

Client Alert

Claims of Copyright Infringement and the DMCA: Heeding the Lesson of *Diebold*

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A recent decision has made clear that a business must be very careful before sending a cease and desist letter for copyright infringement based on the Digital Millennium Copyright Act ("DMCA"). In that case, the Court for the Northern District of California awarded damages for false claims of copyright infringement against a company that sent cease and desist letters to internet service providers claiming that the ISPs were contributing to copyright infringement by posting internal company emails, finding that the company was attempting to use the DMCA as a tool to gather information regarding internal leaks.

A recent decision interpreting Section 512(f) of the Digital Millennium Copyright Act (DMCA) proves instructive to companies who might see anti-circumvention provision of the DMCA as a tool to control the unauthorized use of their internal communications. A series of cease and desist letters, claiming that internet service providers were contributing to copyright infringement of internal emails, ultimately backfired on a company whose electronic voting machines were being criticized in online publications.

The holding of the Northern District of California defines the scope of the penalty for false claims of copyright infringement in the context of a cease and desist letter that the sender attempted to use as a tool to gather information regarding internal leaks.

The Facts of *Online Policy Group v. Diebold, Inc.*

Online Policy Group v. Diebold, Inc., arose from the distribution of certain internal emails written by Diebold employees concerning defects and failures of the company's computerized voting machines, which were stolen by hackers and published on the internet. 337 F. Supp. 2d 1195. The email archive, critical of the Diebold machines, was published by various online magazines and distributed by, among others, students at Swarthmore College using internet access provided by the college, and by the online newspaper "IndyMedia," which obtains its internet access from Online Policy Group. *Id.* at 1198. The email archive contained, among other criticisms, discussion of the development of Diebold's proprietary computer election systems, and employees' personal information. *Id.* at 1197.

In response to the publication and distribution of the email archive, Diebold sent cease and desist letters to the internet service providers responsible for the



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internet access of those who distributed the email archive. *Id.* at 1198. The thrust of the letter was to “offer” the internet service providers the safe harbor provision under the Digital Millennium Copyright Act in exchange for their disabling access to or removing the email archive, which Diebold alleged contained copyrighted material. *Id.* Diebold did not file any lawsuit related to the publication of the email archive.

Online Policy Group, along with several individuals implicated in the cease and desist letters, brought a declaratory judgment action against Diebold, seeking injunctive, declaratory and monetary relief from the District Court for the Northern District of California. Specifically, the plaintiffs sought a judicial declaration that the publication of the email archive did not constitute copyright infringement, requested an injunction to prevent Diebold from threatening or bringing any lawsuit for copyright infringement with respect to the email archive, and demanded attorneys’ fees of just over \$5,000 for Diebold’s alleged misrepresentation of copyright infringement under Section 512(f) of the Copyright Act. *Id.* at 1198-99; 17 U.S.C. § 512(f).

The Court dismissed plaintiffs’ claims for injunctive and declaratory relief because Diebold represented to the Court that it would not send any further cease and desist letters to any internet service provider concerning publication of the email archive. However, the Court found that adjudication was required for plaintiffs’ claims for damages, attorneys’ fees, and costs relating to Diebold’s alleged copyright misrepresentations under Section 512(f) and past use of the DMCA safe harbor provisions. *Id.* at 1202.

The Court’s Analysis of the Email Archive

In assessing the alleged misrepresentations of copyright infringement by Diebold, the Court examined the email archive and the use the plaintiffs made of it. *Id.* at 1203. The Court noted that Diebold had never, in pleadings nor during a hearing on the issue, identified specific emails that it believed contained copyrighted content, but *had* acknowledged that at least some of the email content was subject to the fair use defense. *Id.*

The Court also looked at the manner in which the plaintiffs used the material. The Court noted that the email archive was posted “for the purpose of informing the public about the problems associated with Diebold’s electronic voting machines...” and stated that “[i]t is hard to imagine a subject the discussion of which could be more in the public interest.” *Id.* Moreover, Diebold could not identify any specific commercial purpose or interest affected by the publication of the email archive and no corresponding impact on the market value, if any, of the email archive, nor was there any evidence that any of the plaintiffs sought to profit from use of the email archive. *Id.* The Court thus found that there was no genuine issue of material fact and that Diebold, “through its use of the DMCA, sought to and did in fact suppress publication of content that is not subject to copyright protection.” *Id.*



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Diebold Violated Section 512(f)

Section 512(f) of the DMCA provision of the Copyright Act provides that

[a]ny person who knowingly materially misrepresents...(1) that material or activity is infringing, or (2) that material or activity was removed or disabled by mistake or misidentification, shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer, by any copyright owner or copyright owner's authorized licensee, or by a service provider, who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing, or in replacing the removed material or ceasing to disable access to it.

17 U.S.C. § 512(f).

The Court found the statute sufficiently clear on its face: "a party is liable if it actually knew, should have known if it acted with reasonable care or diligence, or would have no substantial doubt had it been acting in good faith, that it was making material misrepresentations" and reasoned that a "material" misrepresentation would be one that affected the internet service provider's response to a cease and desist letter. *Diebold*, 337 F. Supp. 2d. at 1204. In applying this standard, the Court found that Diebold had indeed knowingly and materially misrepresented that the plaintiffs had infringed a valid copyright interest when they published and linked to the email archive. *Id.* In fact, the Court found that "no reasonable copyright holder could have believed that the portions of the email archive discussing possible technical problems with Diebold's voting machines were protected by copyright, and there [was] no genuine issue of fact that Diebold knew--and indeed that it specifically intended--that its letters to [plaintiffs] would result in prevention of publication of that content." *Id.* Moreover, the fact that, after sending the cease and desist letters, Diebold made no further move toward filing a copyright infringement suit against any of the plaintiffs indicated to the Court that Diebold was attempting to use the DMCA's safe harbor provisions "which were designed to protect ISPs not copyright holders--as a sword to suppress publication of embarrassing content rather than as a shield to protect its intellectual property." *Id.* As such, the Court ordered Diebold to pay plaintiffs' requested monetary relief, including attorneys' fees and costs. Diebold is thus the first company to be held liable for violating Section 512(f) of the DMCA provision of the Copyright Act.

Diebold ultimately settled with the plaintiffs and agreed to pay \$125,000 in damages and fees.

The *Diebold* Lesson

The Diebold decision is instructive to companies considering sending cease and desist demands to internet service providers as a method of "damage control" arising from the publication of internal information that may not be subject to copyright protection. Given the mechanism for attorneys' fees and costs in Section 512(f), internet service providers, such as Online Policy Group, and individuals charged with distributing or posting information on the internet, are in a position to challenge such claims of copyright infringement with minimal risk.



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Diebold makes clear that it is essential to assess the copyrightability of material that may have been infringed before sending cease and desist letters based on violation of the DMCA provisions of the Copyright Act. Such assessment should include an analysis of the viability of a fair use defense with regard to the material and of the motivation of the alleged infringer in publishing the material.

Additionally, the *Diebold* case highlights that the anti-circumvention provisions of the Copyright Act are no substitute for contractual arrangements and technological measures to protect proprietary or commercially sensitive information. By compelling and enforcing non-disclosure agreements entered into with employees and other individuals who come in contact with such information, a company that suffers a breach of security would have a recourse against the offender without having to go after the internet service providers who posted the sensitive information. Appropriate technological safeguards and policing of internet use are also highly recommended for entities at which sensitive and valuable information is distributed via email and other electronic means.

Entities on the receiving end of a cease and desist letter alleging copyright infringement and violation of the DMCA are advised to investigate the scope of copyright protection that the author of that letter is claiming and the strength of any potential fair use defense. After *Diebold*, Section 512(f) of the DMCA also provides entities charged with copyright infringement with a foundation from which to seek additional information from the entity claiming such infringement before complying with demands to pull allegedly infringing material from the internet.

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