultaneously protecting the exclusive rights of copyright owners in an Internet context.³⁶ More specifically, Congress's purpose behind the DMCA was "to insure that copyrighted content would continue to be protected by copyright law in the digital environment, but also sought the flexibility necessary to allow...internet technologies and businesses to flourish

27. See *id* at 1609.

28. See *id*.

29. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259(1996).

30. See *id* at 264.

31. See *id* at 266.

32. JONATHAN BAND AND MATTHEW SCHRUERS. *Copyright Law as Communications Policy: Convergence of Paradigms and Cultured: Safe Harbors Against the Liability Hurricane: The Communications Decency Act and the Digital Millennium Copyright Act*. 20 Cardozo Arts & Ent LJ 295 (2002).

33. See ADAMS *supra* note 6.

34. SARAH MCWANE. *Hollywood vs. Silicon Valley: DeCSS Down, Napster to Go?* 9 CommLaw Conspectus 87 (2001).

35. See *id* at 94.

36. KATHERINE RAYNOLDS. *One Verizon, Two Verizon, Three Verizon, More? – A Comment: RIAA v. Verizon and How the DMCA Subpoena Power Became Powerless*. 23 Cardozo Arts & Ent LJ 343 (2005).

while making copyright content available.”³⁷ Title I of the DMCA would integrate the two WIPO treaties and prevent the circumvention of technological measures protecting copyrighted works.³⁸ Title II of the DMCA, or the Online Copyright Infringement Liability Limitation Act, would create a safe harbor and limitation on liability for ISPs from the unauthorized copyright infringement by their users.³⁹ Title II would also pursue Internet users who illegally downloaded or uploaded copyrighted music or other materials without the permissions of its owner.⁴⁰

The DMCA amended the U.S. Copyright Act to acclimate with newer Internet-related technologies. Section 512 of the Act creates a “safe harbor” for ISPs whereby it is immunized from copyright infringement claims the following activities: (1) transitory communications; (2) caching; (3) content of websites hosted by the ISP; and (4) information location tools.⁴¹ Section 512(a) of the DMCA limits the liability of a service provider where the ISP merely transmits digital information that may include infringing material.⁴² Under the “safe harbor”, an ISP can avoid being shut down by court order for copyright infringement and immune from paying money damages even if found vicariously or contributorily liable for copyright infringement.⁴³ However, individual users who partake in infringing activity can be estopped from accessing the service provider via a court order.⁴⁴

An ISP must meet stringent criteria in order for the safe harbor as provided under Section 512 to apply.⁴⁵ The DMCA abrogates ISP’s copyright infringement liability so long as the ISP does not have actual or constructive knowledge of the infringement, it does not financially benefit from the activity, and it removes or prevents access to the infringing material after being notified.⁴⁶ Furthermore, the provider is required to assign an agent to receive complaints of copyright infringement committed by the ISPs users⁴⁷ as well as create, implement, and inform its users of a policy that will terminate those users who are repeat offenders.⁴⁸ Lastly, the ISP must also use the requisite

37. *The Future of Digital Music: Is There an Upside to Downloading?* Before the Senate Judiciary Comm., 106th Cong., at http://www.senate.gov/judiciary/7112000_ogh.htm (2000) (testimony of Senator Orin G. Hatch) [hereinafter Hearings].

38. See MCWANE, *supra* note 24 at 95.

39. See RAYNOLDS, *supra* note 36.

40. See *id.*

41. MICHAEL L. RUSTAD & THOMAS H. KOENIG. *Rebooting Cybertort Law*. 80 Wash. L. Rev. 335, 395-396 (2005).

42. See *id.* at 396.

43. See MCWANE, *supra* note 24 at 95.

44. See *id.* at 96.

45. See RUSTAD & KOENIG, *supra* note 40 at 396.

46. ALFRED C. YEN. *Western Frontier or Feudal Society?: Metaphors and Perceptions of Cyberspace*. 17 Berkeley Tech. L.J. 1207 (2002).

47. See *id.*

48. See BAND and SCHRUEERS *supra* note 33.

technical measures used by copyright owners with the purpose of discerning and protecting copyrighted works.⁴⁹ The statute states that the safe harbor provision applies to “service providers”⁵⁰, “a broad term which would seem to encompass virtually every Internet or intranet provider or intermediary, including portal sites, search engines, universities, and intranet providers - as long as the operator does not modify or create the content at issue.”⁵¹ While the definition of “service providers” may be construed broadly, it was not Congress’s intent nor the contention of the *Flea World* court to include flea market operators within that definition.⁵²

COURT’S REASONING

In *Arista*, the court considered whether a farmer’s market constitutes an ISP for the purposes of claiming the safe harbor defense as provided by the DMCA.⁵³ Their decision to strike the Defendant’s claim under the Digital Millennium Copyright Act was proper because the purpose of the DMCA provision was to protect ISP’s, not farmer’s market’s whose vendors sell infringing goods. The court explained that the safe harbor provisions for Internet Service Providers under the DMCA were not applicable to an outdoor farmers market because the very function of an ISP is not analogous with that of a farmer’s market.⁵⁴ An ISP is a business entity that connects users to the Internet, so long as that user has access to the required computer hardware, i.e. a connection such as a telephone line, cable, or DSL line, a modem and a personal computer.⁵⁵ An ISP has been regarded by the DMCA as, “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.”⁵⁶ Some major commercial ISPs include local and long distance phone companies, cable providers, as well as companies like America Online and Net Zero.

The DMCA affords protection to an ISP so long as it meets three threshold requirements: “(i) the service provider must either lack both actual knowledge of the infringing activity and awareness of facts or circumstances from which infringing activity should be apparent, or it must promptly, upon gaining such knowledge move to prevent the use of its service to further such infringing

49. See *id* at 305.

50. See 17 U.S.C. 512 (2000).

51. See BAND and SCHRUEERS *supra* note 33.

52. See *Arista v. Flea World*, 365 F. Supp. 2d 411, 414 (D.N.J. 2005).

53. See *id*.

54. See *id* at 418.

55. THOMAS K. RICHARDS. The Internet and Decisional Institutions: The Structural Advantages of Online Common Law Regulation. 10 Fordham Intell. Prop. Media & Ent. L.J. 731,732 (2000).

56. 17 U.S.C. 512 (2005).

activity; (ii) the service provider must not receive a financial benefit directly attributable to infringing activity it has the ability to control; and (iii) the service provider must expeditiously remove material from its service on receipt of an appropriate written notice in order to qualify for safe harbor protection under the DMCA.”⁵⁷ Nothing in the DMCA’s definition of an ISP, or within the test for applying the safe harbor implicates that such a provision would apply to a flea market or outdoor market of any kind. The statute was created to deal with increasing innovation and technological advances that have made copyright infringement as simple as a key-stroke.⁵⁸ A farmer’s market does not serve the same or similar function as an Internet Service Provider in that is not related to nor does provide transmission and or connection the Internet.⁵⁹ Further, a farmer’s or flea market has little or nothing to do with the wide spread dissemination of information over a cable or telephone line through a computer interface as does an ISP. Defendant Flea World was misguided in claiming the ISP safe harbor defense and the court so agreed as the defense was struck down.⁶⁰

The court’s reasoning rested in the public policy issue that drove Congress to enact the safe harbor. “The public policy creating a safe harbor for ISPs is informed by considerations of lack of ISP control and knowledge of the millions of items of data flowing daily through the providers facilities; these considerations are absent in this matter’s lessor/lessee relationships arising from the rental of real market space to vendors on Defendants’ premises.”⁶¹ Congress created the safe harbor provisions under the DMCA to protect qualifying service providers from direct, contributory, and vicarious infringement, not lessor/lessee interactions like that of Flea Worlds and its vendors.⁶² Therefore, the court’s reasoning is parallel to the legislative intent behind the enactment of the DMCA.

ANALYSIS

Arista v. Flea World came before the court based on the Defendant Flea World’s motion for reconsideration from an order that struck a number of its prior asserted affirmative defenses.⁶³ The court refused to reconsider most of Flea World’s twenty-six defenses and denied two of three newly added defenses.⁶⁴ The Defendant’s argued that (a) stopping sales at their flea markets

57. See RUSTAD & KOENIG, *supra* note 40 at 396.

58. See *id.*

59. *Flea World v. Arista Records*, 356 F. Supp. 2d 411, 418 (2005).

60. See *id.*

61. See *id.* at 418.

62. ALICIA MORRIS GROOS. Developments in U.S. Copyright Law 2000-2001: From Revising the Old South to Redefining the Digital Millennium. 10 Tex. Intell. Prop. L.J. 111 (2001).

63. *Flea World*, 356 F. Supp. 2d at 416.

64. See *id.*

would cause a chilling effect on the sale of legitimate compact disc sales, (b) as landlords, they were not liable for infringement of its tenants and sub-tenants within the flea market, and (c) under the Digital Millennium Copyright Act they were protected under the “safe-harbor” provision carved out for Internet Service providers.⁶⁵ The court denied Flea World’s amendments as they pertained to the defense of a chilling effect as well as the defense of the safe-harbors for ISP’s under the DMCA. It did, however, allow the amendment based on Flea World’s status as a landlord, stating that “the size of the Market and the number of tenants and subtenants make it impracticable to police every transaction at the Market”.

Flea World contended that their ninth defense claimed under the DMCA was improperly struck, because they did not seek to establish the negligence of third parties nor a claim for contribution, but rather to establish that any damage to Plaintiffs was the result of the actions of third parties, all of whom Columbus Farmers Market has no knowledge of, authority or control.⁶⁶ The court rejected this argument stating that direct liability is a necessary component of secondary liability. Quoting the *Aimster* case, the court further stated “every case of contributory or vicarious liability necessarily involves the defendant being held to answer for the direct conduct of another.”⁶⁷ One of the primary functions of imposing secondary liability on a Defendant is so the Plaintiffs need not sue the numerous third party direct infringers in order to bring this cause of. In this case, Arista claimed that Flea World was responsible for the contributory infringement of the third party vendors selling at the flea market because they had knowledge of and materially contributed to the third party’s infringing activity, or vicariously liable because they had the ability to supervise and control the third party vendors and financially benefited from the vendor’s sales.⁶⁸ Flea World maintained that it was not an Internet Service Provider *per se*, however, should have the ability to claim the defense of the safe harbor provisions for ISP’s under the DMCA and “...should be judged with a similar yardstick.”⁶⁹ Flea World avowed that they were “similar to being in the position of an internet service provider for which the DMCA specifically carved out safe-harbor provisions from liability because they perform a function very similar to an ISP.”⁷⁰

The DMCA expressly characterizes an ISP as a provider of online services or network access, or the operator of facilities.⁷¹ In order to be considered an

65. See *id.*

66. See *id.*

67. *In re Aimster* Copyright Litigation, 334 F.3d 643, 646 (7th Cir. 2003).

68. *Flea World*, 356 F. Supp. 2d 411 at 418.

69. See *id.*

70. Although the Defendant claimed that it performed “a function very similar to an ISP” the case fails to say what actions Flea World claimed were similar.

71. *17 U.S.C. 512(i)(1)(A)* (2005).

ISP, the service provider perform one of four functions for the limitation to apply: transitory digital network communications, system caching, storage at the direction of the user of material on a system or network controlled or operated by or for the service provider, or linking users to an online location containing infringing material.⁷² Only then will the DMCA will shelter the ISP “from liability for all monetary relief for direct, vicarious, and contributory infringement.”⁷³ The court stated that this case had nothing to do with the providing of Internet service nor is Flea World and ISP. The court was not persuaded by the Defendant’s arguments and further refers to their claim under the DMCA as frivolous. Because Flea World does not fall into any of the specified categories that constitute an ISP, they cannot claim the safe harbor defense under the DMCA.

CONCLUSION

The Digital Millennium Copyright Act has significantly impacted the rights of consumers, copyright owners, Internet Service providers, software engineers, and distributors of unauthorized intellectual property.⁷⁴ While immunizing IPS’s from secondary liability, a fundamental problem with the DMCA lies within the difficulty of locating and properly citing the user who is in fact the direct infringer. If the ISP cannot be held liable for secondary infringement, and the user/infringer is unable to be identified, who will remunerate an author for his or her loss due to infringement? Technology continues to grow at a far greater speed than the pace at which Congress can enact legislation to protect against piracy.⁷⁵ Additionally, Congress has found it difficult to balance the constitutional intent of intellectual property laws; rewarding innovation in science and arts while protecting the interests of the creator. Courts have similarly found this feat to be challenging. Judges are reluctant to reach outside a strict reading of the Copyright Act and the DMCA, as the court did in *Flea World*. The court refused to expand the scope of the definition of an ISP, and applied a narrow reading of the statute to *Flea World*. The fine line that courts and Congress try to balance is motivating creativity without blocking public access to that creativity, the original intent of Article I, §8 of the United States Constitution.⁷⁶ Because of the courts’ inability to adequately and consistently apply the law, Congress, not the courts, should step in to remedy the flaws of

72. JULIE ERIN LAND. The Risks of Using Secondary Liability Legislation as a Means of Reducing Digital Copyright Infringement. 15 DePaul-LCA J. Art & Ent. L. 167 (2004).

73. See *id* at 190.

74. ANDREW SPARKLER. Senators, Congressmen, Please Heed the Call: Ensuring the Advancement of Digital Technology Through the Twenty-First Century. 14 Fordham Intell. Prop. Media & Ent. L.J. 1137 (2004).

75. JUNE CHUNG. *The Digital Performance Right in Sound Recordings Act and Its Failure to Address the Issue of Digital Music's New Form of Distribution*. 39 Ariz. L. Rev. 1361 (1997).

76. See MAXWELL *supra* note 2 at 340.

secondary liability in copyright infringement.⁷⁷

⁷⁷. See *id* at 373.