

## Appendix 6



## Appendix 6

### Initial Comments Filed in Response to 65 FR 35673

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27	National Association of Recording Merchandisers, Inc. and Video Software Dealers Association, Inc.
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**Ray Van De Walker**



This is a comment in regard to the effects of the Digital Millennium Copyright Act on the first sale doctrine, by Ray Van De Walker

>(e) To what extent, if any, is the first sale doctrine related to, >or premised on, particular media or methods of distribution?

Copying provides less public benefit than ever before. Formerly, a publisher had to recoup the risks and costs of printing presses, physical transport, and warehousing. Guaranteeing a publisher an income by means of a copyright license was an equitable return on these risks. In return, purchasers got a tangible object, one difficult to reproduce.

The cost to copy a digital work is less than in any previous media. When private copying is cheaper than licensed copying, clearly distributors no longer provide public benefit by copying. At the same time the value of the media no longer justifies the first sale doctrine. Clearly the value is now in the art, editing, and archiving, not the copying or media.

(g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?

The correct model is now to rent rights to the work, not sell the media. Artists have always rented rights to publishers. Now everyone can publish, so everyone should rent rights.

Recording the rental contract has to be made very cheap, but the government, the guarantor of all contracts, can establish standards for recording digital contracts. An important issue is that people should be able to buy and sell contracts. Another is that people should be able to keep contracts in their own private devices. Verifying such contracts should be something that any playback device should be able to do, by some automated means. I think designing such a system would be very easy for a good cryptographer. The government could just put out an RFP.

Now I have a scheme to enforce these contracts (forgive me- I love to invent things).

The regulatory agencies can -require- play-back devices to nag or display advertising when a valid contract is not present- periodically (5 minutes would be very annoying, yet not interfere with excerpting). Advertising permits all fair uses and generates income for artists. Nagging permits fair uses, and can be placed in even the simplest legitimate open-source software to comply with the regulations. The artistic work itself can be in clear, and copied and viewed by public-domain programs. It is simply required to have an identifying tag.

Automatic nagging is like publisher's access to manuscripts. The form is inconvenient, but the content is available for evaluation. Nagging also need not degrade the quality of presentation.

Absence of a nag feature would be evidence of an intent to steal. Publishing nagless playback software would be conspiracy to commit theft. That is, these would be prosecutable, which satisfies me as a copyright owner... Also, in the misty future, when the media is obsolete, the public-domain players would still exist.

The DMCA, or something like it, would then be about falsifying digital contracts or identification tags. That is, fraud.

A) What effect has the DMCA had on the first sale doctrine?

It contributed to the destruction of equity between seller and buyer.

Books, records and movies are traditionally published in clear. It seems obvious that distributors have a public duty to make their media both usable, and long-lived.

When media are in clear, consumers, libraries and other conservors can copy them, giving them an indefinite useful life. This is how all ancient literature survived into modern times. In clear text.

Most copyright-based industries now plan to encrypt digital works, specifically to prevent consumers from copying them into more modern formats. This violates customary usage. It prevents numerous fair uses, including excerption, parody, and archiving.

DMCA -eliminates- any lawful possibility of circumventing these encryptions, and maintaining customary fair use rights.

b) What effect has the DMCA had on the operation of the first sale doctrine?

Of course, the DMCA was an attempt to strengthen first sale rights by protecting the value of artistic works.

It failed (see above) because it attempts to force value to inhere in the media. Value actually inheres in the work itself, not the media. Now interested parties are escalating the resulting conflict.

So, I no longer feel protected by the law, but rather oppressed by it. I am a professional computer programmer. I personally make a living from copyright law.

In the recent DeCSS case, civil and criminal actions were brought against computer programmers for the metaphorical equivalent of opening the hood of a car, taking apart the engine, and making tools to fix the engine so it works the way engines always worked before...

The cross-posting of DeCSS, and the creation of anonymous internet file-replication software are clear acts of civil disobedience to retain customary reverse-engineering and fair use rights.



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The United States Copyright Office

DEPARTMENT OF COMMERCE  
National Telecommunications and Information Administration

Comments on the Digital Millenium Copyright Act (DMCA)

The DMCA shifts the line between lawful and unlawful behaviour from copyright (the act of copying a protected work) deeply into engineering (the act of constructing, analyzing, reconstructing, improving, extending, or otherwise manipulating devices and algorithms that can be used in access control).

Many engineers probably feel that while this legislation has been enacted with much good will, it has not sufficiently considered the impact on the disciplines of engineering in general, and software and encryption in particular. DMCA is written as if there were access control measures as a separate entity, entirely disconnected from other types of technology.

As a professional engineer, I am not able to see such a clear line of distinction. The area of algorithms is vast, and many single computer algorithms and methods could potentially be used in access control devices. DMCA allows any interested party to use such a method in access control devices, thereby potentially drawing use, research, publication, etc. of the method out of legality. While this statement may seem exaggerated, I have yet to meet the person who can draw a clear line between an 'access control device' and a generally usable computer method. I think that none can be established, and attempts to do so are misguided and will result in a very unclear situation that harms the engineering disciplines.

DMCA fails to put an obligation on the creators of access control devices to ensure that the devices serve only their primary purpose, before putting them under this special protection. It is questionable whether access control devices can be constructed with today's technology which have exactly the right scope. In the absence of well

designed devices, DMCA should not protect access control devices beyond their primary use. Specifically, DMCA should not allow access control devices to act as a single point of entrance to a technology, thereby creating an artificially privileged group of technology providers in the market.

Society needs to find a way to resolve the questions of copyright in the digital age without a proxy war carried out in the engineering fields. That avoids the basic discussion about the right notion of property and about proper use of copyrighted materials.

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Opinions stated above are strictly mine. In no way do I represent or speak for my employer, and I do not know my employer's positions on the subject.

Claus Fischer  
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**Roger R. Darr**



I wish to respond primarily to question 2, regarding other general areas of concern with respect to the DMCA requirements under consideration, although many of my concerns do relate indirectly to the first set of questions regarding Section 109.

My concern is that the DMCA, and its underlying assumptions, are broadening the definition and scope of copyright to the point that it is a direct threat to the rights of citizens to communicate freely with one another, as guaranteed by the First Amendment of the United States Constitution. More specifically, I will argue that the DMCA is in fact attempting to grant and protect rights to pure information, rather than a specific embodiment thereof, and that such a right or guarantee is both technically impossible, and dangerous to our traditionally protected freedoms.

First, I will address the issue of protecting a specific embodiment of information, or pure information regardless of embodiment. It is my understanding that prior to the computer age, legislation has always prudently confined copyright protection to a specific embodiment of information, recognizing that the number of forms which pure information may assume is practically unlimited, and any attempt to protect all of them would be both futile and counterproductive. Now that computers have given ordinary citizens the power to format shift, transform, duplicate, and communicate pure information quickly and easily, certain traditional markets based on the less widely available means of manufacturing specific embodiments (protected by copyright) are now perceived to be threatened, and recent developments in copyright law, especially the DMCA, appear to be an attempt to protect this traditional market from the perceived "threat" created by this improved capacity of citizens to communicate. One of the ways the DMCA seeks to accomplish this is by making a whole class of technology illegal (the anti-circumvention clause.)

Regardless of tradition and reason, actual practice on the Net even today, and even before the enactment of DMCA was that corporations producing specific embodiments of information are using a liberal interpretation of copyright, combined with effective legal intimidation, to deny individual citizens their cherished right to communicate freely. Even clear cases of fair use, such as quoting or sampling a portion of a larger work for purposes of comment, are being squashed through the simple expedient of sending frivolous cease-and-desist letters to those who attempt to exercise this right. Clearly, something must be done to protect the rights of citizens to make non-commercial use of information from copyrighted sources, much of which has become part of American culture.

I believe the fundamental ambiguity which has created the legal morass which exists today can be traced back to a misunderstanding of the basic reasons for which copyright exists. Copyright does not exist to enrich the holders of copyrights. Copyright does not exist to guaranty a monopoly to a specific industry or distribution format. The purpose of copyright is, in service of the public interest, to encourage more information to be published in forms which are accessible to the public. It was a law conceived at a time when the most effective physical medium for information distribution was a book, which is a medium which required substantial investment to create. Therefore, to encourage the production of books, it was expedient for the People to grant a limited protection to the authors and/or publishers of specific works. Recognizing that copyright, if not carefully limited, presented a danger to the far more important natural right to freedom of expression, the law was subject to a variety of limitations. These limitations to copyright made it possible, among other things, for public libraries to exist.

A library is an important concept, and one which any revisions to copyright law must consider and protect. Libraries have had a fundamental role in our nation's education and entertainment for generations. By using a library, citizens have had the right and the ability to access thousands of copyrighted works at no charge, whether the holders of the copyrights wished them to do so or not. Perhaps the publishers occasionally lamented the fact that the availability of their books in libraries could reduce the bookstore sales of their product, but the ability of the public to freely access information was considered more valuable than increasing the monetary profits of a few specific companies.

Unfortunately, that priority seems to have been lost recently. Since the advent of the personal computer, a dangerous double-shift in the interpretation of copyright seems to have taken place, with many negative consequences for our civilization. First, the emphasis of copyright law and enforcement seems to have shifted away from the public good, and towards the perceived financial interest of publishing companies. And second, in a very unfortunate response to the ability of computers to easily duplicate and transform information from one format into another, copyright law seems to have made the fateful leap from protecting an embodiment, to attempting to protect the underlying information itself.

As evidence of this, I would cite the popular practice of exchanging MP3 sound files over the internet. These files, when traversing the internet, are pure information. When they are stored on someone's hard drive, the format and capacity of the drive, and the location and encoding of the information vary greatly from one user to the next. In fact, even when the MP3 file was created using a copyrighted source embodiment such as a CD, the compression process renders the actual sequence of bits in the file completely different from those of the source material. One can even say that the only practical similarity between the MP3 sequence flying around on the internet, and its original copyrighted source embodiment, is that they produce very similar sound information when played with appropriate decoder technology. And yet the companies which assert copyright over the original CD embodiment tend, almost without exception, to attempt to assert copyright over the underlying information, as well as any and every transformation thereof.

A few simple thought experiments will indicate the futility of attempting to control pure digital information, as opposed to a specific embodiment. First off, every digital file can be mathematically represented by a single finite counting number. One who asserts copyright over a digital file is literally claiming ownership of a number. This in and of itself raises questions, but it gets worse. It is a mathematical fact that any counting number can be transformed into any other counting number by an appropriate sequence of operations. Furthermore, the number of algorithms, or sequences of operations, which can transform any given number into another given number is infinite. Therefore if the law were to seek to protect pure information rather than a specific embodiment, then in order the law to pass the most elementary tests of logic, a single copyright holder must be given rights over ALL counting numbers (since algorithms exist to transform any number into the protected information) or a single copyright holder must be given control of ALL algorithms, since an infinite number of algorithms exist which can transform a non-protected number into a protected one.

At first glance, the reader may be tempted to dismiss this entire line of reasoning as being overly abstract, and bearing little resemblance to practical reality. But these are fundamental facts about digital information, and market economies are very efficient about discovering such fundamentals and exploiting them. In fact, we can already see a foreshadowing of our possible Orwellian future in the DVD player market. The Motion Picture Association of America (MPAA) fully recognized the facts outlined in the previous paragraph, and so insisted upon controlling not only the physical embodiment of their "copyrighted information," but the player used to transform it into intelligible video and audio information as well. Now, when we buy a DVD player, we have to pay for the device, but the device does not work for us, nor does it recognize our interests or rights. Our DVD players work for the MPAA, and have a number of unnecessary features designed to deprive us of our rights to fair use, such as making personal archival VHS copies of movies we own, or buying a DVD from the location of our choosing.

I consider it extremely tragic that the United States Congress, rather than acting against such monopolistic distribution cartels to restore the legitimate rights of U.S. citizens, has on the contrary made it illegal for customers to thwart or circumvent these abusive uses of technology.

The current trend in copyright law may also constitute a threat to our right to privacy as well. Since a digital file may be transformed (or encrypted) into another digital file, recognizing rights over pure information will give copyright holders an incentive to attempt to invade the privacy of citizens, especially those attempting to communicate privately with one another, on the grounds that "violations" or "infringements" may be occurring. It is perfectly foreseeable that they will eventually, if the current trend is allowed to continue, stoop to lobbying the government to routinely monitor and spy upon its own citizens in order to prevent the transmission of "unlicensed" information. These are all terrible and frightening prospects, but the United States, by enacting the DMCA, has already chosen a road which leads directly and inevitably to this outcome. This trend must be reversed immediately if we are to continue to live in a free country.

I believe the following actions would be prudent :

1. Confine copyright protection to specific embodiments, not pure information.
2. Recognize that the internet only transports information, and in order for a significant violation of any reasonable rights to occur, someone must create and sell an embodiment in competition with the original copyright holder.



**Dusty Jones**



Comments regarding the Digital Millennium Copyright Act (DMCA)

Generally speaking the DMCA has done more to hamper progress and rights of US citizens than it has done to help. Corporations, i.e. RIAA (Recording Industry Association of America) and the MPAA (Motion Picture Association of America), have generated lawsuits against various people at an unbelievable rate. Quite often, disputes are quickly resolved in the CORPORATIONS favor by scare tactics. The most overused is the "Cease and Desist" letter written to the website's ISP.

Websites are taken down and unfairly muted without due process. This is entirely unfair but is not the only abuse of the DMCA.

Other abuses include the infamous DeCSS [MPAA vs. 2600] case. The DVD Consortium has labeled CSS (content scrambling system) as a access circumvention technology when in fact it is simply used for regional coding allowing the publishers of DVD content to extract as much as possible from the varying markets. DVD's purchased in ASIA will not work in players purchased in the US.

Under the corporations interpretation of the DMCA, circumventing this access control technology would be illegal, despite the long standing tradition of reverse engineering. If the DeCSS technology is circumvented by reverse engineering DeCSS using longstanding reverse engineering practices allowing for competing technology then this should be legal.

Think of where the PC market if reverse engineering was illegal. The modern PC bios was reversed engineered from IBM by Compaq paving the way for cheap compatible personal computers. Without reverse engineering of the PC bios we would be deadlocked to an IBM PC monopoly.

I am concerned that the DMCA has shifted the balance of power away from the consumer and left it unfairly leveraged by the Corporation. The corporations consider there to be no "FAIR USE" allowable. If I wanted to quote from a DVD, something totally legal under fair use, I would need to circumvent the CSS system to get at the underlying data. This tactic is now made illegal under the DMCA.

Thank you.

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**Przemek Klosowski**



Comments on the effects of the amendments made by title 1 of the Digital Millennium Copyright Act, ('`DMCA') and the development of electronic commerce on the operation of sections 109 and 117 of title 17, United States Code, and the relationship between existing and emerging technology and the operation of such sections.

I am opposed to prohibiting the circumvention of technical means of securing copyrighted material. The copyright is a legal protection for intellectual property that should stand on its own; the technical means of enforcing copyright should not be protected in any special way because there are already sanctions for those who violate copyrights regardless of technical means of protection.

The copyright protection of intellectual property (IP) has been conceived to serve the public good; the fact that it offers significant advantages to the producers of IP is only a mechanism for achieving the progress in the arts, science and industry. Consequently, the constitution requires that the copyright law has to balance the rights of producers and consumers. Traditionally, this balance has been guaranteed by 'fair use exceptions', rights guaranteed by 17 USC 109 and 114, time-shifting, right to quote copyrighted material for scholarly purposes, etc.

The commercial interests began already using DMCA to expand their control over distribution, seeking to destroy the freedoms and rights that are firmly established in the law of the land and in the minds of the consumers. In particular, the rights guaranteed by the 'first sale doctrine', as well as rights to administer the system (backup, copying, etc) are just some examples of the liberties that are taken away.

I reiterate: the anti-circumvention rule does not protect IP---it is already protected by the previous law. Instead, DMCA protects the control of delivery of IP. For instance, the content brokers can prevent the consumer from fast-forwarding over commercial advertisements included in the IP that the consumer purchased.

The fair use rights have always been under attack by the cartel of large content brokers. They do not directly refuse us these rights, of course: instead, they began to exploit the anti-circumvention provisions of DMCA by inventing inept protection systems, whose only purpose is to establish a straw-man copyright protection system, and accuse those who point out weaknesses in these systems of violations of anti-circumvention provisions.

There is a provision of DMCA that states that the fair use exceptions are not supposed to be impinged by any other provisions of the act. This is in direct contradiction to the anti-circumvention provisions, which are being actively prosecuted by the content brokers (e.g. in the DeCSS case), in the hope of practically preventing the exercise of fair use rights.

I protest this backdoor usurpation of unprecedented control of copyrighted material by large content broker corporations. It is contrary to the intended role of copyright in promoting original contributions by protecting the authors' rights. Strict enforcement of anti-circumvention rules does little good for authors' or consumers'

rights; it only provides unjustifiable control to the large content broker corporations.

Przemek Klosowski, Ph.D.



**Michael L. Love**



Comment on the Copyright Office's Notice of Inquiry

I am opposed to DMCA because it undermines fair use, reverse engineering, and other rights. Moreover, the proponents of this "anti-freedom" law are selfishly concerned only with their monetary interests, which are protected at the expense of others rights under DMCA.

Finally, it is inappropriate for the Copyright Office to protect these greedy interests at the expense of our vital reverse engineering, research, security, fair use and other rights. In doing so, the Copyright Office would be implicitly accepting the proponents position of content control and undue exclusivity. This would result in irreparable harm to innovation and original research. Is it not the purpose of copyright law to protect these vital interests, which are common to all of us? Please, do not sell out american rights to the highest bidder.

Sincerely,  
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## **Computer Professionals for Social Responsibility**



# Report to Congress Pursuant to Section 104 of the Digital Millenium Copyright Act Comments to the Copyright Office

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These are comments responding in particular to these specific questions relating to Section 109:

(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale doctrine?

(d) What is the relationship between existing and emergent technology, on one hand, and the first sale doctrine, on the other?

(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?

There are digital materials are not transmitted digitally, such as digitally recorded music on CD, or digitally stored film in DVD format on CD. While these materials are digital, they are fixed in a package that can be resold or loaned without the making of further copies. In this sense, these digital materials follow the traditional "hard copy" format that we are familiar with in terms of applying the first sale doctrine. In these comments I will address the question of digital materials that are transmitted digitally as part of the distribution of copyrighted works.

Digital materials that are transmitted digitally are not placed in a fixed container by the manufacturer or producer or publisher of the item. These materials are transmitted as computer files to a device owned or used by the consumer. There is no physical package that contains the copyrighted work. Digital materials of this type are especially vulnerable to copying because they must be delivered as a computer file of a type that can be received and stored by the operating system of the consumer's device. Any file stored on a general-purpose computer can be copied by simply transferring the exact sequence of digital bits to another place on that computer's hard drive or to another storage device.

Because it is nearly always possible to make a copy of these digitally transmitted materials, the controls put in place by the producers are controls on *access* or *use*, not on copying. These access controls, although focused on copying, have an effect on first sale rights for digital materials.

## Access Controls

There are four primary ways that digitally transmitted materials are received, and these correspond to different access controls:

- 1) Materials transmitted to a standard Web browser. Because the Web browser is today a ubiquitous means of receiving viewable files, many works are prepared to be viewed on standard browsers. In the case of works that are openly available on the World Wide Web

and for which no access controls are in place, these are sent in one or more segments using open standard formats such as HTML or PDF. Where access controls are in place they generally consist of two forms, which can be used separately or together:

- a) *Access limitations based on Internet address or password.* When the members of an institution such as a university are eligible to access materials, their eligibility is determined by their location on the Internet, which is governed by that institution. For individual access (i.e. that not mediated by an institution), access is usually controlled by a password. Once the materials have been transmitted to the web browser, however, the copyright owner has no means of controlling the disposition of the materials. The received files can be copied and they can be transmitted to others.
  - b) *Access limitations controlled by the server.* For electronic books or online databases it is possible to send only limited portions of a document or file at a time, such as an individual page or a small number of database records. At no time is the entire copyrighted work available to the user for copying or transmitting to others. Although there are no direct limitations on copying or printing of the transmitted portions, the inconvenience of doing so is similar to that with hard copy materials.
- 2) *Materials transmitted to a generalized computer as a file.* In this case, the entire copyrighted work or a portion of the copyrighted work (i.e. one chapter) is transmitted. The file can be in a commonly used computer format, but for purposes of access control it may use a computer format that includes access control.
  - 3) *Materials transmitted to a generalized computer as a stream.* Some computer formats such as RealAudio or RealVideo<sup>1</sup> do not send an entire file over the network to the receiving computer but send only small portions of the file which correspond to those sections currently being viewed or played. The receiving computer is never in possession of more than a small segment of the file at any time. The serving computer and the viewing software constantly control the amount of file that is resident on the receiving computer.
  - 4) *Materials transmitted to a specialized device.* The example of this kind of device is an e-book reader, a combination of computer hardware and software that has been developed expressly to receive, store and display electronic books. This type of device can facilitate access controls and can prevent some functions such as transmitting copies to others or connecting to printers.

Different access controls are available to different customers. For example, the types labeled 1 and 3 above are feasible only in situations where users have a constant connection to the network. In areas where that connection is not available, other methods such as 2 and 4 above must be used. Each of these will use different access controls and the effect of these controls in relation to the first sale doctrine will differ.

In the analysis below, I express my own understanding of a number of access control methodologies used in commercially available products. My analysis is based on my reading of the documentation of these products and descriptions of standards, as well as some casual use of some of the products themselves. In the event that I have misunderstood any of these technologies I invite those more familiar with them to provide any corrections to my statements.

## **Access Controls and First Sale Doctrine**

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<sup>1</sup> RealNetworks, <http://www.real.com>



"... is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." Title 17, 109 (a)

In evaluating access controls and the first sale doctrine, I take the key portion of the copyright law to be the above quote, especially the phrase: *without the authority of the copyright owner*. To evaluate this I must give some technical details of current and planned access controls. In this area I will refer again to the four types of transmittal, above, and relate these to first sale.

#### Materials transmitted to a standard Web browser

Materials delivered to a web browser generally depend on that browser for display or play (in the case of multimedia files) of the content. Many materials that are delivered to a standard web browser contain no access or copy controls. These materials are assumed to be protected by the copyright law, because they are fixed in their expression, but the authors have chosen to make them available without controls. There is no question that these materials can be disposed of as stated in the first sale doctrine.

Access controls can be applied to works available over public networks and directed to a general-purpose Web browser. For example, controls can be applied limiting access to those users with a certain the Internet address<sup>2</sup>. Because internet addresses are assigned in ranges to institutions, this type of control implements a contract that limits use to requests from the local network of that institution. This is commonly used for access contracts with universities and libraries to limit access to their legitimate members. Access can also be granted to individuals using a password that allows the user to view licensed materials. This type of access control does not include any ongoing control of the digital items once they are received on the customer's computer.

For many content providers, however, this type of control is not acceptable because it still leaves the delivered content susceptible to copying. In other words, once the content is delivered to the user it is outside of the control of the provider or copyright owner. Such content can be copied at will and transferred to other computer users. Additional controls are therefore often set in place that limit the amount of the work that is delivered to the user at any given time. This type of control is realistically effective only for large works (like electronic books) or for works where users logically retrieve sections or portions of the overall item, such as encyclopedias and databases. These controls are exercised by the software that sends the content to the user's computer and consists of limiting the amount of content that is delivered at any one time. For example, netLibrary, a digital e-book company that delivers content to the user's desktop, has no controls over copying or printing but delivers only one page to the user at a time<sup>3</sup>. Database vendors also commonly rely on this type of control although it may be less obvious to users: databases deliver only the portion of their file that responds to a particular query, and often limit the total number of entries that can be delivered per query. They may also have limitations on displays, such as allowing only a small number of entries to be displayed at a time. Even though these controls have technical justifications such as limiting the amount of system resources dedicated to individual searches, they also serve to limit the amount of data that a user has in his possession at any given time.

These controls deter unauthorized copying by making copying inconvenient, but they also make it unlikely that the user will exercise first sale rights because of the burden of doing so. If a user

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<sup>2</sup> cf. Testimony of David Mirchin, Silver Platter Information, Copyright Office Hearings on Anticircumvention Measures, May 2, 2000.

<http://www.loc.gov/copyright/1201/hearings/index.html#transcripts>

<sup>3</sup> <http://www.netlibrary.com>

does put forth the effort, however, and does dispose of the copy in a way related to first sale, then this is indeed *without the authority of the copyright owner*.

*Materials transmitted to a generalized computer as a file*

This is the situation that many users characterize as a "file download." The file may or may not be displayed on the screen at the time of delivery, but the entire file is delivered to the user's computer device and is stored on that device. This type of file is highly susceptible to copying because the entire file is delivered in a machine-readable format.

Many of the downloadable files on the Internet are executable programs. These programs can require a license number or customer ID that the user must key in before installing or using the program. Access controls on other types of downloaded files today are rare, but this may become more commonplace through the use of newly-developed technologies. One example of this kind of technology is Adobe's PDF with "Web Buy."<sup>4</sup>

The Adobe corporation has developed and promotes a digital document format called "Portable Document Format," or PDF. One of the purposes of PDF is to produce an online document that has the same look and structure as a printed document, and so it is commonly used to deliver documents as a single file much as they are delivered as a single "unit" in hard copy. Documents presented in PDF are entire articles or reports or even entire books. Adobe provides the reader program for these files, which must be installed on the user's machine, for free. To accommodate access controls for eCommerce, the Adobe PDF Reader version 4.05 includes functions called "Web Buy" and "Adobe PDF Merchant." As stated in their document of September, 1999:

"The publisher then encrypts the PDF file using Adobe PDF Merchant software and generates the unique encryption key that unlocks the document, ensuring that only authorized users are able to view the document." (p.2)

The unlocking mechanism is contained in a small file that must accompany the file containing the protected content. When the user attempts to open the content file for reading, that file interacts with the "key" file to determine if the conditions have been met for access to be allowed. This key can be based on one or more access control mechanisms, including identifiers for individual computers or storage devices (e.g. hard drives or removable drives), the user's network login name, or time factors.

"... Once [the customer] finds the book at the online book retailer's Web site, the customer clicks on the button to purchase the book. She is shown a dialog box requesting unique identifying information from her computer. Once she gives permission to the online retailer to access this information, the retailer automatically verifies the CPU ID, user ID (login name), and storage device ID." (p.3)

The identifiers that are related to the CPU (central processor unit, that is the main computer chip) and the storage device ID (fixed disk, network disk or removable disk) are ones that are inextricably linked to that device and cannot be changed or altered by the consumer. That the intention is to limit access to a particular device is clear in this statement:

"The seller determines what set of computing environment variables are to be requested from the buyer, who then has the option of sending all, none, or some portion of those variables. If the seller does not deem the returned variables sufficient to lock the

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<sup>4</sup> <http://www.adobe.com/products/acrobat/webbuy/main.html>

document to the buyer's computing environment, the reseller can decline to sell the content to the buyer." (p.6)

This also means that the file cannot be accessed on other devices, so that if it is transferred to a different device the key will not allow the content file to be opened for viewing. In this sense, any access control that limits access to a single device is likely to interfere with the right to exercise the first sale doctrine because no first sale rights are available to the buyer of the content unless the actual device is also transferred. In the case of files that require a password or key but that are not limited to a particular device, the original buyer can transfer the file along with the key and exercise first sale rights, although this is often forbidden by the license agreement for the product.

#### Materials transmitted to a generalized computer as a stream

Streaming audio and video techniques have been developed by a small number of software companies to allow a broadcast-like experience over the Internet. Streaming techniques can be used for stored multimedia files, such as audio-video files of past conference events, or for live broadcasts. Live broadcasts, by definition, are not available in a computer file format and may or may not be considered "fixed" for the purposes of copyright, so I will address only those works that are stored on the server for later access. These files are analogous to sound recordings and movies on tape, with the difference that they are delivered digitally over networks at the time of play.

Streaming came about ostensibly because for large files (as is true for most video and for some high quality audio) it has been impractical to download the entire file for viewing. (Note that with the size of currently available hard drives, this rationale for streaming is less convincing than it was just a few years ago when these techniques were first employed.) In streaming technology, only a small segment of the file is transmitted at a time and temporarily stored on the hard drive. As the play of the content progresses, previously played portions are automatically deleted from the hard drive and new portions are downloaded in advance of playing.<sup>5</sup>

Because the entire file is never in the possession of the customer, there is no application of the first sale doctrine for these files.<sup>6</sup>

#### Materials transmitted to a specialized device

The devices that I will discuss in this section may be implemented in hardware, in software, or in a combination of the two. Specialized electronic book readers are one example of this type of device.<sup>7</sup> There are also readers that are realized in software that contains similar controls.<sup>8</sup>

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<sup>5</sup> Streaming technology has sophisticated algorithms that determine how much advance storage is needed on the hard drive to facilitate uninterrupted play. This depends on the speed of the user's Internet connection as well as on other factors. So the amount of a file that is on a user's hard drive at any given time can vary.

<sup>6</sup> Streamed files can be downloaded as whole files using techniques that are available to users of Internet browsers but which may not be obvious to many users. It requires users to remove the browser plug-in that plays the streamed work and adjusting browser settings so that files of this type will be saved to disk. Whether or not using this technique falls under the anticircumvention language of the DMCA is beyond the scope of this report.

<sup>7</sup> Examples of these are: 1) Rocketbook <http://www.rocketbook.com> 2) Everybook, <http://www.everybook.net>

<sup>8</sup> Examples are: 1) Glassbook reader <http://www.glassbook.com> 2) TK3 <http://www.nightkitchen.com>

To facilitate the growth of the electronic book industry, at least two sets of standards for access control have been developed to date. An industry consortium called the Electronic Book Exchange Working Group has created the Electronic Book eXchange (EBX) standard.<sup>9</sup> A second standard has been issued as the XrML Specifications for Digital Rights Management<sup>10</sup>. Each of these has controls that have a potential effect on first sale rights.

## EBX

The EBX standard has features particularly designed to facilitate lending (first sale) and fair use. Included in the "rights" that are enforced by the software that follows this standards are:

- Lendable (with Lending Timeout which controls the lending period)
- Givable
- Sellable
- Personal Use Copies (maximum number)
- Personal Use time (combines with Personal Use Copies, i.e. 2 copies per year)
- Personal Use Copy Size (i.e. paragraph, page, chapter, whole).

Of these rights, those particular to First Sale are included in an element called "Basic rights:"

"The basic rights define whether the owner has the right to give, lend and/or sell copies of the voucher."<sup>11</sup>

The "voucher" mentioned above is the file that contains the rights information that is enforced by the rights software. It is the transfer of the voucher that allows access to the protected work.

Note that the standard permits these rights to be included in the contract that accompanies an electronic book purchase but does not require or imply that such rights be turned "on." So, for example, when the Stephen King novella *Riding the Bullet* was made available over the Internet, it came from at least one vendor with the following control set:

"Copy: No text selections can be copied from this book to the clipboard.  
Print: No printing is permitted for this book.  
Lend: This book cannot be lent to someone else.  
Give: This book cannot be given to someone else."<sup>12</sup>

It is possible that the Lending right will not be the default for items purchased by individuals but will be primarily permitted for institutions like libraries and schools whose contract is specifically designed for use by multiple individuals.

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<sup>9</sup> The EBX working group lists these organizations among its developers: Adobe Systems, Book Industry Study Group, Coalition for Networked Information, Compaq, Glassbook, HarperCollins, Houghton Mifflin Company, Hewlett Packard, Hitachi, Ingram Lightning Print, J-Stream, Microsoft, RSA Labs. Softbook Press, Philips Electronics, Xerox. <http://www.ebxwg.org>

<sup>10</sup> XrML stands for Extensible rights Markup Language and is based on XML, eXtensible Markup Language which is a general purpose technique for creating data formats. XrML is based on the Digital Property Rights Language (DPRL) that was developed by Mark Stefik at Xerox PARC in 1996. <http://www.xrml.com>

<sup>11</sup> *EBX System Specification*. Draft 0.5. May 24, 1999. P. 28.

<sup>12</sup> Reported in an e-mail message on CNI-COPYRIGHT discussion list, March 24, 2000. <http://www.cni.org/Hforums/cni-copyright/2000-01/0764.html>. The message did not indicate if other rights were involved nor if one could ascertain defaults for rights not included here.

Given that the rights of lending, giving and selling of the work are conferred on the buyer by the copyright owner (or middle agent), it seems obvious that this access control technology does not allow the user to dispose of the item *without the authority of the copyright owner*.

## XrML

XrML can be described as a more sophisticated standard than EBX in that it has additional features and controls. In the XrML standard, each "right" can be given complex controls of time, fees and incentives. The standard allows metered charges for "play" of works ("play" includes display of text), monetary incentives (per use or metered charges can change based on various factors), and expiration times. Exercise of the options that include fees would necessarily require the user to interact over a network with a point of sale in order to exchange a fee for the use or access.

The rights themselves are also highly complex and are divided into the categories of Transport Rights, Render Rights, Derivative Work Rights, File Management Rights, Configuration Rights. The rights most obviously related to the first sale doctrine are Transfer and Loan, which are categories of Transport Rights.

"Transport rights govern the creation and movement of persistent copies of a work under the control of trusted repositories. There are three distinct kinds of transport rights: copy, transfer and loan. The interpretation of these rights are similar to familiar operations on physical works: copying an audio tape, transferring (or giving someone) a book, or loaning a compact disc."<sup>13</sup>

There are also rights for Delete and Uninstall that have to do with the disposition of the work by the recipient of a copy. Each of these rights can have conditions relating to time periods, use patterns or limitations, and can have fees associated with them.<sup>14</sup>

In addition, each of these rights can have "next rights." Next rights are those which will be applied when the item is transferred to the next user. The intention of next rights seems mainly intended to distinguish the rights of distributors, such as retailers, from the rights of end users, but could potentially be applied to any license.

"When a digital work is copied, transferred, or loaned, certain rights become available on the receiving repository. Exactly which rights are available is determined by an optional NextCopyRights specification."<sup>15</sup>

Assuming that the software and hardware that implements an XrML license is working properly, the end user has no right to dispose of the possession of the copyright work *without the authority of the copyright owner*.

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<sup>13</sup> XrML: *Extensible rights Markup Language*. Version 1.0, April 25, 2000. p. 30

<sup>14</sup> The XrML standard itself warns against the use of fees in some of these circumstances. The standard itself would permit the creation of an access control that required payment for the deletion of a file. This would allow an unscrupulous entity to offer a file for free download and then require payment for the user to remove the file from her own hard drive. This points to the need for something that is outside the scope of the XrML standard, and that is clarity of license terms and the development of some consumer protection measures.

<sup>15</sup> XrML: *Extensible rights Markup Language*, op cit., p. 31.

## Is the First Sale Doctrine Applicable to Digitally Transmitted Works?

I believe to have shown above that access controls on digitally transmitted works can interfere with the user's right related to the first sale doctrine. The question is whether this is a necessary result of access controls in general or if it is a characteristic of this generation of controls and something that might be overcome in the future. For a control to exist that would allow for first sale, it would need to have some particular characteristics: it would have to encapsulate the work in such a way that the access control is transferred with the work and still maintains its efficacy; it would have to allow transfer without allowing the creation of an additional copy; and it would have to do all of this without requesting authorization from the copyright owner, either at the time of purchase or at the time of disposition.

I cannot say whether such a system of access control could be developed in the future. I do know that the access control systems in development today are not of this type and, although the companies that support them generally are aware of the need to support first sale rights, they are unable to do so because the technology they use maintains control over the reader's right to dispose of the work.

There are other conclusions that I can draw from my reading in this area. One is that the rights of readers, which are poorly understood in the hardcopy world, may be many times more complex when digital rights management systems are applied. Another is that users may be unaware of the rights prior to purchase, and even then may have to exercise diligence to determine their rights once they have obtained the document.<sup>16</sup>

When we rely on copyright law for readers' rights, the law pertains to broad classes of works and the same law applies to all individual items of intellectual property within that class. With digital rights management technology, each work and each sale of each work can carry a vastly different set of rights. So the question becomes not only whether users have first sale rights, but whether they are aware of their rights and know how to exercise them. I have not been able to address this question here, and it may be too early in the life cycle of digital rights management systems and their uses to ascertain this, but hope that the question is answered in the future.

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<sup>16</sup> The person who posted the e-mail (see 12, above) relating to the rights in the version of the Stephen King novella stated that she had to click through three levels of menu items to see the rights, but that these rights were not displayed at any time during the purchase or download process.

**Bob Beard**





I am making my comments as both a computer programmer and a user of copyrighted material.

I strongly oppose the additional limits on the fair use of copyright material introduced with DMCA. I believe that the pendulum has swung too far in the interest of the copyright holders and has begun to trample the needs and rights of the copyright users.

I can foresee a significant problem with the "technological circumvention of copyright protection" clause of DMCA. The following five items come immediately to mind:

1. This will limit how the copyright material may be used to what is envisioned by the copyright holder. New and creative uses of the copyrighted material will be stifled.

2. There will be a fear of working with the copyright material lest you run afoul of what some company's legal department believes to be a technological circumvention or what some future court decision decides is a technological circumvention.

3. You can become bound up in the economic fortunes of the copyright holder. If the copyright holder falls on hard times, your access to the copyright material may not stay current with the rest of the industry. Worse yet, if the copyright holder should fail or become uninterested in the copyrighted material, you may no longer have any access to the material and you will not be able to get a third party to "unlock" the material for you.

4. Adding locks to copyright material that are "secret" may compromise the functionality of a product that uses the copyrighted material. For example, say you have designed a product that navigates a vehicle. This vehicle uses a Global Positioning System (GPS) database that has some form of copyright protection. Since you have no visibility into the way the copyright protection is implemented, you can never be sure that an access to that database may be deemed a copyright violation. This could be devastating if the vehicle is navigating city streets and this problem occurs.

5. You may be forced to pay for the same copyrighted material again. This could happen if there was a technological improvement, or just another way to access the copyright material. You would not be able to adapt the copyrighted material to this new form yourself.

It seems to me that all copyright law "improvements" since 1950 have been instituted by lobbying efforts of corporations. All such lobbying efforts seem aimed at keeping a corporation's market position, slowing technological progress so that the corporation can attempt to catch up with some of their more forward looking competition, and attempting to have copyright users pay multiple times for essentially the same copyrighted material. This is obviously a case of "if you aren't winning the game, change the rules".

It is obvious to me that this is unbalancing copyright laws in favor of copyright holders. As a computer programmer, I have benefited economically from this. As a member of society, I have been robbed of many of my rights and been held back in the pursuit of knowledge.

Copyright law should be based on the ideal that there should be a free and unhindered exchange of ideas and expression between people. Knowledge is what makes a society "grow". Each generation gains from the knowledge it creates mixed with the knowledge that it has gained from previous generations. Copyright springs from the recognition that some people will add to society's knowledge base freely, without asking for anything in return. Others will do so only if they can profit from it. We, as a society, grant this latter group of people a limited amount of time where they may profit from their work in exchange for the work being added to the society's knowledge pool and the ability to add on to that work. In other words, "use" that knowledge.

Copyright law should never be used as a weapon against people. I feel that

many of the laws that are being enacted surrounding intellectual property are doing just that.

We seem to be trying to lock intellectual property up as tightly as we possibly can.

We shouldn't be doing that. We should be doing just the opposite.

Thank you for your consideration of my opinions.

Bob Beard  
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## **Digital Future Coalition**



Comments of the  
**DIGITAL FUTURE COALITION**  
submitted to the  
U.S. Copyright Office  
and  
National Telecommunications and Information Administration, U.S. Department of Commerce  
in response to the Request for Comments published at 65 Fed. Reg. 35673  
pursuant to Sec. 104 of the Digital Millennium Copyright Act

The Digital Future Coalition ("DFC") consists of 42 national organizations (a list of which is attached to these comments) representing a wide range of for-profit and non-profit entities. Our membership includes educators, computer and telecommunications industry associations, libraries, artists, software and hardware producers, archivists, and scientists. DFC member organizations represent both owners and users of copyrighted materials.

Over time, our constituents have benefitted — as have other American individuals, companies and non-profit entities — from the maintenance of a balanced copyright system in the United States. Such a system is one that provides both strong protection for proprietors' rights and clear recognition of consumers' interests in access to protected materials. Thus, the DFC is strongly committed to the preservation and modernization, in the digital environment, of the limitations and exceptions that have traditionally been part of the fabric of U.S. copyright law.. It is our common conviction that a balanced copyright system is essential to secure the public benefits of both prosperous information commerce, on the one hand, and a robust shared culture, on the other.

In particular, from its inception in 1995, the DFC has advocated the updating of the so-called "first sale" doctrine, currently codified in 17 U.S.C. Sec. 109, as part of any comprehensive effort to bring copyright into the new era of networked digital communications. In the 105th Congress, for example, the DFC strongly supported H.R. 3048, legislation to implement the WIPO Copyright Treaty and Performances and Phonograms Treaty, which specifically provided that:

Section 109 of title 17, United States Code, is amended by adding the following new subsection at the end thereof:

(f) The authorization for use set forth in subsection (a) applies where the owner of a particular copy or phonorecord in a digital format lawfully made under this title, or any person authorized by such owner, performs, displays or distributes the work by means of transmission to a single recipient, if that person erases or destroys his or her copy or phonorecord at substantially the same time. The reproduction of the work, to the extent necessary for such performance, display, distribution, is not an infringement.

We were concerned and disappointed that the final text of the Digital Millennium Copyright Act of 1998 ("DMCA") contained no similar provision, and — by the same token — pleased that Sec. 104 of that Act directed the Copyright Office and NTIA to undertake further study on the topic of "first sale" in the digital environment, along with that of the Sec. 117 exemptions.

The ultimate Constitutional goal of our copyright system is a public one — “To Promote the Progress of science and Useful Arts.” Historically, the "first sale" doctrine has contributed to the achievement of that goal by providing a means for the broad secondary dissemination of works of imagination and information. That the public has reaped a wide range of benefits from the "first sale" doctrine becomes clear from even a cursory examination of the range of various cultural and commercial institutions this rule has supported and enabled -- everything from great research libraries to second-hand bookstores to neighborhood video rental stores. More broadly still, the doctrine has been an engine of free social and cultural discourse, permitting significant texts to be passed from hand to hand within existing or developing reading communities. In the current round of discussions over the future of "first sale," the DFC's primary concern is that a "default rule" -- restricting possession and use of copies embodying texts, images and other copyrighted works to the first purchaser or authorized recipient of such materials -- would retard rather than advance the progress of knowledge.

Our immediate concern about the future of the "first sale" doctrine in the new electronic world stems from comments included in the 1995 White Paper on Intellectual Property and the National Information Infrastructure (at 93-94) suggesting that the doctrine should be inapplicable, as a matter of conventional copyright doctrine, to electronic retransmissions by consumers of material originally received (by way of gift or purchase) over digital networks. Although this interpretation had not (and, to date, has not) been judicially tested, it is sufficiently plausible to suggest that even before the enactment of the DMCA, "first sale" was a doctrine at risk. The DFC's commitment (already noted) to balance in copyright law reform led us to propose that as proprietors' rights were updated in new legislation, "first sale" should be as well.

After the enactment of the DMCA, however, "first sale" proved to be in greater jeopardy than before. Specifically, whatever aspects of the doctrine might otherwise have survived and flourished in the digital environment now are threatened by the copyright owners' use of the "anti-circumvention" measures for which new Sec. 1201 of Title 17 provides legal sanction and support. The copyright industries are publicly committed to the implementation of what they term "second-level" access controls -- i.e. technological measures that control not only how a consumer first acquires a copy of a digital file, but what subsequent uses he or she may of it, and on what terms. *See, e.g., [Joint Reply Comments of the American Film Marketing Ass'n et al., U.S. Copyright Office Rulemaking on Exemptions from Prohibitions on Circumvention of Technological Measures that Control Access to Copyrighted Works, Docket No. 99-7](#)* ([www.loc.gov/copyright/1201/comments/reply/112metalitz.pdf](http://www.loc.gov/copyright/1201/comments/reply/112metalitz.pdf)). Although such controls are in their infancy, they clearly have the potential to erase any remaining vestiges of "first sale" in current law, where the digital environment is concerned. Under fundamental copyright law principles, for example, the purchaser of downloaded digital text file downloaded to a portable storage medium (such as floppy disk or hand-held "e-book") apparently is permitted to transfer ownership of that "copy." But a simple password system or encryption device could be used to frustrate this consumer privilege, and attempts to override that anti-circumvention measure would potentially trigger severe penalties under the new Chapter 12 provisions.

Of course, the DFC is not privy to the plans and intentions of the content industries in this regard. The current study, however, is in a position to request information from publishing, motion picture, music and other related business about their business plans for the future implementation of "second level" access controls.



In the same connection, we would note that the Sec. 117 privileges of purchasers of copies of software programs, although formally preserved under the DMCA, are equally at risk from the use of technological anti-circumvention measures. The software consumer's right to adapt purchased programs and prepare archival copies of them were deemed essential in 1980, when what amounted to the "final compromise" of the 1976 Copyright Act was adopted at the suggestion of the Congressionally-mandated Commission on New Technological Uses of Copyright Works. Those privileges are as — if not more — important to consumers whose software purchases occur by way of on-line downloads rather than through face-to-face or mail-order transactions. However, nothing in the DMCA as enacted in 1998 mandates that consumer privileges be respected in the implementation of anti-circumvention measures. Current software industry practice suggest that at least some vendors will take advantage of new technologies and the legal support that the DMCA affords them to limit the effective scope of Sec. 117. Again, the DFC expects that the current study will take advantage of its unique mandate to inquire closely into the plans and intentions of software providers in the regard.

In addition, recent case law have may deprived the Sec. 117 exemptions of much of their practical force. *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993), and subsequent decisions hold that every temporary RAM copying of a computer program, incidental to its use on a hardware platform, constitutes a form of "reproduction." Although these holdings are controversial, they suggest that the use of computer programs by purchasers may now be legally constrained in ways that the Congress did not anticipate in 1980. The DFC believes that the study should consider ways to restore the vitality of the Sec. 117 exemptions in light of these subsequent developments. One such means would be to adopt language contained in both S.1146 and H.R. 3048, as introduced in the 105<sup>th</sup> Congress::

Notwithstanding the provisions of Section 106, it is not an infringement to make a copy of a work in a digital format if such copying --

(1) is incidental to the operation of a device in the course of the use of a work other wise lawful under this title; and

(2) does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

Finally, we would note that the case law is in disarray concerning the effectiveness of contractual terms contained in so-called "shrink-wrap" and "click-through" licenses to override consumer privileges codified in the Copyright Act, such as the Sec. 109 "first sale" doctrine or the Sec. 117 adaptation and archiving rights. At the time of the enactment of the DMCA, the DFC had hoped that further refinement of the Uniform Computer Information Transactions Act ("UCITA," formerly "UCC 2B") would provide important clarification as to the scope of deference due to federal law in this respect. Unfortunately, the final text of UCITA, which is now before state legislatures for consideration, did not fulfill this expectation.

There are numerous examples of "end-user licenses" in the computer industry which purport to constrain or eliminate purchasers' Sec. 117 privileges. Where "first sale" is concerned, examples of the use of vendor-prescribed, non-negotiable contract terms to override the default settings of the Copyright Act is likewise a possibility. Through the use of such terms, the transfer of permission of authorized print-outs or downloads to portable storage media could be restricted. Clearly, even in the earliest stages of on-line commerce in texts, the continued

vitality of the "first sale" doctrine is at risk — at least in some degree. Assessment of the full extent of that risk is, we believe, an appropriate task for the current study.

Ultimately, the DFC believes that the recommendations to Congress in connection with the study should be focused, in particular, on formulating a restatement of "first sale" appropriate for the digital condition. In so doing, we would urge that the language of H.R. 3048, quoted above, receive serious consideration. By stressing the importance of effective simultaneous deletion of transmitted material from the transmitter's system, this language creates the functional equivalent, in the new context of virtual information environment, of a doctrine that has served commerce, culture, and consumers well in the familiar actual one. Where Sec. 117 is concerned, we believe that the burden is on the proponents of change to make out the case that the balance so carefully struck in 1980 should not be maintained.

Moreover, the report to Congress should address additional measures that may be necessary to make existing and updated "first sale" principles meaningful, and to preserve the Sec. 117 exemptions. In addition to taking up the issue of temporary digital reproduction, it should consider the appropriateness of new legislation limiting the circumstances in which "second level" technological access controls can be deployed by content owners to override or frustrate use privileges otherwise conferred on content purchasers by the Copyright Act. The DFC notes that Sec. 1201(k)(2) of the DMCA, limiting the use of anti-circumvention measures in connection with certain audiovisual transmissions, provides a specific legislative precedent for such limitations on technological self-help. Congress explicitly sought to preserve the ability of consumers to make non-commercial copies of movies and other programs on standard analog VCRs when delivered over the air or via basic cable, while giving copyright owners the authority to block copying in situations in which consumers had no reasonable expectation of making copies. As Congress demonstrated, it is possible to achieve balance between the interests of information consumers and content creators. We look forward to presenting specific statutory proposals for other limitations on the implementation of technological protection measures in the months to come.

Likewise, we hope that the report will recommend new legislation, perhaps in the form of amendments to 17 U.S.C. Sec. 301, that would provide a clear statement as to the supremacy of federal law providing for consumer privileges under copyright over state contract rules which might be employed to enforce overriding terms in "shrink-wrap" and "click-through" licenses. Again, the DFC hopes to be able to assist the work of the study by proposing specific amendments on this preemption issue.

The DFC strongly believes that the issues to be addressed in this study are critical ones for the future of U.S. copyright. The tasks of the study are daunting ones, but we believe that given full cooperation on the part of all affected parties, including consumers and content owners, they can be accomplished. The DFC and its member organizations would be pleased to assist in any way. Specifically, we look forward to the opportunity to testify at hearings convened in connection with the study. Because the study has been mandated at such an early point in the development of networked digital communications and information commerce, it is inevitable that — in part — its conclusions will necessarily be based less on the actual experience to date than on informed predictions about future trends and developments. For these reasons, we believe that it is critical that there should be hearings on the issues covered by the

study, and that the scope of those hearings address not only the record of the past but also the shape of things to come.

Respectfully submitted,

Peter Jaszi  
For the Digital Future Coalition

### **Membership of the Digital Future Coalition**

Alliance for Public Technology  
American Association of Law Libraries  
American Association of Legal Publishers  
American Association of School Administrators  
American Committee for Interoperable Systems  
American Council of Learned Societies  
American Historical Association  
American Library Association  
Art Libraries Society of North America  
Association for Computers and the Humanities  
Association of American Geographers  
Association of Research Libraries  
Chief Officers of State Library Agencies  
College Art Association  
Committee of Concerned Intellectual Property Educators  
Computer and Communications Industry Association  
Computer Professionals for Social Responsibility  
Conference on College Composition and Communications  
Consortium on School Networking  
Consortium of Social Science Associations  
Consumer Federation of America  
Consumer Project on Technology  
Electronic Frontier Foundation  
Electronic Privacy Information Center  
Home Recording Rights Coalition  
International Society for Telecommunications in Education  
Medical Library Association  
Modern Language Association  
Music Library Association  
National Association of Independent Schools  
National Council of Teachers of English  
National Education Association  
National Humanities Alliance  
National Initiative for a networked Cultural Heritage  
National School Board's Association  
National Writers Union  
Society for Cinema Studies  
Society of America Archivists  
Special Liberties Association  
United States Catholic Conference  
United States Distance Learning Association  
Visual Resources Association



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## COMMENT

**Dears Sirs,**

Per the DMCA of 1998, and your request for comments dated 6/5/000 on title 1 of the Act, I would like to add the following:

It firstly seems dubious to me, that no definition(s) have ever been added for "author" in Title 17 USC Section 101. Possibly this doesn't SEEM to have anything to DO with any such "Digital Millenium" bologna, but in LIGHT of the fact that recent awareness has revealed that several of the so-called "authors" of these same "works" that you all keep ARGUING about, are in fact recipients of stolen lyrics either through eavsdropping, "careful observance", or unwelcomed transcription/tape recordings; it would seem to me MORE than appropriate at THIS time to at least come up with some sort of a tentative DEFINITION of the word - because as it stands now, the general vagueness of the Statute seems to be causing MOST people to believe that, "if I just hurry on UP over there to the Copyright Office, and get that copyright on these WORDS that I wrote down, then I don't HAVE to give any credit, ON the copyright form or otherwise, to the person(s) I stole the recital(s) FROM...he he he". Scenerio #4: Stenographer kipes off with the dictation, runs over to the copyright office, copyrights the dictation, says SHE is the sole author - get the point? A person who "overhears" another person's recitals, especially if he is another artist, and goes and copyrights those same transcriptions WITHOUT mentioning the name(s) of the persons whom he or she "borrowed" them from, is just as much a thief as that STENOGRAPHER was. And apparently, we've been having quite a BIT of this sort of theft going on; and I think that it is all DUE to the fact that there isn't any solid definition of the word "author" per se.

So please DO allow me the following proposal, ans possibly for a couple of OTHER words; 'cause, how can you go ON with this "copyright" business, when you guys haven't even "gotten off the ground" about WHO the AUTHOR is?

### **Proposed Title 17 USC Section 101 additions:**

**"AUTHOR"**, is he who either dictates for a recorder, or puts the words down himself into the "tangible medium". The RECORDER (secretary, scribe, stenographer, etc.) is NOT the author except where that person's individual contribution can be ascertained, AND with the permission of the author - and then at best is only a CO-AUTHOR as in the case of a professor and his understudy. One does NOT need to hold any title or office to qualify as being "author" per se; "author" is not a legal designation, but only a condition of fact. It is not a condition of poverty or wealth, education or retardation, mental, physical, sexual, or spiritual fitness; and any such person alienating one such author for any of the aforesaid reasons, or any OTHER reason, is liable to the prosecution of which under Federal Laws either through civil litigation or/AND criminal prosecution.

**"TALKER"**, is a modern day lay term for an oracle, prophet, seer, sooth sayer, or the like. For the purposes of this section, said "talker" is also an author. When one takes dictation from one such "talker", he acts as nothing more than a scribe, secretary, or stenographer, unless additional co-authorship can be ascertained.

**"PLAGERISM"**, among other commonly known definitions, is the condition of THEFT whereby by a secretary, scribe, recorder, stenographer, or other similar transcriber ascribes to HIMSELF as sole authorship those words, ideas, compositions, or other works which dictating author has entrusted, through the law (common or otherwise), into the hands of the recorder for his safe keeping. Said plagerism of said dictation does NOT constitute any such "fair usage" for the plagerist and/or his assigns, and neither is said dictation within the "public domain". Prosecution for said plagerism would be either within the jurisdiction of the civil or/and criminal court.

If the foregoing "definitions" are elsewhere described, I appologize; but DO believe that it would be wise to include them within Section 101, due to the apparent confusion that has ensued.

Please reply to the foregoing and allow me to know what you think - I'm sure YOU wouldn't want YOUR words "eaten up" by these Little Gremlins.

Sincerely,  
Walter C. Becktel  
a\_987654321@hotmail.com



**John M. Zulauf**



My name is John M. Zulauf and I am writing as private citizen and information technology professional. My comment is directed specifically at the questions posed regarding Section 109 regarding first sale and Section 117 archival, interoperability, and temporary copies. My comments will also contain references to "fair use" subjects -- space shifting, excerption, criticism, and time-shifting -- based on questions in the section "2. General."

The form of my comments today is to take a detailed view of a proposed comprehensive copy management and control architecture. This review address specifically the impact on 106 and 117 of comprehensive content protection systems now envisioned by the media and consumer electronics industry. This review will show a pattern of systematic elimination of the traditional first sale restrictions on the copyright holder, and further a systematic elimination of archival and all other fair use "rights" as traditionally held. The system achieves absolute control over the use of digital content by a comprehensive set of licensing restriction on the behavior of digital-media consumer electronics devices. This license is imposed by use of encryption protected (in the system architect's view) by an absolute anti-circumvention protection under DMCA section 1201.

The proposed system reviewed CPSA -- "Content Protection System Architecture; A Comprehensive Framework for Content Protection" is documented at <http://www.dvdcca.org/4centity/data/tech/cpsa/cpsa081.pdf> . The document itself is subject to copy controls such that it can neither be downloaded from the web nor saved from the Adobe PDF reader. The only means by which this criticism is possible is by page by page cut and paste from the document. Ironically and chillingly, were the CPSA document protected by CPSA, no such excerption or criticism would be possible at all. Because of this, were this document to prove to be a significant embarrassment to the DVDCCA and its authors, they could simply unpublish the work by removing it from their website -- thus removing all first source evidence of their current proposals.

While this is a lengthy response to these questions, and the detailed review of the CPSA is necessary to show the devastating extent to which traditional consumers rights can be erode using anti-circumvention as the wedge. The CPSA provides a chilling vision of our future unless broad exemptions to the DMCA 1201 anti-circumvention provisions are granted. These exemptions are discussed in the "3. Conclusions" section.

## **0. Abstract**

A review of the proposed CPSA content control system and it's probable impact on fair use and first sale. Conclusions include the need for broad exemptions from the DMCA 1201 anti-circumvent provisions for all non-pay-per-view publish works and all works access for fair use.

## **1. Introduction:**

The proposed CPSA gives us a view of the future of access and use control without the limitations imposed on the copyright holders and distribution channel that broad exemption to 1201 would bring. In this possible future, first sale is discarded, archival and other fair use abandoned in favor of a "comprehensive" control of all access and use of digital media. Note that no differentiation is made between published and broadcast work, nor between pay-per-view and unlimited view works. This lack of differentiation show the utter disregard for both first sale and fair use, as well as an intentional desire to eliminate the consumer rights granted in "Betamax" and "Vault v. Quaid" case law.

The following are excerpts from the current draft of the CPSA document identified as "Revision 0.81", dated February 17, 2000, and authored jointly by Intel Corporation, International Business Machines Corporation, Matsushita Electric Industrial Co., Ltd. and Toshiba Corporation. The excerpts are denoted by lines beginning with ">" and are quoted directly from the cited web document.

> *The protection comes from compliant devices responding*

- > *appropriately to manage the content according to the CMI.*
- > *Such protection is realized only if there is some*
- > *means, or "hook", to compel devices to be compliant.*
- >
- > *Encryption is that hook. Encryption is a way of scrambling*
- > *digital content so that it is unusable (not recognizable)*
- > *unless it is first descrambled (decrypted). To get the*
- > *necessary intellectual property to be able to decrypt the*
- > *content, a license is required. That license contract*
- > *specifies requirements to manage the content according to*
- > *its CMI.*

The first expert from the CSPA document show the intent to utilize encryption systems not as content protection but as a negotiating "hook." The encryption is specifically disclaimed as not being the means of content protection "protection comes from compliant devices." This is of concern particularly as it is the position of the MPAA and the DVD-CAA that this "hook" encryption has unlimited DMCA 1201 protection and thus has the force of the entire US government behind it. That's no "hook," that's fishing with high explosives!

Further, it says that the encryption has nothing to do with protecting the content -- it's all about controlling the behavior of devices that want to use the content. This is explicitly use control after first sale. What it enables, as we shall see below, is explicitly taking away the end-users first sale and fair use with a non-party agreement.

## 2: CPSA Axioms

The CPSA system architecture comprises a set of axioms. As used in software and systems design, an architecture has to do with functional blocks, subsystems, key algorithmic components. The CPSA axioms function more like a set of contractual obligations than an overall system design. Aside from that the axioms are themselves collectively and separately a harmful to first sale and fair use, especially when considering non-pay-per-view content (broadcast or published). Ironically, there's still nothing in the axioms to prevent wholesale commercial piracy of published media. This content is still subject to DVD-stamping wholesale piracy. Thus the consumers' rights have been abridged with the copyright holder gaining no commercially meaningful protection.

- > =====
- > *CPSA Axioms*
- > =====
- > *CPSA provides a framework of 11 axioms that describe how*
- > *CPSA-compliant devices handle the*

Note that the role of the axioms is explicitly control over the behavior of devices and thus "use control" as it in turn limits the functionality available to the consumer.

- > *three major areas that are critical to ensuring a*
- > *comprehensive, consistent content protection scheme:*
- > *content management information, access, and recording.*

Fair use and first sale are not even a consideration in the design of this system. This is unsurprising in one sense, no system can be made which judge the intent of a use. However, their choice is thus to allow only the most limited use, disregarding other legitimate uses utterly prohibited by the design.

- > *Content Management Information Axioms*
- > *Content Management Information (CMI) is information carried*

- > *with content that indicates limitations on its allowed usage,*
- > *such as constraints on making copies.*
- > *1. Content Owner Selects CMI*

This first axiom and all below it reveal a particular world view. In place of "copyright holder" -- the subject of the DMCA and other copyright law -- CPSA consistently refers to the "content owner." This implication of ownership stretches the copyright holders rights far past first sale and includes the ability to control the consumers use of legitimately acquired, published works.

While I am not a lawyer (IANAL) it is my understanding that the concept of "content owner" -- is pure fiction. There is a copyright holder who holds certain limited rights (limited by the "limited times" clause, and first sale and fair use) over their works, but there is no "content owner." Ownership of published content is not granted -- a copyright is. This distinction is important as the CPSA axioms all assume unlimited rights of the copyright holder over the digital work before and after first sale.

- > *Axiom: The content owner selects the content management*
- > *information (CMI) from the supported options.*

Implication: CPSA allows total control over the use past first sale of content regardless of the traditional balance in copyright law, case law (Sony Corporation of America v. Universal Studios, 464 U.S. 417 (198), hereafter referred to as "Betamax" ) to suit the needs of a media company's business model.

- > *The content owner selects the appropriate content management*
- > *information for his or her content from the supported options.*
- > *The available options vary for different types of content according to*
- > *agreements made between content owners and device manufacturers.*

Implication: the CPSA will allow non-party agreements to control the behavior of digital media purchasers after first sale through controlling the functionality of available devices.

- > *2. Ensure Digital CMI Integrity*
- > *Axiom: While the content remains in the encrypted digital form,*
- > *the CMI integrity is ensured*

... by licensing terms imposed by the "hook" of encryption and backed up by the anti-circumvention provisions of the DMCA ...

- > *during transmission and storage using the encryption and key*
- > *management protocols.*

Implication: CPSA will allow copyright holders to ignore the Betamax decision and control the user's storage of broadcast content.

- > *CMI is stored and/or transmitted along with the content.*
- > *While the content remains in the encrypted digital form,*
- > *the CMI can be carried digitally. For example, the CMI*
- > *may be encrypted along with the content.*

Implication: CPSA can hide the CMI rules such that non-protected content cannot be known to be non-protected without decrypting the content. This ensures that only CPSA-compliant devices can be used even if the CMI rules would allow unlimited copying or access -- clearly controlling consumer use of digital media past first sale.

- > *3. Optional Watermarking*

- > *Axiom: At the content owner's option, the original content*
- > *may be watermarked for the purpose of transmitting the CMI*
- > *with the content, independent of its specific analog,*
- > *digital or encrypted digital representation.*

Implication: Using CPSA the copyright holder can hide the CMI in the content so you can't know whether you can copy it without first decrypting the content. Also it means -- "if we're paranoid, we can reduce your image quality to encode our paranoia in the picture." Note below.

- > *Some content owners may not want to include a watermark*
- > *in portions of content where they are concerned about*
- > *transparency, for example.*

- > =====
- > *Access Control Axioms*
- > =====
- > *In CPSA, encryption can be used to prevent non-compliant*
- > *devices from accessing protected content. Alternatively,*
- > *where encryption is not present, compliant devices*
- > *control access by detecting watermark CMI and responding*
- > *appropriately.*

Note that the purpose of encryption is not to protect the content but control the implementation of the devices. Note that nothing is said about the authority of the user (as granted by first sale or other means) or the "authority of the copyright holder", only the compliance of the device. While ignores the language of the DMCA, the use of encryption as the "hook" allows effectively bringing DMCA protection (under the view of the DVD-CCA) to these clearly unprotected implementation details.

- > *4. Encrypt Prerecorded Content*
- > *Axiom: All CPSA content on prerecorded media is encrypted.*
- >
- > *Content encryption is a key facet of CPSA. It ensures that*
- > *the content cannot be accessed until it is decrypted.*

"All ... media is encrypted." What we have here is death sentence for public domain works, and the "limited times" clause. All digital content is locked up for the unlimited time of the non-party CPSA license agreement. Fair use and archival are dead -- all future media is owned by the media companies to serve their business models. This cannot be what the framers of the Constitution nor the authors of the DMCA had in mind.

- > *In conjunction with licensing structures, it is the "hook"*
- > *that compels users to honor the provisions of the content*
- > *protection system. Thus, all digital content that has usage*
- > *restrictions on prerecorded media (e.g. DVD-ROM) is encrypted.*

This not access control, this is use control. A LICENSE between an agent of the COPYRIGHT HOLDERS (the DVD-CCA) and the device MANUFACTURERS "compels the user." Note here the explicit non-privacy. The user has signed no agreement giving up his or her fair use or first sale rights. Note also that the encryption isn't the protective measure but only the "hook" here again.

- > *5. Encrypt Authorized Copies*
- > *Axiom: All authorized copies of CPSA content are encrypted,*
- > *except where specifically agreed otherwise.*
- >
- > *Just as all content with usage restrictions on prerecorded*
- > *media is encrypted, so are all authorized digital copies*

- > of such content (meaning content that arrives encrypted
- > and/or containing watermark CMI). For example, when a
- > CPSA-compliant device receives analog
- > content with watermark CMI, a digital copy of the analog
- > input will be encrypted. This allows the encryption "hook"
- > mentioned previously to remain in place even for authorized
- > copies.

So the copyright holders can (a) control by technical means when I can copy and (b) they will force my copy to be encrypted when they do allow it (c) and they can control this after first sale. By this means even the copies they allow me are walled off from me. Even where some copying is allowed, the real fair use, space shifting, first sale etc. are prevent as the content remains behind the CPSA wall of "axioms" -- unable for access except by CPSA-compliant devices.

- > An exception to this is the DVD-audio framework, which
- > allows an unencrypted copy on legacy media (CD-R, CD-RW,
- > Mini-Disc or DAT) of any audio content with a sound
- > quality equivalent to CD-Audio or less.

Oddly, CD-R and MP3's are explicitly excepted. From earlier testimony before the Library of Congress, "Napster" was the end of the world, doomsday scenario. Here CPSA does nothing to address it. In any case this isn't technically feasible and is only a bow to reality.

- > 6. Playback Control
- > Axiom: Compliant playback modules detect the watermark
- > CMI when present in unencrypted content and respond
- > appropriately to prevent playback of unauthorized copies.
- >
- > Before playing back unencrypted digital content, compliant
- > playback modules check for watermark CMI. If present in
- > unencrypted digital content, compliant modules will not
- > allow playback, since all digital copies of content with
- > watermark CMI should be encrypted.

Note the authorization circular logic here. All unencrypted copies are de facto unauthorized. What is a the test for the "authority of the copyright holder"? Merely the presence of the encryption scheme. This is how the encryption hook is "set." Only encrypted copies are valid, and to play encrypted copies you need to licenses the CPSA IP. To do that you must agree to all their axioms. This is euphemistically referred to as "compliance."

- > 7. Output Protection
- > Axiom: For encrypted content, compliant playback and
- > source modules apply an approved protection scheme to
- > all outputs, according to the digital CMI settings,
- > except where specifically agreed otherwise.
- >
- > Protection of encrypted CPSA content must continue during
- > transmission, either by encryption (e.g., DTCP) or by an
- > approved analog protection scheme such as Macrovision™.

More contractual device control beyond the scope of the encryption. Every link, from player, to AV receiver, to video recorder, to television or video monitor must be compliant. As single piece of CPSA equipment forces all other new components to be compliant or be incompatible. Note the added cost and complexity now built in to every piece of consumer electronics.

- > 8. Manage Protected Output of Unencrypted Content

- > *Axiom: Compliant source modules check the watermark CMI*
- > *of unencrypted content prior to protected digital output,*
- > *and if present, set the digital CMI for the output accordingly.*

This shows that the encryption is pure pretext and not needed except as the licensing "hook." Unencrypted data is given the same protection by compliant devices as encrypted data.

- > *A compliant source module may optionally forward content*
- > *that arrives unencrypted to a protected digital output.*
- > *If it does so, the module must first check for watermark CMI,*
- > *and if it is present, set the digital CMI of the protected*
- > *output accordingly. This ensures that the digital CMI*
- > *corresponds to the watermark CMI, which is necessary since*
- > *compliant recording modules downstream will check only the*
- > *digital CMI of encrypted content to determine if a copy is*
- > *authorized.*

Note that encryption is not even needed once a critical mass of "compliant" devices is deployed. For a user, CPSCA-compliant devices are viral. Once a CMI is detected, the content is treated as if it was encrypted (and in fact will be encrypted if recorded).

- > =====
- > *Recording Control Axioms*
- > =====
- > *Recording devices maintain content protection by examining*
- > *digital or watermark CMI and making copies only if authorized*
- > *to do so. Copies of content are encrypted (except as noted*
- > *previously), and the digital and watermark CMI are updated*
- > *to continue the protection of the copied material.*
- >
- > *9. Examine CCI Before Copying and Respond Accordingly*
- > *Axiom: Compliant recording modules detect and respond*
- > *appropriately to the CCI, if it is present, before creating*
- > *a copy, if authorized to do so.*
- >
- > *o Digital CCI is examined for encrypted content*
- > *o Watermark CCI is examined for unencrypted content*
- > *Before making a copy, a compliant recording module checks*
- > *the CCI information. If the module is making a copy from an*
- > *encrypted source, it checks the digital CCI; otherwise, it*
- > *checks the watermark CCI. The copy is made only if the CCI*
- > *indicates that it is authorized.*

How can a device know when I have fair use rights? It cannot. Under the CPSCA it can arbitrary control my ability to copy. Note again the implication that encryption is not necessary to protect works if devices are CPSCA-compliant. Encryption is the "hook" to enforce the license, but unneeded functionality.

- > *10. Update CCI Before Copying*
- > *Axiom: Compliant recording modules appropriately update both*
- > *the digital CCI and the watermark CCI, when present, before*
- > *creating a copy.*

This is implementation housekeeping. Note again that encryption is not required for CCI as unencrypted but watermarked content receives the same protections.

- > *Prior to creating a copy of CPSCA content, compliant recording*



- > modules will appropriately update both the digital CCI and the watermark CCI, if present. Since the watermark CCI is always updated when a copy is made, compliant playback modules are not required to have watermark updating capability.

- > Note that for non-CPSA content (unencrypted content without watermark CMI), a protection system may still support making an encrypted copy, in which case the digital CCI of the copy is set as defined by that system.

It doesn't say what the CCI of the system is. Some CCI -- either "unlimited copies" or "no copies" -- is applied to my home videos or other non-CPSA at the devices discretion. Note that once CCI is applied, the content is then treated as CPSA content and always encrypted when recorded -- fully locking the user into using only CPSA-compliant devices even for content on which they (or no one) holds the copyright.

- > 11. Temporary Images
- > Axiom: Compliant recording modules do not inspect or update either the digital CCI or the watermark CCI when making an image that is both temporary and localized.
- >
- > To allow for enhanced (e.g. time-shifted) viewing of copy-never

This reveals another attack on fair use. It presumes that broadcast digital content (the only sort one would reasonably "time-shift") can be tagged as "copy-never." This is clear erosion of the Betamax decision. While below "time-shifting" is allowed within a given CPSA-compliant device, it is under far stronger limitations than those applied by Betamax with respect to archival and fair use.

- > content, compliant recording modules do not inspect or update either the digital CCI or the watermark CCI when making an image that is both temporary and localized.
- >
- > Content controlled in this manner must exist in a playable form for only a limited time, and must be stored in such a way that it can only be played back from the system used to create the image. Since such an image is not useful as an archival copy, it may be made independent of restrictions on copying indicated by the CCI.

Here they pay some limited lip service to the Betamax decision and its implications regarding fair use "time shifting." However space-shifting, excerpting, and archival are clearly ignored. Also, it is unclear how can this be implemented on a software player without intrusive modifications of the file system, backup and network subsystems.

- > Note that although CCI is neither checked nor updated in this case, some types of content might contain other types of CMI, such as bits related to time shifting, that would need to be checked and updated appropriately.

While the CCI always allows for the limited, same-device time shifting, CMI is allowed to prevent it. This is an interesting and deceptive approach. CPSA-compliant devices can claim that "time-shifting" is always allowed by the copy control subsystem. Since it can be prevented by the CMI, it's much like proclaiming an open door policy thus, "The door is always open -- but sometimes we electrify the porch."

### 3. Conclusions

As you can see above, current technological developments threaten the very essence of first sale and fair use. Under the CPSA or other potential, future schemes these are systematically eradicated for the sake of the mythical "content owner." How is this achieved? The use of encryption and the anti-circumvention provisions of the DMCA provide an irresistible "hook" for any arbitrary set of restriction to be imposed on device manufacturers. This is true (in the view presented within the CPSA draft) even if the designers of the system assert explicitly that the encryption is merely a pretext (a "hook") to force compliance to rest of the content control scheme.

Only broad exemptions to the anti-circumvention measures in the DMCA can dull this "hook" and prevent abusive and arbitrary schemes such as those proposed in CPSA. My recommendation for a sufficient set of exemptions are: (Note: in the following PPV is the abbreviation for "pay-per-view")

Class 1: published, non-PPV works

Exemption: full exemption from all anti-circumvention measures based on traditional first sale.

Class 2: works accessed for fair use

Exemption: full exemption from anti-circumvention for works after first sale (non-PPV) or first access (PPV) when utilized for fair use.

Class 3: broadcast works (including webcast, cable and pay-per-view)

Exemption: rights granted in the Betamax decision -- including non-encrypted archival, time and space shift, if access to work is legitimate (i.e. legal cable access, and pay-per-view authorization)

Without this we can expect that this dark, restrictive vision of CPSA will come to pass in the all to near future. Please remember that this document itself would not have been possible if the axioms described in the CPSA document had been applied to the CPSA document.

I thank you for your attention to this lengthy response.

**Software & Information Industry Association**



August 4, 2000

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Re: SIIA Comments Relating to the Joint Study by the Copyright Office and NTIA on Sections 109 and 117 of the Copyright Act

Dear Messrs. Feder and Joyner:

In response to the Federal Register notice of June 5, 2000 entitled "Report to Congress Pursuant to Section 104 of the Digital Millennium Copyright Act" published by the National Telecommunications and Information Administration ("NTIA") and the Copyright Office, the Software & Information Industry Association ("SIIA") hereby submits the following comments on behalf of its members.

SIIA is the principal trade association of the software and information industry and represents over 1,000 high-tech companies that develop and market software and electronic content for business, education, consumers, the Internet, and entertainment. SIIA and our members are extremely interested in issues relating to the interplay between new technologies, e-commerce and the copyright law.

#### General Comments

As recent as twenty years ago, the Internet did not exist, most consumers had not heard the term "software," digital content was unknown except to a few, and consumer electronics referred to radios, alarm clocks and turntables. But in the last twenty years, the ways that we as a society learn, communicate, conduct business, purchase goods and services, and entertain

ourselves have fundamentally changed – all because of emerging new technologies, such as the Internet.

In fact, it has only been in the last several years that consumers could tap into the vast resources increasingly available on public and private networks. And it is only in that short time frame that businesses, schools and universities, governments and individuals have begun to provide a wide range of products and services to previously unreachable audiences.

Consumers and businesses are learning and growing together. The Internet is perhaps the most competitive marketplace today – one in which consumer demands are clearly and quickly communicated and businesses are able to respond in kind. With the speed of technology, companies are able to address new market needs rapidly and effectively. This is a far cry from the environment that gave birth to the first sale doctrine almost a hundred years ago.

The first sale doctrine first appeared in common law<sup>1</sup> and later was codified in Section 27 of the 1909 Copyright Act. Section 27 of the 1909 Act provided that “nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.”<sup>2</sup> Today, the first sale doctrine is found in section 109 of the 1976 Copyright Act. The doctrine provides that once a person comes into possession of a material object embodying the copyright owner’s work that person can (subject to certain exceptions) dispose of possession of that object in any manner without violating the copyright owner’s distribution right.<sup>3</sup>

When this provision was added to the Copyright Act in 1909 and subsequently adopted in the 1976 Act, Congress intended it to be used as a means for balancing the copyright owner’s right to control the distribution of a particular copy of a work against the public interest in the alienation of such copies.<sup>4</sup> It is important to recognize, however, that alienation does not mean *unbridled* alienation. For example, Congress has deemed it appropriate to restrict the public’s ability to transfer a copy of a work under the first sale doctrine by enacting the rental right limitations in section 109(b) because of the widespread piracy caused when businesses were could rent copies of computer software and sound recordings to the public. Thus, the purpose of the first sale exception is not to give unlimited ability to individuals to distribute their copies of a work, but rather to permit individuals to distribute their particular lawfully-owned copy of

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<sup>1</sup> *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 351 (1908) (holding that the copyright owner's right to "vend" his book did not give the copyright owner the right restrict future retail sales of the book or the right to require that the book be sold at a certain price per copy).

<sup>2</sup> 17 U.S.C. § 27 (1970).

<sup>3</sup> These comments presume a working knowledge of sections 109 (first sale doctrine) and 117 (computer software exceptions) of the Copyright Act. For additional background information on the first sale doctrine, please refer to Keith M. Kupferschmid, *Lost in Cyberspace: The Digital Demise of the First-Sale Doctrine*, *The John Marshall Journal of Computer & Information Law*, Vol. XVI, No.4, at 825 (Summer 1998)

<sup>4</sup> See Craig Joyce, *Copyright Law* 528 (2d ed. 1991) (stating that "the first sale doctrine ... attempts to strike a balance between assuring a sufficient reward to the copyright owner and permitting unimpeded circulation of copies of the work").

a work only when such distribution would not conflict with the normal exploitation of the work or adversely affect the legitimate interests of the copyright owner in that work.<sup>5</sup>

Of particular significance to the study required by section 104 of the Digital Millennium Copyright Act ("DMCA") is the restriction contained in the first sale exception that limits the applicability of the exception to the "particular copy" of the work owned by an individual. Because of the nature of existing technology involved in transmitting a copy of a work from one computer to another, by the terms of the statute, the first sale exception will not apply to any such transmission. When a copy of a work is transmitted from one computer to another, the "particular" copy resides on the transmitting computer and a new "second generation" copy is created on the receiving computer. Accordingly, since transmission of works over the Internet involve the making of a new copy of a work and the first sale exception does not permit the creation of new copies, the transmissions of copyrighted works over the Internet does not fall within the coverage of the first sale exception.

In addition to the legal limitations on the first sale exception found in the Copyright Act and the case law, there are practical limitations inherent in traditional copyright distribution systems that serve to justify, to some extent, the first sale exception. The reduction and, in many cases, elimination, of these practical limitations in the e-commerce environment drastically reduces the need for a first sale exception. The diminished practical barriers associated with a network delivery system has and will continue to encourage content providers to use new licensing mechanisms and new means for delivering works to consumers. These new licensing and delivery mechanisms will enable just about any computer user to obtain a copy of virtually any work easily and quickly. In fact, these new licensing and delivery mechanisms will promote alienation and trade in copyrighted works to such a degree that individuals will have less of a need to avail themselves of the first sale exception because they will easily be able to get a copy of a work online. Accordingly, there is no need for the first sale exception to apply to the Internet and related digital distribution systems.

Therefore, with regard to the first sale exception, SIIA strongly urges the Copyright Office and NTIA to reaffirm the status quo by making clear in the Section 104 Report that: (1) the first sale exception does not apply to digital distribution mechanisms such as the Internet; and (2) given the Congressional intent underlying the first sale exception and the ease by which consumers have and will have access to a wider variety of copyrighted works than ever before, there is no need for the first sale exception to be expanded into the digital distribution environment.

With regard to section 117, our only general comment relates to the public perception and interpretation of the section 117 exception. All too often, we have become aware of persons engaged in software and content piracy who are using section 117 as the justification

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<sup>5</sup> H.R. Rep. 94-1476, 94th Cong., 2d Sess. 80 (1976). *See also* Agreement on Trade-Related Aspects of Intellectual Property ("TRIPs"), Art. 13, which requires the United States to confine its limitations and exceptions, including section 109, "to certain special cases which do not conflict with the normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder."

for their actions. For instance, we have come across numerous people who attempt to auction off their so-called back-up copies of their computer software or who make pirate software available on websites, ftp sites or chat rooms under the guise of the section 117 back-up copy exception.<sup>6</sup>

One need look no further than the testimony of Robin Gross of the Electronic Frontier Foundation during the 1201(a)(1) rulemaking as evidence of the misunderstanding of the scope and effect of section 117. In her testimony, she claimed to have the right to make a back-up copy of a DVD for personal use, but when asked for the legal basis for her claim, she stated that she was unfamiliar with section 117.<sup>7</sup> Unfortunately, Ms. Gross' statement are only the tip of the iceberg. There are many others who claim to have the right to make a back-up copy under the law without truly having any understanding of the parameters of section 117.

Consequently, SIIA strongly believes that there is an immediate and important need for the public to be educated as to the scope and effect of section 117. The days of people using section 117 as an excuse for software and content piracy must come to an end. The only way to do this is through a systematic and sweeping process of educating the public on the “dos and don'ts” of section 117 (as well as other provisions of copyright law) conducted by the Copyright Office and the Administration.<sup>8</sup> SIIA would be pleased to contribute its resources and experience to this much-needed educational program.

## Response to Section 109 Questions

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<sup>6</sup> We will be pleased to provide you with evidence of these examples if requested.

<sup>7</sup> See Hearing On Exemption To Prohibition On Circumvention Of Copyright Protection Systems For Access Control Technologies, 280-81 (May 19, 2000) at <http://www.loc.gov/copyright/1201/hearings/1201-519.rtf>

MR. CARSON: What other fair uses of a DVD can't engage in under the current regime?

MS. GROSS: If I want to make a back-up copy for my own personal use.

MR. CARSON: Okay. Let's stop with that. What case law tells you that you have a fair use right to make a back-up copy of the DVD for your own personal use?

MS. GROSS: I think that Sony v. Universal Cities says that.

MR. CARSON: Really? That's an interesting proposition.

MR. MARKS: I don't think Sony says that.

MS. GROSS: Software law specifically allows you to do that, and DVDs certainly fall under software.

MR. CARSON: DVDs fall within Section 117, is that what you're saying?

MS. GROSS: DVDs are software.

MR. CARSON: Okay. Are you saying that they're covered by Section 117?

MS. GROSS: I'm not really sure what 117 is.

MR. CARSON: Okay. You might want to take a look at it, and let us know in your post-hearing comments.

<sup>8</sup> We understand that the Copyright Office and the Patent and Trademark Office have educational programs in place, but given the misunderstanding and lack of knowledge that the public has with regard to the copyright law, we believe that further steps need to be taken to educate the public on certain aspects of copyright law.



*(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of the first sale doctrine?*

We are not aware of any effects, adverse or otherwise, that the enactment of prohibitions on circumvention of technological protection measures has had on the operation of the first sale doctrine.

*(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of the first sale doctrine?*

We are not aware of any effects, adverse or otherwise, that the enactment of prohibitions on falsification, alteration or removal of copyright management information has had on the operation of the first sale doctrine.

*(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale doctrine?*

Electronic commerce (“e-commerce”) has many different meanings.<sup>9</sup> From a business perspective, e-commerce provides the opportunity to market goods and services to a global audience at relatively low cost. For many companies, e-commerce is an increasingly important business strategy. Whether a company offers subscriptions for information services, electronic delivery of software, video or other entertainment or combines Web sales with traditional delivery, no industry can afford to ignore this emerging paradigm.

For consumers, e-commerce provides opportunities for unprecedented choice, convenience and access to creative content. Users can conveniently browse goods at online stores from their homes. No longer limited by geography, consumers can visit stores around the world, comparing prices, quality and service from several vendors. As a result, and as stated in more detail above, SIIA believes that the development of e-commerce has resulted in a reduced need for the first sale doctrine.

*(d) What is the relationship between existing and emergent technology, on one hand, and the first sale doctrine, on the other?*

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<sup>9</sup> See SIIA, Building the Net: Trends Report 2000 (2000) (an online report analyzing six key trends shaping the digital economy. The Trends Report 2000 provides a concise overview of the rapidly changing software and information industry. The report examines areas of rapid and dramatic change by considering market demographics, consumer behavior, evolving business models, relevant policy initiatives and emerging technologies. The Trends Report 2000 is accessible online at <http://www.trendsreport.net>. Titles of the six trends include: Software as a Service, The Value of Information, The Digitization of Business, Customer Empowerment, The Business of Policy, and Education Anytime, Anywhere.

Perhaps the greatest challenge to policymaking in the high-tech era is adapting to the time difference. Not from Eastern to Pacific, or even Washington to Brussels, but rather from “policy time” to “Internet time.” Today’s time challenge is much more complex: requiring the adapting (where appropriate) and application of laws to a constantly evolving technology driven universe. Innovation and flexibility are the essence of the Internet and new information technologies. With business models evolving around technology so rapidly, it is difficult to craft an adequate public policy framework for right now. Because policy crafted for today could very well be outdated and restrictive tomorrow, the importance of not creating a new set of laws and maintaining an industry, competition driven universe is that much more essential.

Achieving a balance between moving fast enough to meet immediate needs and demands, while not responding too quickly as to stifle growth, poses a very real challenge. It is not realistic to expect policymakers to live-up to that challenge without the guidance from industry. Therefore, before taking any position on the effects of technology on the first sale doctrine, we urge the Copyright Office and NTIA to fully consider the industry comments filed pursuant to this study, as well as the actions taken by SIIA member companies and other industry representatives to get their products and services into the hands of consumers through the use of new emerging technologies and new distribution mechanisms incorporating digital rights management.

As stated throughout these comments, SIIA strongly believes that no change to the language of section 109 is appropriate. Not only is such a change unwarranted, but even if one were to proffer some good reason for changing the scope of section 109, we assert that it is much too early in the development of e-commerce and that business models are evolving much too rapidly to make any changes in section 109 at this time.

*(e) To what extent, if any, is the first sale doctrine related to, or premised on, particular media or methods of distribution?*

As stated above, the first sale doctrine is premised on traditional methods of distribution and traditional media. The first sale doctrine plays no role in present-day digital distribution methods because such methods (i) do not involve the transfer of one’s “particular copy” of a work, and (ii) require the making of a second generation copy of a work, thereby implicating the copyright owner’s reproduction right – a right not at issue in section 109.

*(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?*

The emergence of new technologies makes copyrighted works more accessible than ever before. As a result, (as stated in more detail above) there is less need for an individual to transfer his or her particular copy of a work to another, because that other person can easily and effortlessly obtain their own copy of that work from the copyright owner or the copyright owner’s authorized distributor. In fact, in many cases it is or will be actually easier to obtain a

copy from the copyright owner. Therefore, the rationale for the first sale doctrine – the alienation of copyrighted works – is significantly reduced by emerging new technologies.

*(g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?*

No. The first sale doctrine should not be expanded to apply to digital transmissions. As stated above, SIIA believes that the development of e-commerce and digital distribution systems that make copyrighted works more accessible than ever before have resulted in a reduced need for the first sale doctrine. It should also be noted that the Administration considered this issue in 1995 when it published its White Paper on “Intellectual Property and the National Information Infrastructure” and concluded that no legislative action was needed to revise the rule for digital content.<sup>10</sup> Moreover, only a few years later Congress too considered proposed legislation to revise the first sale exception during its consideration of the DMCA, but ultimately rejected the concept. There has been no significant change since the Administration and Congress considered the issue to warrant reconsideration or a change in policy by the Copyright Office or NTIA.

*(h) Does the absence of a digital first sale doctrine under present law have any measurable effect (positive or negative) on the marketplace for works in digital form?*

No. We are not aware of any evidence indicating or establishing that the absence of a digital first sale doctrine under present law has had any measurable effect (positive or negative) on the marketplace for works in digital form. As stated above, SIIA believes that the development of e-commerce and digital distribution systems that make copyrighted works more accessible than ever before have resulted in a reduced need for the first sale doctrine.

#### Response to Section 117 Questions

*(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of section 117?*

We are not aware of any effects, adverse or otherwise, that the enactment of prohibitions on circumvention of technological protection measures has had on the operation of section 117.

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<sup>10</sup> See Bruce A. Lehman, Information Infrastructure Task Force, Intellectual Property and the National Information Infrastructure: The Report of the Working Group on Intellectual Property Rights 90-95 (Sept. 1995).

*(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of section 117?*

We are not aware of any effects, adverse or otherwise, that the enactment of prohibitions on falsification, alteration or removal of copyright management information has had on the operation of section 117.

*(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of section 117?*

We are not aware of any effects, adverse or otherwise, that the development of electronic commerce and associated technology has had on the operation of section 117.

*(d) What is the relationship between existing and emergent technology, on one hand, and section 117, on the other?*

See response to question (d) under the heading "Response to section 109 Questions" above.

*(e) To what extent, if any, is section 117 related to, or premised on, any particular technology?*

Section 117 was enacted at a time when software was primarily distributed on floppy discs that could be damaged by inadvertently scratching, bending or demagnetizing the disc. The need to make a back up copy of your software in those days was therefore essential.

Technology and business models have evolved considerably since then. Nowadays, software is primarily distributed on CD-ROM and the potential of inadvertently damaging a CD-ROM in a way that makes the software contained on the disc inaccessible is an extremely rare occurrence. In the not-to-distant future (and to some extent at the present time), software will be sold as a service over networks, making inadvertent software damage as extinct as a Tyrannosaurus Rex. The Application Service Provider ("ASP") model provides the potential for software to evolve away from the individual desktop and/or network to a server hosted by the copyright owner or authorized distributor on the Internet. There, the software can be accessed any time and anywhere by the user, thereby eliminating the need for individual back-up copies. As a result, in the future, the need for the provisions in section 117 relating to the making of a back-up copy will no longer exist.

*(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which section 117 is established?*

See response to question (e) above.

## Response to General Questions

*(a) Are there any additional issues that should be considered? If so, what are they and what are your views on them?*

At this time, we can think of no additional issues that should be considered.

*(b) Do you believe that hearings would be useful in preparing the required report to Congress? If so, do you wish to participate in any hearings?*

At this time, we do not believe that hearings would be useful in preparing the required report to Congress. We reserve the right to change this response depending on the content of other comments filed on or before August 4<sup>th</sup>. If hearings are held, however, SIIA would like to participate in such hearings.

In closing, we would like to once again thank the Copyright Office and NTIA for providing us an opportunity to express our views on these very important issues. If we can provide any supplemental information or clarify any of our comments please do not hesitate to contact us.

Sincerely,

Ken Wasch  
President



**Stanford Linear Accelerator Center**





SLAC Comments For Possible Inclusion in the Report to Congress Pursuant  
to Section 104 of the Digital Millennium Copyright Act

by  
John M. Thompson  
Legal Clerk  
SLAC Office of Technology Transfer

**1. Section 109**

- (a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of the first sale doctrine?

Prohibitions on circumvention of technological protection have had no effect on the operation of the first sale doctrine. Current technological protection measures are easily defeated and do little towards protecting digital works from duplication, resale, and distribution. Additionally, duplication of digital works is extremely efficient and difficult to trace. This makes enforcement of technological protection laws nearly impossible. However, for a user who does not defeat technological prevention measures, the circumvention clause of the DMCA can make it difficult to resell products. In that case the first sale doctrine is negatively impacted by prohibitions on circumvention of technological protection.

- (b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of the first sale doctrine?

Because copyright laws are extremely difficult to enforce as applied to digital works, prohibitions on falsification, alteration or removal, of copyright management information has had no effect on the first sale doctrine. Digital works such as computer programs, digitally encoded music files (MP3), and digitally encoded movies (DVD, AVI, ASF, MPEG) are often distributed for free on the Internet with copyright notices intact. There is little reason or incentive for software “pirates” to remove the notices. In fact, leaving the copyright notices intact helps to show that the illicit copy is the genuine product. Fear of copyright enforcement seems to be almost non-existent and those trading in illegal files act without regard to the law.

- (c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale doctrine?

Electronic commerce has had little effect on the first sale doctrine. Electronic commerce is merely an alternative method to buy and sell goods and services. Tangible goods are usually delivered via a shipping service. Once the consumer receives those goods, the first sale doctrine applies as normal. The buyer is then free to resell the goods, subject to standard limitations. For transactions that take place only in the digital realm, the first sale doctrine applies the same way as it does to tangible goods. Because digital goods are much easier duplicated than tangible goods, digital goods are more often duplicated and redistributed for free or for minimal cost.

- (d) What is the relationship between existing and emergent technology, on one hand, and the first sale doctrine, on the other?

As the copyright laws currently stand, with enforcement as applied to digital works nearly impossible, the burden of protecting intellectual property is increasingly falling on the producers rather than the law. Those developing new technologies are continually developing new ways of protecting their works. This often comes in the form of a technological lock or protection against unauthorized duplication. Because the locks are usually easily defeated most digital works can be found for free download on the Internet.

- (e) To what extent, if any, is the first sale doctrine related to, or premised on, particular media or methods of distribution?

The first sale doctrine is most effective as applied to “old technology works” such as print media. Unlike digital, printed objects are much more difficult to reproduce and distribute on a wide scale level. Because of this, it is difficult for the original buyer to keep a copy of the product and sell the original. However, with digital works, copies are easily made with no loss of quality between copies. This allows consumers to easily make copies, and distribute those copies, while at the same time retaining their original. The first sale doctrine as applied to digital works is much less effective than it is when applied to non-digital works.

- (f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?

The emergence of new technology (specifically digital works) has made the copyright laws obsolete and ineffective. Digital works are easily reproduced and redistributed. Once a digital work resides on the hard drive of a single user it is extremely easily redistributed to many users. This conduct is nearly untraceable and results in many illicit copies of digital works. Technological fixes have developed as an alternative to copyright to protect digital works. However, technological protections are routinely defeated and do little to protect intellectual property. Currently, copyright laws, in

relation to digital works and individual users, are generally followed on the honor system. However, development of intellectual property continues to flourish, suggesting that other forces are at work which encourage the creation of new intellectual property. For this reason, the lack of the applicability of copyright laws to digital works is not as problematic as it might seem at first glance.

- (g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?

Like owners of “old technology works” (such as printed books), owners of works in digital forms should be included in the first sale doctrine. It has long been recognized that a consumer that buys a product also has a right to resell that product. Although digital works are easily reproduced, this is not a reason to not extend the first sale doctrine to owners of digital works. The principles of the first sale doctrine must apply equally to all products. The first sale doctrine should not be limited to certain works only because some works are easier to reproduce than others. Other methods must be developed to control reproduction rather than changing the fundamental principles of the first sale doctrine.

- (h) Does the absence of a digital first sale doctrine under present law have any measurable effect (positive or negative) on the marketplace for works in digital form?

Consumers would be provided with more protection if the first sale doctrine were extended to digital works. If an owner of a computer software program wants to resell it he does so at the risk of violating the law. If the first sale doctrine is extended to digital works it will rightfully provide the same protections to all types of works.

## **2. Section 117**

- (a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of section 117?

Acts permitted under § 109(a) and § 117 may be in violation of § 1201(a). For example, one who has purchased a CD-ROM has lawfully acquired access to that work. Under § 109(a) and § 117 that person is allowed to use the disc in another computer or lend it to a friend. However, if that CD-ROM requires connecting to a central computer and entering a password upon use, any attempt to circumvent the password protection for a lawful purpose (such as lending the CD to a friend) will violate § 1201(a). This dilemma can be resolved by amending the law to only bar circumvention of technological measures controlling access to a copy of the work. Then, once you had lawfully acquired your copy, you would be able to lawfully use it in a computer, or circulate that copy, without

further prohibitions imposed or reinforced by the Copyright Act. Despite the current illegality of circumventing technological protection measures, these measures are routinely defeated. So, in practice the law has not had a significant effect on controlling copying and distribution of digital works.

- (b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of section 117?

Like the above scenario, prohibitions on falsification, alteration or removal of copyright management operation has the potential to collide with acts permitted to the owner of a copy under § 117. In order to lend a lawfully acquired CD-ROM to a friend, that friend might be required to falsify ownership information of the program in order to access the software. While loaning the software to a friend is permitted under § 117, falsifying the ownership information in order to access the disc is not allowed under § 1201. However, actions in violation of § 1201 regularly occur and the law has done little to prevent the violations.

- (c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of section 117?

In some ways electronic commerce has further hindered the consumer's ability to take advantage of permitted acts under § 117. For example, a consumer may never actually possess a copy of a program, but only use the program across a computer network. This allows the producer of the software to control access without needing protections of copyright laws. Because copyright laws are doing little to stop the unauthorized reproduction and distribution of digital works, this is one example of how companies are coping with the ineffectiveness of the copyright laws as it relates to digital works.

- (d) What is the relationship between existing and emergent technology, on one hand, and section 117, on the other?

Emerging technology is being created in a way that does not rely on § 117 or any other section of the copyright law to protect it. Producers are developing more sophisticated methods of tracking use of software and access to software. Until copyright laws or a new method is developed that better protects digital works, technological protections will continue to be developed and improved upon.

- (e) To what extent, if any, is section 117 related to, or premised on, any particular technology?

Section 117 seems directed to software that is easily copied and circulated. It does not apply to software that is used over a network which is never in the physical possession of the user.

- (f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which section 117 is established?

Section 117 applies to computer programs that are in the possession of the user. It might not be as applicable to software which is never in the possession of the user, but is accessed only across a computer network.

### **3. General**

- (a) Are there any additional issues that should be considered? If so, what are they and what are your views on them?

Copyright law in regard to digital works is not protecting the intellectual property embodied in these works. Currently it is almost impossible to trace the unauthorized duplication of digital works. A new system needs to be instituted for protecting digital works. This new system might work best if it is based on controlling access to the works.

- (b) Do you believe that hearings would be useful in preparing the required report to Congress? If so, do you wish to participate in any hearings?

Hearings would be helpful in determining the direction, if any, Congress should take with regard to protecting digital works. I am willing to participate in the hearings.



**Ken Arromdee**





I'm writing to comment about the DMCA yet again, having commented before on 1201(a)(1). Unfortunately I don't have the time to produce a full-length formatted message this time, but I'd like to register my objections to the impact of the DMCA upon first sale.

Specifically, in the MPAA vs. 2600 case, brought under the DMCA, the Motion Picture Association of America has tried to stop creation of an open-source DVD player for the Linux operating system. One of the MPAA's claims is that a user isn't "authorized" to view a DVD just because he's purchased a DVD. The MPAA requires that the user get a licensed player; otherwise his attempt to access the work is illegal under the DMCA.

Since a DVD is useful because of its content, allowing the companies to control who can legally access the content on the DVD is effectively equivalent to allowing the companies to control who can legally own the copy, thus interfering with the right of first sale. (Technically, of course, the physical DVD can be still be transferred to another person, but this transfer is useless without the right to access the DVD's content.) For instance, an importer of foreign DVDs who has legally purchased those DVDs should be able to sell them (by the first sale doctrine) to people living in the US. However, the MPAA will refuse to authorize a DVD player without a signed contract that requires that the DVD player only play DVDs from one region of the world. This will make it impossible to sell the DVDs to anyone who doesn't either own two DVD players set for different countries (a vanishingly small percentage of DVD player owners), or own an unauthorized player or a player with the access control circumvented (illegal under the DMCA).

It should be noted that while the Linux player involved in the lawsuit is in an early stage, and Linux is not as popular as Windows, that does not mean that the DMCA claims in the lawsuit affect only the relatively small number of Linux users. If an "unauthorized" software player for Linux is allowed, the theory means that "unauthorized" players are allowed, period. Any manufacturer would be able to produce a DVD player without having to implement any of the onerous contractual restrictions on which the DVD-CCA and MPAA have conditioned authorization. Any consumer would be able to walk into a store and buy a DVD player that plays DVDs from any country, has no Macrovision, and allows the user to skip commercials. And needless to say, the impact on the market for DVDs caused by restrictions such as region coding would not exist.

A similar situation exists for Playstation games and other video games. Video games, like DVDs, are typically produced with region protection, which means that a game is useless to someone from a different part of the world than the one for which the game has been produced. The user can get around this by buying an unlicensed player (such as the Bleem or Virtual Gamestation emulators) which circumvents the access control, or by modifying their Playstation console to circumvent the access control by itself. (Note that Sony has claimed that modified Playstations can be used to play pirated games, but has failed to mention that they play legally-purchased import games.) However, under the above interpretation of the DMCA, these activities would be prohibited and foreign Playstation games would become unusable by US Playstation owners and thus, unsellable.



**Robert S. Thau & Bryan Taylor**



“Authority of the copyright owner” in 1201(a),  
and First Sale

Robert S. Thau and Bryan Taylor

August 4, 2000

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## Acknowledgments

This paper is the result of discussions on the `dvd-discuss` mailing list, part of the Openlaw forum of the Berkman Center for Internet and Society at Harvard Law School, and has benefitted immensely from the insights of those on the list. All flaws are, of course, solely the fault of the authors.

# 1 Introduction

The Digital Millennium Copyright Act gave copyright holders remarkable new powers to regulate the distribution of their works, which have raised concerns that the traditional balance in the law — between the rights granted to copyright holders and the public interest — is being eroded. These concerns might be allayed somewhat if the copyright holders were carefully staying within the bounds and intent of the law. However, that seems not to be the case. In one of the first trials under the law, *Universal et al. v. Corley* (one of the so-called “DeCSS cases”), the copyright holders have adopted a sweeping view of their powers under the law; indeed, a view far more broad than anything envisioned by the members of Congress as described the intent of the law in their debates and reports.

Specifically, the movie studios’ case in *Universal et al. v. Corley* relies on an interpretation of the Digital Millennium Copyright Act (DMCA), specifically 17 USC 1201(a) — a view already articulated by their attorney, Dean Marks, in hearings for the librarian of Congress — which we regard as fundamentally flawed. This section of the law provides protection for “access control mechanisms”, which as we shall show, was clearly intended by Congress to mean mechanisms which perform some sort of affirmative check that a viewer is authorized to view a particular work. Several such systems have been deployed by the movie studios to protect their work, including one (codeveloped with Circuit City, and marketed to consumers under the name “Divx”) which actually checked the authority of a particular viewer to view works distributed on DVD disk. However, the “Content Scrambling System” (supposedly “hacked” by the authors of the program at issue in this case) performs no such check; a CSS-enabled player will view *any* CSS formatted DVD without performing any check that the user is authorized to view it.

Further, the studios are claiming a right to impose arbitrary conditions on the implementation of the CSS technology, via the license terms which they seek to impose on player manufacturers. These terms already include the implementation of a “region coding” mechanism, which is intended to prevent disks sold in one region, designated by the movie studios, from being played in another — with an obvious impact on, among other things, the ability of a purchaser to resell a work, one of the cornerstones of first sale. And nothing in the studios’ interpretation would keep them from imposing further conditions, which could very well have the effect of annihilating the first sale doctrine in practice.

The copyright office, in this round of requests for comments, asks how the implementation of the DMCA has affected the first sale doctrine. We will demonstrate in this paper that the effect is already substantial, and threaten to become worse. The copyright office also asks whether additional issues should be considered. We suggest the following:

- What is required for a technical measure to be an “access control mech-

anism”, and how much control does the law grant copyright holders over those mechanisms?

- Are the movie studios using the DMCA to claim statutory protections for use of their works, and not just access? Are these claims consistent with the text of the law, and with Congressional intent in passing the law?
- Does the DMCA exceed the Constitutional bounds of Congress’s power to grant intellectual property rights, by granting patent-like control over “access control” processes without any time limit?
- Is there an interpretation of the law which eliminates those Constitutional issues, and statutory protections for use controls, while still providing statutory protection for strong, effective technical mechanisms which allow copyright holders to protect their works?

This paper proposes such an interpretation of the law, demonstrates that it provides statutory protection for several strong, existing protection mechanisms (including one that applies to works distributed on DVD disk), and shows that it avoids severe problems with the interpretation advanced by the movie studios.

## **2 Technical facts of the case**

The plaintiffs in this case are most of the major movie studios in this country. This case concerns movies which they publish on Digital Versatile Disc (DVD). The process of formatting these discs includes the application of the so-called Content Scrambling System (CSS), which transforms the files containing the video and audio comprising the movie into an obscured format. The details of this obscured format, and the process of converting it to industry-standard formats (e.g. MPEG) which may then, after many further conversions, be displayed to a human viewer are licensed by the plaintiffs, via their intermediary, the so-called DVD Copy Control Authority (DVD-CCA), to player manufacturers.

### **2.1 CSS, and restrictions on its use**

Licensees are required to obey numerous conditions on their use of the CSS technology by the terms of the non-public license. These conditions are known to include implementation of a system called “region coding”, which requires a player sold in America, for example, to refuse to play discs sold for use in Europe, or vice versa. (Among other measures, a player is required to keep a permanent record of the region it resides in, and to allow this record to be changed only a small, fixed number of times without being



reset at the factory). These requirements also currently include the implementation of certain copy-control technologies designed to inhibit transfer of movies onto VCR cassettes (the so-called “Macrovision” machinery). However, the studios and their agents have acknowledged that these mechanisms are technically distinct from CSS *per se*, and bound to it only legally by the requirements of their license. They have also included among these conditions such matters as region coding, which have nothing to do directly with either access control or copy control, which comprise between them the subject matter of the DMCA. As the plaintiffs’ witness, Robert Schumann stated in his second declaration:

23. As I also stated in my recent deposition, CSS and the decryption of it via DeCSS has nothing to do with protecting so-called regional coding or any mechanism which prevents consumers from fast-forwarding through the initial audiovisual information contained on a DVD disc (which includes copyright infringement warnings. and the like).

(Schumann supplemental declaration, June 1, paragraph 23).

The defendants in this case are distributing an unlicensed implementation of the CSS technology, called “DeCSS”, which, like the licensed implementations, can take the obscured video files stored on commercial DVDs and convert them to unobscured form. This is the first of several conversions required to make these files visible to a human viewer, and is a necessary step in viewing the content on a DVD (others being conversion from a highly compressed form called “MPEG” to uncompressed digital video, formatting that digital video so hardware display drivers can process it, and the conversion of the digital data to analog signals driving an actual display; the analog signals are generally processed further within a display, but those steps are of no concern to us).

As such, DeCSS performs a function which is absolutely necessary to viewing the content on legitimately purchased DVDs to which CSS obscuration has been applied — players which would clearly serve a legitimate function. In fact, as testimony at the trial has shown, DeCSS was originally written to serve as a component of such a player (Universal v. Corley, Johansen testimony, p. 619 of the trial transcript).

## 2.2 The “threat” of piracy

The movie studios have claimed, in submissions in Universal v. Corley and elsewhere, that CSS is part of a copy-control regime which is necessary to prevent “piracy” (that is, unauthorized copying) of their works, justifying that claim in part by saying that digital technology allows the creation of limitless copies without generational loss.

This piracy could conceivably take one of two forms. One would be creation of unauthorized physical copies of DVD disks, by “bootleggers”;

this is alleged to be common on the Pacific Rim. However, when pressed, representatives of the movie studios have been candid in admitting that the CSS technology does nothing at all to prevent such bootlegging. For instance, consider the following exchange, at a hearing held at Stanford University by the Copyright Office, Dean Marks, a lawyer representing the movie studios' trade organization, the Motion Picture Association of America (MPAA), stated flatly in colloquy with David Carson of the Copyright office:

21                   MR. MARKS: A duplicated DVD disk is  
22 going to duplicate the CSS encryption.  
23                   MR. CARSON: And can be played on any  
24 legitimate player.

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1                   MR. MARKS: And can be played on any  
2 legitimate player, legitimate licensed CSS player.  
3 And not be played on non-licensed players.  
4                   MR. CARSON: Okay. So I don't see how  
5 you're stopping the -- I don't see how you're  
6 stopping the piracies of DVDs in that respect.  
7 Pirated DVDs can be sold on the open marketplace and  
8 played in any legitimate DVD player.  
9                   MR. MARKS: Without infringement  
10 copyright?  
11                   MR. CARSON: No, no, no. Certainly not.  
12 But we know pirated goods are on the market all the  
13 time.  
14                   MR. MARKS: Yes, they are.

(Transcript, LOC hearing on the DMCA, Stanford University, May 19, 2000, pp. 246-247).

We will be reviewing much more of this remarkable colloquy, and will in particular be returning to Mr. Marks' intriguing focus on control of DVD players, rather than control of works on DVD. But the important point here, for the moment, is that Mr. Marks freely admits that the CSS technology does nothing to prevent unauthorized copying of disks.

But, there is another form of illegitimate copying which the movie studios routinely invoke, namely copying of their works from person to person via the Internet — a threat supposedly enhanced by the possibility of making limitless copies of a digital work without generational loss over multiple generations of copies.

However, the trial has established that this is at best, a distant threat. The volume of information on a DVD — several gigabytes — is simply too vast to transmit over even a fast, local network, let alone the far slower, wide-area links which characterize the Internet as a whole. In order to argue that such transmission is even feasible, the movie studios have had to argue that the video data on the DVDs can be compressed far further. But,

that video data is already highly compressed; as testimony at the trial has demonstrated, performing this compression with any current compression technology necessarily involves throwing away some video data entirely, and substantially degrading the quality of the video in the process. Further, expert opinion in the field of compression is that breakthroughs which will allow drastically better high-quality compression of full-motion video (as opposed to special cases, like stills where 3-D geometric data is available) is unlikely, and further progress in the field will be incremental over the next few years. (Testimony of Peter Ramadge, *Universal v. Corley* transcript, pp. 884-932).

So, whatever digital copies can be made are in fact, significantly degraded from the originals, despite their digital nature. Furthermore, they are by nature missing any of the “extras” which the movie studios have included on many DVDs (alternate audio tracks, etc.), which are significant selling points for the DVD over alternatives such as VHS.

And yet unlike, say, compressed audio files, they are still too large to conveniently transmit over the Internet. The compression in Prof. Ramadge’s examples was to make the files small enough to fit on a conventional Compact Disk (CD), about 650 megabytes. Extrapolating from experiments performed by Ole Craig, a witness for the defense, a file the size of a CD would take more than three hours to transmit over a dedicated T1 line, to another computer which was very close in internet topology. (Craig’s experiment involved transferring a 1.5 gigabyte file, which took over seven hours; prorating to the smaller file at issue here is simple arithmetic). (Declaration of Olegario Craig, *Universal v. Corley*)

And this T1 line is many times faster than commonly available home internet access. The effective bandwidth available through even a fast home internet connection (e.g., DSL) is generally much less. The fastest home DSL connections from Bell Atlantic (now Verizon) are 0.64 million bits per second, compared to the 1.5 million bits per second available on a T1; prorating, we find nearly an eight hour download time for a CD’s worth of data. And even DSL connections are still relatively rare. The movie studios note that higher bandwidth is available to researchers at some universities, but those are for supervised research and do not go, say, to the dorms. Very few people, no matter how ill their will, would have the patience to sit still for hours to receive a poor-quality copy of a movie over the Internet, when the price for renting the high-quality original, with all its extras, is nominal.

Lastly, it is worth noting that those who desire to obtain a digital copy of the video data on DVD, for whatever reason, have other tools available (e.g., “DOD speed ripper”). At trial, the MPAA’s head of antipiracy efforts, Mikhail Reider, claimed, unconvincingly, not to remember hearing of those tools (*Universal v. Corley* transcript, Reider testimony, p. 680), but they were clearly available before DeCSS; at trial, one of the authors of DeCSS described how he examined such a tool in the course of his work. (*Universal v. Corley* transcript, Johansen testimony, p. 623). Yet, while the movie studios have filed not one, but three separate lawsuits seeking to enjoin distribution

of DeCSS, in three different states, they have not taken any legal action at all against distribution of these other tools, which facilitate “Internet piracy” in the exact same manner as DeCSS.

So, DeCSS rates three lawsuits, and “speed ripper” not even one. A reasonable person might conclude that DeCSS threatens the movie studios’ interests in a way that these other tools do not — and in a way other than facilitating “Internet piracy”, since they’re all the same in that regard.

There is, however, a significant difference — “speed ripper” relies on the CSS descrambling performed by a commercial DVD player; it works by capturing that player’s output in digital form. DeCSS implements CSS descrambling itself. As regards “Internet piracy” that’s irrelevant — the same results are achievable either way.

However, DeCSS does allow you to do something which “speed ripper” does not — it allows you to build a player which will render works on DVD without going to the movie studios (or their agent, the so-called DVD Copy Control Authority) for a license. Indeed, as we have already noted, testimony at the trial has established that that is why it was written, and one of the authors has received a prestigious national prize for the work. (Universal v. Corley transcript, Johansen testimony, p. 627).

It is this sort of activity — making a legitimate DVD player, not “Internet piracy” — which will be most directly affected by a finding in favor of the plaintiffs.

### 2.3 The prayer for relief

The plaintiffs are suing to enjoin further distribution of DeCSS, claiming that their licensed implementations of the CSS technology provide a form of access control which is being “circumvented”, or more simply, bypassed, by the unlicensed DeCSS implementation.

What makes this a peculiar claim is that there is nothing about any implementation of the CSS technology, either licensed *or* unlicensed, which would ever, in the ordinary course of the operation of CSS, deny any viewer access to the contents of any CSS-formatted DVD. If an unlicensed CSS implementation would reduce the contents of a given disc to (more) readable MPEG video data, then *any* licensed implementation would do the exact same thing. There is never any case in which the two implementations do anything different. How, then, can the plaintiffs claim that one of these things is providing an access check which is bypassed by the other?

To answer that question, let us begin by examining the law, and how it may be applied to two access control mechanisms of a sort which it is unquestionably intended to cover. Having done so, we will return to CSS, and to the contorted interpretation of the law which leads the plaintiffs to claim that CSS is providing access control despite the fact that in the ordinary course of its operation, it can *never* deny access.

## 3 Access controls and the DMCA

### 3.1 The applicable statute

The Digital Millennium Copyright Act was enacted by Congress to protect certain forms of electronic defenses which copyright holders might adopt for their works, by adding a new chapter, 12, to Title 17 of the United States Code, which defines copyright law. Two distinct types of mechanisms are protected — access controls, in section 1201(a) of the law, and copy controls, in section 1201(b). The plaintiffs’ case relies on construing CSS as an “effective access control”, as defined in 1201(a). So let us examine how that term is defined. In section 1201(a)(3)(B) of the law, we find that, for purposes of section 1201:

(B) a technological measure ‘effectively controls access to a work’ if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work.

If that is the case, then section 1201(a)(2) provides that

(2) No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that—

(A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;

(B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or

(C) is marketed by that person or another acting in concert with that person with that person’s knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title.

where “circumvention” is defined in 1201(a)(3)(A) as:

(A) to ‘circumvent a technological measure’ means to de-scramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner

So, “effectively control access” is defined in terms of “gain access to the work” — which is not, itself, defined in the DMCA. Seeking definitions from common language, we find that any common dictionary (e.g., Merriam-Webster) defines three senses for the word “access”: it can refer to a right, a means, or an act.

The most straightforward interpretation, in context, is that the technological measure must govern the *act* of access — that is, it must, “in the ordinary course of its operation”, perform some explicit test that the user is authorized by the copyright owner to view a particular work, and allow the act of viewing the work only in case that he is, in fact, authorized.

But, there are other possible readings; let us consider them. Clearly, it makes no sense to adopt the sense of “access” in which to “gain access” is to be granted the legal right to view something. That would reduce the law to nonsense; it would speak of technical means which somehow require the application of a process to a copyrighted work in order to allow a viewer to form a contract.

This leaves the interpretation in which “access” is a means, and the technical measure checks whether the viewer is using authorized means of accessing the work. However, the technical measure itself is necessarily part of the means of access, so at the very least this reading lends a strange circularity to 1201(a)(3)(B). But nevertheless, as we shall see, that is the plaintiffs’ reading. (Strangely, they seem to think this control extends over only means which employ cryptography in some way, even though the definition of “effective access control” never mentions cryptography, encryption, or decryption; of that, more anon). We will also see that this is how CSS itself is designed to function — it does not and cannot check that the user has been authorized by the copyright owner to perform the act of access — and we shall show see that this interpretation is at variance with both expressed Congressional intent in passing the DMCA, and with basic Constitutional principles regarding intellectual property protection.

But before doing that, it may be worth showing that our alternative interpretation, that “effective access controls” are restricted to measures which govern *acts* of access, does provide copyright holders with an opportunity to provide meaningful protection for their work, and that we are not trying to read the statute into nonexistence or irrelevance. So, let us examine a few examples of effective access controls under this definition.

## 3.2 Examples

On our reading, then, an “effective access control” is one which performs an explicit test that the viewer is authorized, and circumvention consists of bypassing, or negating the effect of, such a test, in order to provide access to a work to a person who would have been denied access “in the ordinary course of [the access control’s] operation”.

This is a fairly broad definition, which provides statutory protection for numerous mechanisms which the plaintiffs can build to protect their works. We will consider three.

### 3.2.1 Pay-per-view cable

In pay-per-view (PPV) cable case, programs are distributed to everyone in a particular cable network, but in a scrambled form. If a viewer desires to view one of these programs, then they make arrangements, including payment, with their cable provider. The cable provider then downloads a “key” for that *particular* program into that *individual* viewer’s set-top box. When the program is broadcast, the set-top box applies the key to the scrambled program, obtains the program in unscrambled form, and shows it to the customer. In this scenario:

- All cable customers have set-top box hardware, but only some are authorized to view a given program.
- In the ordinary course of the system’s operation, there are PPV programs which a customer can view — but only those the customer has been specifically authorized to view (by arrangement with the cable company).
- In the ordinary course of the system’s operation, there are PPV programs which a customer *cannot* view — namely, those which the customer hasn’t paid for. The system is performing an explicit test as to what programs a user is authorized to view, and denying access if not.
- “Circumvention” on our present reading, would consist of measures which defeat the above check, by, for instance, fooling the cable company into downloading a key when the user hasn’t paid for a program, or filching keys from another customer’s set-top box.

### 3.2.2 Circuit City Divx

Of course, in the PPV cable case, the work being protected (the pay-per-view programming) is never fixed in tangible media. But that is not essential; it would be easy to design a scheme in which players for DVD-like discs would similarly require a key to be downloaded into them in order to play the contents of a particular disc.

This mechanism would preserve the essential properties of PPV authentication which we have already discussed:

- All customers have player hardware, but only some are authorized to view a given disc.
- In the ordinary course of the system’s operation, there are discs which a customer can view — but only those the customer has been specifically authorized to view (by arrangement with the central office, mediated by the player).

- In the ordinary course of the system’s operation, there are discs which a customer *cannot* view, those for which payment has not been arranged. The system is performing an explicit test as to what programs a user is authorized to view, and denying access if not.
- “Circumvention” on our present reading, would consist of measures which defeat the above check, by, for instance, fooling the player into playing a disc which had not been paid for, or billing the wrong account.

A scheme along these lines was actually marketed as “Divx” by Circuit City, in conjunction by the plaintiffs; the internal technical details of the scheme were different, but it looked the same to consumers in most respects, including most notably the requirement that the player be able to phone a central office (via an internal modem) to manage billing. (There is, of course, no connection between this scheme and a video compressor, also called “Divx”, which has also been mentioned by the plaintiffs).

### 3.2.3 Certificates

We conclude with a less widely used, but still useful, example: certificates. MIT uses this mechanism to secure web access to student records. Briefly, a “certificate” is an electronic analog to a physical ID card with a watermark or raised seal — a datum which is difficult to produce by someone without particular authority, but which anyone may easily inspect to determine that it has been produced properly. These are used in electronic communication as follows: a “certification authority” issues certificates to individuals who wish to be identified. (MIT serves as its own certification authority) They can subsequently present these certificates, via their web browsers, to a web server, which verifies that they have a proper certificate (the analog to a physical ID card with the proper seal), and may read the certificate to verify the user’s identify (as a guard might read the ID card). The web server can then use the “certified” identity to determine whether or not to server a particular web page to the viewer — in the MIT case, to assure that students view only their own records.

Note that while it is common practice to encrypt data protected by the certificate mechanism, simply to protect it from potential prying eyes as it traverses the network, that does not form part of the mechanism, and we would still have effective access control without it. This will become an important point later. To summarize again:

- All MIT students can get a certificate, but only some — in fact, only the student and administrators — can view any given student’s records.
- In the ordinary course of the system’s operation, there are records which a student can view — but only those the student has been specifically authorized to view (usually his own).



- In the ordinary course of the system’s operation, there are records programs which a customer *cannot* view — in the MIT case, other students’ records.
- “Circumvention” on our present reading, would consist of measures which defeat the above check, by, for instance, forging a certificate, or convincing the web server to serve a student’s records in the absence of that student’s certificate.

Many other access control mechanisms besides the ones we have discussed can be imagined, which all share those properties, but we need not go into all the possibilities here. The point is that the reading of the law which we have proposed allows the plaintiffs a variety of ways, some of which have already been deployed, to protect their content.

But, our reading does not provide protection under the law for a scheme like CSS, which, as we have seen, does not discriminate between movies that a user is authorized to view and those which they are not, and *always* grants access “in the ordinary course of its operation”. To argue for protection for CSS under this law, then, the plaintiffs must adopt another reading. And they have.

## 4 CSS, DeCSS and plaintiffs’ analysis

The plaintiffs believe this case is simple and straightforward. To quote one of their attorneys, Leon Gold, in pretrial hearings:

Circumvent means to descramble, and that’s what DeCSS does. A technological measure effectively controls the access here to do the protected work and CSS is such a measure and it’s designed to control access to our copyrighted works. Because CSS is an encryption technology, you’ve got to have a software key to open it, so CSS qualifies as an access control measure. And all of the statutory requirements are met, and defendants are clearly violating them.

Note the peculiar statement that “Because CSS is an encryption technology, CSS qualifies as an access control measure”. This already indicates that the plaintiffs have adopted a somewhat strained reading of the statute. The statutory definition of “effective access control” — that an effective access control measure is one that “requires the application of information, or a process or treatment, with authority of the copyright owner, to gain access to the work” — makes no specific reference to encryption. Instead, as we shall discuss in detail, it requires that the technological measure so described have a particular *effect*. As we have already seen, it is perfectly possible to have an access control measure which does not encrypt the work it protects;

conversely, it is possible to employ encryption technology for purposes such as electronically signing documents, which have nothing to do with access control.

But rather than relying on Mr. Gold's perhaps hasty and off-the-cuff remarks, let's examine a more elaborate version of this argument, from the colloquy between David Carson and Dean Marks at the Stanford LOC hearing, concerning the notion of "authority" which is crucial to the statutory definition of "effective access control":

16 MR. CARSON: Are [DVD buyers] authorized to view  
17 [their DVD] on any machine they can find, that they can make  
18 to view it?

19 MR. MARKS: No, no. They're authorized  
20 to view it on a licensed device. If someone were to  
21 buy a VHS cassette, and they didn't have a VHS  
22 player, are they authorized to disassemble the  
23 videocassette, reproduce the film in there in 35-  
24 millimeter print and play it on their movie camera?  
25 I don't think so.

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1 MR. CARSON: Okay. But, first of all,  
2 there's no contractual privity between the purchaser  
3 of that DVD and Time Warner, I assume. There's no  
4 shrink-wrapped license. You know, you don't sign a  
5 license saying, "I agree only to play this on an  
6 authorized player," when you purchase the DVD.

7 MR. MARKS: That's correct. And neither  
8 is there a shrink-wrapped license when you buy a VHS  
9 cassette that's in NTSC format, and you only have a  
10 PAL player.

(Transcript of LOC hearing at Stanford, pp. 248-249).

So purchasers of a DVD are not entitled to view their DVD "on any machine they can ... make", but *only* on "a licensed device". But that is not due to any contractual obligation they personally have entered into, but due to the DMCA. However, once you have an authorized player, you are *guaranteed* to be able to play a given DVD; the player performs no authorization checks.

Note that the terms in which this is couched are rather different than in our analysis above — they speak, for instance, not of authorized *viewers*, who may or may not be authorized to view a particular movie, but rather of authorized *players*, which, if authorized, may play any DVD.

What makes such a player authorized is, in the plaintiffs' view, the CSS license. If removal of the CSS obscuration is done by a *licensed* player, then the player has the authority of the copyright owner, and is therefore authorized. However, if the *exact same process* is performed by a player

which was created by someone without a license, then it is unauthorized, and therefore circumvention, never mind that the two processes have the exact same effect.

Note also, that it is the manufacturer of the player who must be licensed in this view — CSS licenses are not required of individual viewers, nor even, in the usual case, available to them. This system is not about controlling the access of individuals to DVDs; it is rather used to control (via the CSS licensing requirement) who may create players for them.

This is how our reading of the statute differs from that of the plaintiffs. We read the “authority of the copyright owner” to be the authority of a given *user* to view a *particular work*. But in the case of CSS, the copyright owners are claiming the right to control how, or whether, a particular piece of *equipment* performs a particular *process*.

It should be noted that the plaintiffs go on to state that this control only applies to “access control processes”, and they sometimes go on to state that CSS fits that description because it is “an encryption process”. Of which, more anon.

## 5 Problems with plaintiffs’ analysis

There are a number of problems with the plaintiffs’ assertion of a right, stemming from 1201(a), to vet the application of certain processes to their content. The legislative record is clear that Congress did not mean to create such a right, on the part of the defendants, and indeed amended the bill to avoid such an interpretation. Also, there are some basic Constitutional problems with this new exclusive right to vet implementations of an access-control process, which simply do not arise if the statute is read, as it seems clear that Congress intended, simply to give copyright holders the right to control access (and sue only when access was or might be provided to an unauthorized viewer).

### 5.1 Conflicts with the First Sale doctrine

In the spirit of the LOC’s request for comments, let us first consider how the plaintiffs’ interpretation of the DMCA relates to the First Sale doctrine, codified at 17 USC 109. This section of the copyright laws governs what rights are transferred to the purchaser of a published work, in the absence of a contract with the copyright owner (which clearly does not exist in the case of DVDs). It states that when a copy of a published work is sold, the purchaser acquires all rights other than those listed in 17 USC 106 as exclusive rights of the copyright owner. In fact, 17 USC 109(c) specifically provides that the right to privately display the work is transferred.

In other words, the first sale doctrine states that when a published work is sold, the copyright owner voluntarily parts with the rights of control asso-

ciated with ownership of a copy, and the purchaser of the DVD acquires the right to display the work to an audience in the physical presence of the copy. Since display inherently requires the act of access if the work is scrambled, the right of access is part of the larger right to display — authority over which, once again, the copyright holder has voluntarily surrendered at the point of sale.

However, as we have seen, the movie studios claim that this rule no longer applies in the case of DVDs. They believe that they retain authority over how a work on DVD may be lawfully displayed, because that display is only lawful when it is performed, in Mr. Marks' words, on "a licensed device" — licensed by them, via their agents, the DVDCCA — despite the failure of the studios and their agents to ever announce this requirement to the DVD purchaser. And if all such devices implement some measure which restricts use of a work, such as region coding which prevents viewers from viewing a disk which they purchased in Europe, then the viewers have no lawful alternative way to access the content on the DVDs which they purchased. This obviously impacts the scope of possible resale, one of the rights traditionally acquired by the purchaser under the first sale doctrine. And the scope of further restrictions that might be imposed in the future is limited only by the studios' imaginations in drawing up their license.

In his colloquy with Mr. Carson of the LOC, Mr. Marks acknowledged that "the technological protection measure is not only dealing with access, but also with subsequent uses of the content" (transcript of the LOC hearing at Stanford, p. 261). (Representatives of libraries, universities and the public objected at those proceedings to the imposition of persistent use controls in the guise of 1201(a) access controls).

This analysis presumes that there is no contract which would alter the terms of sale of the published work, but in the case of DVDs, that is uncontested. See, for instance, Mr. Marks, representing the MPAA, once again in colloquy with Mr. Carson of the LOC:

1                   MR. CARSON: Okay. But, first of all,  
2 there's no contractual privity between the purchaser  
3 of that DVD and Time Warner, I assume. There's no  
4 shrink-wrapped license. You know, you don't sign a  
5 license saying, "I agree only to play this on an  
6 authorized player," when you purchase the DVD.

7                   MR. MARKS: That's correct.

(Stanford LOC hearing transcript, p. 249).

An alternative reading of the situation, of course, would be that the first sale doctrine still applies, and that the movie studios have surrendered their right to control private viewing at the sale of a DVD. Note that if surrendering display rights as per first sale is not to the taste of certain copyright owners (including, evidently, the movie studios), the law does give them an option: they may license, rather than sell their works, as is commonly done with software, pursuant to an explicit license agreement which imposes whatever

additional restrictions are to their taste; contract law, then, rather than copyright law should apply. And such a model of sales would impose scant burden on the studios; following the practice of software shrink-wrap license agreements, they can simply notify the buyer of the contract in a prominent way, and allow the purchaser to return the work if they don't agree with the terms. In fact, there is precedent for exactly that arrangement with the "DivX" pay-per-view scheme for controlling DVDs, which did require the consumer to sign an explicit contract.

Incidentally, the prospect of communicating restrictions by license agreement could largely eliminate apparent conflict between 17 USC 109, the First Sale doctrine, and 17 USC 1201, the anticircumvention provisions of the DMCA. If a copyright owner wants to exercise their right to control access to a published work via technical measures, granted by 1201, all the First Sale doctrine requires is that they provide a license agreement in a manner which notifies the purchaser of the restrictions on what they have purchased, and allow for returning the product if they don't like the terms. That seems only fair.

But, on the studios' reading of the law, such a conflict clearly exists.

## **5.2 Encryption not required for access control; any process could be regulated**

To summarize where we have arrived: the movie studios have adopted a reading of the law which allows them a patent-like control over processes which are required to gain access to their works — that is, once again, that the law is meant to give them control over not just the *act* of access, but the *means*. They are suing because DeCSS threatens to allow DVD purchasers to develop their own technologies and devices – competing DVD players – to access the works they have purchased.

When asserting this control, in court and elsewhere, the studios and their representatives are always careful to qualify it, by saying that this right to authorize means of access extends only to "access control processes", and not other kinds of processes. For instance, as we have seen, they have been careful to state in court that CSS is an access control process because it uses cryptography (a debatable position in and of itself, once the nature of that cryptography is analyzed, as we have seen).

However, no support for this assertion may be found in the statute. Neither the definition of access control nor that of circumvention in 1201(a) requires any particular structure of the access control mechanism, or the nature of the measures used to circumvent it. The definition of "effective access control" states simply that an effective access control must "require the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work"; there is no restriction on the technical means by which this requirement is met. And while the definition

of circumvention discusses descrambling and decryption, it also encompasses any other technique which allows a user to “avoid, bypass, remove, deactivate, or impair a technological measure”, again with no restriction to particular technical means.

Also, the studios use the terms “decrypt” and “descramble” interchangeably, but standard rules of statutory construction tell us that different words apply to different things, and the range of technological measures which may be described as “scrambling” is so broad that it is no restriction in practice. For instance, we have already mentioned the MPEG compression process which is used on DVD video even without CSS. This process is intended solely to compress the data, with no pretense of access control. Yet, the compression process involves throwing away some of the data and thoroughly scrambling the rest, and intensive computation is required to “descramble” it back to ordinary digital video.

Lastly, let us note that there are real, deployed examples of access control (certificates, as discussed earlier) where the use of encryption, if any, is wholly incidental, and not a part at all of the access control provided. You *can* have access control without encryption — and the movie studios’ reading would have the bizarre effect of denying such systems protection under the law.

In short, the notion that the law is restricted to processes which are somehow cryptographic is fallacious. If the law actually grants the movie studios the authority they claim, then they could exercise that authority over *any* process which is necessary to gain access to one of their works, such as, for instance, a video compression algorithm. Thus, they would secure the benefits of a patent on that process without meeting any of the requirements (originality, protection for a limited time), a point to which we shall return.

### **5.3 Access controlled is access to a market, not access to a work**

Another problem with the studios’ analysis is that, contrary to the letter of the statute, they are not using CSS to control access to works. As we have noted already many times, any DVD will play in any DVD player. What they are using it for is to impose conditions on the manufacture of players — some of which have to do with the goals of the DMCA (e.g., imposition of Macrovision copy control), and some of which simply do not (e.g., region control).

In other words, the studios are asserting that the DMCA gives them the right to control access into the market for DVD players, by requiring anyone who builds a player to enter into a license agreement, to which they can attach arbitrary terms.

Again, it is interesting to observe the colloquy of Mr. Carson of the LOC, and Mr. Marks, representing the MPAA, on this point. Mr. Carson began by noting that CSS, as described by Mr. Marks, had nothing to do with

access control as he (correctly) understood it:

6                   It strikes me that what we are  
7 describing is perhaps a copying control device in  
8 access control clothing. In other words, you've got  
9 a device that controls access to a work, but not in  
10 the way that, certainly before this rulemaking  
11 began, I thought we were talking about. We were  
12 talking about access control devices.

13                   In other words, I assumed -- naively,  
14 perhaps -- that a technological measure that  
15 controls access to a work, the purpose of that is to  
16 make sure that authorized users and only authorized  
17 users are getting access to the works. So if I paid  
18 the price to the copyright owner otherwise be able  
19 to use that work, then I'm entitled to use it.

20                   And if he somehow gets access to it by  
21 circumventing encryption or passwords, or whatever,  
22 then she's in trouble because she's not an  
23 authorized user. I'm not in trouble because I am.  
24 That's got nothing to do, as far as I can tell, with  
25 what you're talking about.

(LOC hearing transcript, p. 245)

Here is what Mr. Marks had to say in response:

6                   MR. MARKS: I think it's partially a  
7 fair description. I think it is also used -- the  
8 fact that the work is encrypted is used to try and  
9 guarantee that the user has legitimately -- has  
10 legitimate access to the work as well. I mean, I  
11 don't think it's completely devoid, the CSS system,  
12 of trying to ensure that those people that -- for  
13 example, would just simply duplicate the DVD disks -  
14 - you know, pirates who would duplicate the DVD  
15 disks.

16                   And if there were pirate players that  
17 were unlicensed, they wouldn't be able to play those  
18 disks because they were encrypted with CSS. That  
19 serves an access control function as well.

(LOC hearing transcript, p. 246)

So, Mr. Marks suggests two "access control" functions for CSS. One of these functions is, in fact, copy control, not access control; the other has to do with "pirate" players. Furthermore, Mr. Marks immediately admitted that CSS does not, in fact, have anything to do with copy protection, per se, returning once again to players:

20                   MR. CARSON: But a duplicated --

21 MR. MARKS: A duplicated DVD disk is  
22 going to duplicate the CSS encryption.  
23 MR. CARSON: And can be played on any  
24 legitimate player.

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1 MR. MARKS: And can be played on any  
2 legitimate player, legitimate licensed CSS player.  
3 And not be played on non-licensed players.

(LOC hearing transcript, pp. 246-247)

So, the only “access control” function served by CSS is, by Mr. Marks own testimony, regulation of the player market — specifically, restricting it to “licensed players”. Where a licensed player, of course, is one whose manufacturer agreed to the full terms of the CSS license agreement — terms which, like region controls, may have absolutely nothing to do with the purposes of the DMCA. And later, when Mr. Carson asked what defined an “authorized user”, in the view of Time Warner, Mr. Marks replied that that was *anyone* who had legal possession of a DVD and a licensed player (the only legal kind of player, in the MPAA’s view):

21 [MR. CARSON:] In other words, there’s no reason to  
22 believe as a general proposition that someone who  
23 has a commercially manufactured and marketed DVD,  
24 manufactured by Sony, perhaps, or any of the major  
25 studios -- Time Warner, whatever -- is not an  
26 authorized user.

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1 If someone has that DVD which is  
2 manufactured by Time Warner, you’re going to presume  
3 they’re an authorized user, aren’t you?

4 MR. MARKS: Yes. Although you’d have to  
5 sort of define what you mean by authorized user. If  
6 someone has purchased a DVD from Time Warner,  
7 they’re authorized to play it on a licensed DVD  
8 player. They can play it as many times as they  
9 want, there’s no restriction on saying it’s a one-  
10 time play, it’s a two-time play.

(LOC transcript, pp. 247-248)

So, again, Mr. Marks makes plain that CSS has nothing with do with seeing whether a given *user* gets to see a movie — if they have the disk, CSS will allow any licensed player to play it for them. The sole “access control” function of CSS, on Mr. Marks’ own explicit testimony, is to restrict DVD playback to “licensed” players — i.e., those whose manufacturers have agreed to abide by the movie studios’ restrictions, whatever they may be.

Before the passage of the DMCA, this would have been somewhat questionable; indeed, it has at least the appearance of an illegal tying arrange-



ment. But that is not what we wish to investigate here — we simply wish to know if this is the sort of arrangement that Congress meant to protect when they passed this law. So, let us see.

## 5.4 Inconsistent with Congressional intent

The legislative history, unsurprisingly, does have something to say about how Congress envisioned the relationship between the copyright holders and makers of players for their works. Both houses of Congress wanted to maintain the rule established in the *Betamax* case, that any device with a legitimate purpose was legal, and that the copyright holders not be able to decide among themselves what constituted a legitimate purpose. Sen. Ashcroft, in the Senate:

In discussing the anti-circumvention portion of the legislation, I think it is worth emphasizing that I could agree to support the bill's approach of outlawing certain devices because I was repeatedly assured that the device prohibitions in 1201(a)(2) and 1201(b) are aimed at so-called "black boxes" and not at legitimate consumer electronics and computer products that have substantial non-infringing uses. I specifically worked for and achieved changes to the bill to make sure that no court would misinterpret this bill as outlawing legitimate consumer electronics devices or computer hardware. As a result, neither section 1201(a)(2) nor section 1201(b) should be read as outlawing any device with substantial non-infringing uses, as per the tests provided in those sections.

If history is a guide, however, someone may yet try to use this bill as a basis for initiating litigation to stop legitimate new products from coming to market. By proposing the addition of section 1201(d)(2) and (3), I have sought to make clear that any such effort to use the courts to block the introduction of new technology should be bound to fail.

As my colleagues may recall, this wouldn't be the first time someone has tried to stop the advance of new technology. In the mid 1970s, for example, a lawsuit was filed in an effort to block the introduction of the *Betamax* video recorder. I think it useful to recall what the Supreme Court had to say in ruling for consumers and against two movie studios in that case:

One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch television every day have made it unlawful to copy a program for later viewing at home, or have enacted a flat prohibition against the sale of machines that make such copying possible.

As Missouri's Attorney General, I had the privilege to file a brief in the Supreme Court in support of the right of consumers to buy that first generation of VCRs. I want to make it clear that I did not come to Washington to vote for a bill that could be used to ban the next generation of recording equipment. I want to reassure consumers that nothing in the bill should be read to make it unlawful to produce and use the next generation of computers or VCRs or whatever future device will render one or the other of these familiar devices obsolete.

(Congressional record, 14 May 1998, p. S4890).

Which was echoed on the other side of the aisle; here are remarks from Rep. Klug, in the final debate on the Conference Committee bill:

Both of these changes share one other important characteristic. Given the language contained in the Judiciary Committee's original bill, specifically sections 1201(a)(1), (a)(2), and (b)(1), there was great reason to believe that one of the fundamental laws of copyright was about to be overruled. That law, known as *Sony Corporation of America v. Universal Studios*, 464 U.S. 417 (198), reinforced the centuries-old concept of fair use. It also validated the legitimacy of products if capable of substantial non-infringing uses. The original version of the legislation threatened this standard, imposing liability on device manufacturers if the product is of limited commercial value.

Now, I'm not a lawyer, but it seems irrational to me to change the standard without at least some modest showing that such a change is necessary. And, changing the standard, in a very real sense, threatens the very innovation and ingenuity that have been the hallmark of American products, both hardware and content-related. I'm very pleased that the conferees have meaningfully clarified that the Sony decision remains valid law. They have also successfully limited the interpretation of Sections 1201(a)(2) and (b)(1), the "device" provisions, to outlaw only those products having no legitimate purpose. As the conference report makes clear, these two sections now must be read to support, not stifle, staple articles of commerce, such as consumer electronics, telecommunications, and computer products used by businesses and consumers everyday, for perfectly legitimate purposes.

(Congressional Record, 12 Oct. 1998, p. H10621)

But, might it change things if a player manufactured without the cooperation of the copyright holders exposed their works to the possibility of unauthorized duplication? The answer, as clearly envisioned by Congress, is no; they even amended the law to try to preclude such an interpretation.

Sen. Ashcroft, again, in the immediate continuation of the speech quoted above:

Another important amendment was added that makes clear that this law does not mandate any particular selection of components for the design of any technology. I was concerned that this legislation could be interpreted as a mandate on product manufacturers to design products so as to respond affirmatively to effective technical protection measures available in the marketplace. In response to this concern I was pleased to offer an amendment, with the support of both the Chairman and the Ranking Member of the Committee, to avoid the unintended effect of having design requirements imposed on product and component manufacturers, which would have a dampening effect on innovation, and on the research and development of new products. Accordingly, my amendment clarified that product designers need not design consumer electronics, telecommunications, or computing products, nor design and select parts or components for such products, in order to respond to particular technological protection measures.

This amendment reflects my belief that product manufacturers should remain free to design and produce consumer electronics, telecommunications and computing products without the threat of incurring liability for their design decisions under this legislation. Nothing could cause greater disaster and a swifter downfall of our vibrant technology sector than to have the federal government dictating the design of computer chips or mother boards. By way of example, during the course of our deliberations, we were made aware of certain video boards used in personal computers in order to allow consumers to receive television signals on their computer monitors which, in order to transform the television signal from a TV signal to one capable of display on a computer monitor, remove attributes of the original signal that may be associated with certain copy control technologies. I am acutely aware of this particular example because I have one of these video boards on my own computer back in my office. It is quite useful as it allows me to monitor the Senate floor, and occasionally ESPN on those rare occasions when the Senate is not in session. My amendment makes it clear that this legislation does not require that such transformations, which are part of the normal conversion process rather than affirmative attempts to remove or circumvent copy control technologies, fall within the proscriptions of chapter 12 of the copyright law as added by this bill.

(Congressional record, 14 May 1998, pp. S4890-S4891).

In this example, Sen. Ashcroft cites a device which actually bypasses a technical protection measure as *not* actionable circumvention under the law, because the end effect is not to provide a work to an unauthorized person. (The amendment to which Ashcroft refers was codified as 1201(c)(3)).

In these quotes and others, Congress was expressing a clear intent that the DMCA *not* be used as a club for copyright owners to dictate how products like computers, programs, and DVD players could be designed — an intent that was echoed in the House debate (by Klug and others), and carries straight through to the Conference Committee report:

Persons may also choose to implement a technological measure without vetting it through an inter-industry consultative process, or without regard to the input of affected parties.

(Congressional Record (House), 8 Oct. 1998, p. H10065)

Note here that copyright owners are specifically denied the right to vet and approve implementations of their access control measures. In fact, they go on to stress that such reimplementations are allowed to suppress incidental effects, if that's needed for usability:

Under such circumstances, such a technological measure may materially degrade or otherwise cause recurring appreciable adverse effects on the authorized performance or display of works. Steps taken by the makers or servicers of consumer electronics, telecommunications or computing products used for such authorized performances or displays solely to mitigate these adverse effects on product performance (whether or not taken in combination with other lawful product modifications) shall not be deemed a violation of sections 1201(a) or (b).

(Congressional Record (House), 8 Oct. 1998, p. H10065)

This makes plain that the *only* protection afforded under 1201 is against products which perform circumvention per se — for 1201(a), that would be actually allowing unauthorized access — and not for whatever incidental effects an access control mechanism might have or perform. Other Congressmen made similar remarks, and some were even more emphatic than the ones I've quoted so far. Here's Sen. Kohl, speaking before the floor vote on the Conference Committee's final bill:

[1201(c)(3)] reflected my belief that product manufacturers should remain free to design and produce the best, most advanced consumer electronics, telecommunications, and computing products without the threat of incurring liability for their design decisions. Creative engineers—not risk-averse lawyers—should be principally responsible for product design.

(Congressional Record (Senate), 8 Oct. 1998, p. S11888)

## 5.5 Inconsistent with other provisions of the DMCA

We might also note that the injunction sought by the plaintiffs in *Universal et al. v. Corley* would harm some fields of activity specifically protected by the DMCA.

Cryptographic research, for example, is the study of security systems and their failures; to the extent that CSS qualifies as an access control mechanism, or security system, at all, it is clearly a fit subject for such research. And it is a field of endeavor granted specific protections in the DMCA, as 1201(g). However, that research can only proceed if the researchers are allowed to communicate precise descriptions of the system, its components, and its operation — and it is exactly that communication, in the form of computer source code, which the plaintiffs are seeking to enjoin.

The movie studios' interpretation is also somewhat difficult to reconcile with the provisions for reverse engineering in the Act. The whole point of reverse engineering, as it is ordinarily practiced, is to allow an engineer to discover features of a system or product which its manufacturer has chosen not to disclose, in order that the engineer can design a device with similar functions without having to license the relevant details from the manufacturer. But if a license is required for the engineer's product to be legal anyway, why protect the process of reverse engineering?

## 5.6 Inconsistent with Constitutional principles

Finally, the movie studios' claimed rights of access control break the constitutional balance between the copyright holder's limited monopoly and public access to information. What they are claiming, once again, is a patent-like power to regulate the manufacture of players which perform their "access control" process, allowing them to retain control over the use of content they are ostensibly publishing. Constitutional enabling language for both patents and copyrights (in Article I, Sec. 8) grants Congress 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.

This has traditionally been interpreted as restricting the power of Congress to create exclusive rights for authors and inventors in several ways:

- The protection granted must extend "for a limited time".
- The form of protection must be appropriate — authors are granted protections for expressive content of their works, but not functional elements, and inventors protection for functional elements of their inventions, but not expressive content.

- The form of protection granted must in some way promote “the progress of science and the useful arts”. Traditionally, authors and inventors have received exclusive rights in exchange for public disclosure, through fair use rights in copyrighted works or the enabling disclosure of a patent application

The access-control right fails the first two of these tests flat — there is no time limit; more strangely, in this case, we have authors (copyright holders) claiming an exclusive and perpetual right to the functional elements of a “process or treatment” which is applied to their work — clearly an invention.

## 5.7 Abuse of paracopyright

Lastly, even if we accept that studios have been granted a patent-like right to control the implementation and use of CSS, in perpetuity, the courts have long held that there are limits to the scope of such grants, based on a long history of jurisprudence which states that in order to fulfill its Constitutional purpose, the monopoly grant provided by laws is limited tightly to the actual intellectual property.

The basis of this jurisprudence is not the antitrust laws, but the Constitution itself. Indeed, as the Supreme Court ruled in *Morton Salt* (quoted below) the question of antitrust violation *per se* is irrelevant; what matters is the public purpose underlying the intellectual property grant. *Morton Salt* stated this rule for patents; several circuits have extended the principle to copyrights; it is clear that similar limits should apply to whatever new “paracopyright” rights were granted by the DMCA. And in already tying CSS to mechanisms like region coding — a mechanism whose explicit, designed purpose is restraint of trade between the regions — the studios are clearly exceeding the bounds.

The studios’ representatives admit and relish the tying between movies and players, as the numerous quotes about “authorized” and “licensed” players clearly show; the whole purpose of the CSS licensing regime is to impose restrictions on the players. As Mr. Marks testified at the LOC hearing:

6                    Those devices, whether they be players  
7 or personal computers or the Sony PlayStation who  
8 would like to have their devices be able to display  
9 and play back those DVD disks need to get a license  
10 to be able to decrypt the CSS encryption system.  
11 They do that by going to the DVD-CCA and applying  
12 for a CSS license.  
13                    That CSS license gives them the keys and  
14 tools to be able to decrypt the disks. It also  
15 imposes certain conditions on what the device can do  
16 with the content once it is decrypted. One of those

17 obligations, for example, is that the content is not  
18 allowed to flow out in the clear on a digital  
19 output.

(LOC hearing transcript, p. 242). The collective market power of the movie studios in the DVD market is obvious and undisputed. Through contractual arrangement with the DVD-CCA, the studios have formed a trust which seeks to force an unwanted licence on all prospective members of the DVD player market. This is as obvious a case of tying as one can imagine. The collective force of the trust of all movie studios has subordinated an entirely new technology market under the guise of access authorization.

“First, as to antitrust liability, case law supports the proposition that a holder of a patent or copyright violates the antitrust laws by ‘concerted and contractual behavior that threatens competition.’ ” *Image Technical Services Inc v. Eastman Kodak Co*, No. 96-15293, (9th Cir. 8/26/97).

The problem becomes clear when we read the statute’s requirement for the authorization of “the” copyright owner. Setting aside the “which came first, the access or the device” question, if each studio were to market its access authority independently, no trust would exist and there would not be a problem. However, through collusion the Copyright Act is subverted. The MPAA authorization model provides authority not from the copyright holder of the individual movie, but rather from a single entity which speaks for the entire trust of all movie studios. Copyright holders not acting as part of a trust might disagree on whether and end user could create unencrypted copies for certain purposes. If the MPAA model does not create a trust, how can can authorization be coherently defined when different copyright holders make different determinations on authorization in a common protection scheme.

The industries’ desire for standardization cannot serve as the escape hatch here. The true intent of the DMCA was to allow First Sale to be taken for the keys to encrypted works. These keys could easily be placed in a variety of standardized players without the need for a trust that would drive restrictive conditions and expensive prices to all would be player developers.

It is commonplace for encryption algorithms to be openly distribution and yet the keys they use to remain proprietary. In fact, this is the preferred model for the field, because it is widely acknowledged that trying to keep the algorithm secret is doomed to failure. So-called “security through obscurity” is a “beginners mistake”, in the words of the expert witnesses for the defense.

While a violation of antitrust laws is sufficient, it is not strictly necessary for a defense to an intellectual property violation, as argued persuasively in *Lasercomb v. Reynolds*:

A patent or copyright is often regarded as a limited monopoly – an exception to the general public policy against restraints of trade. Since antitrust law is the statutory embodiment of that public policy, there is an understandable association of antitrust law with the misuse defense. Certainly, an entity which uses

its patent as the means of violating antitrust law is subject to a misuse of patent defense. However, *Morton Salt* held that it is not necessary to prove an antitrust violation in order to successfully assert patent misuse:

“It is unnecessary to decide whether respondent has violated the Clayton Act, for we conclude that in any event the maintenance of the present suit to restrain petitioner’s manufacture or sale of the alleged infringing machines is contrary to public policy and that the district court rightly dismissed the complaint for want of equity.” 314 U.S. at 494. See also *Hensley Equip. Co. v. Esco Corp.*, 383 F.2d 252, 261 & n. 19, amended on reh’g, 386 F.2d 442 (5th Cir. 1967); 8 *Walker on Patents*, at 28:33.

So while it is true that the attempted use of a copyright to violate antitrust law probably would give rise to a misuse of copyright defense, the converse is not necessarily true – a misuse need not be a violation of antitrust law in order to comprise an equitable defense to an infringement action. The question is not whether the copyright is being used in a manner violative of antitrust law (such as whether the licensing agreement is “reasonable”), but whether the copyright is being used in a manner violative of the public policy embodied in the grant of a copyright.

*Morton Salt* expressed the Supreme Court’s view on misuse of patents, which *Lasercomb* translated into copyrights. It is only since the rise of copyrighted computer programs that misuse of copyright has gotten attention. Still, *Lasercomb*’s perspective has subsequently been endorsed by the 5th Circuit as well, eg *Alcatel USA v. DGI Technologies*, No. 97-11339, (5th Cir. 1999). When the *Lasercomb* standard is taken together with that of *Morton Salt*, a comprehensive statement covering intellectual property can be formed:

The grant to the creator of the special privilege of an intellectual property grant carries out a public policy adopted by the Constitution and laws of the United States, “to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors . . . the exclusive Right . . .” to their original works and novel inventions (United States Constitution, Art. I, section 8, cl. 8). But the public policy which includes original works and inventions within the granted monopoly excludes from it all that is not embraced in the original expression or novel invention. It equally forbids the use of the intellectual property grant to secure an exclusive right or limited monopoly not granted by the Copyright or Patent Office and which it is contrary to public policy to grant.

Interestingly enough, the judicial origin of intellectual property misuse is traced by James A.D. White in his article “Misuse or Fair Use: That is the Software Copyright Question” (*Berkeley Technology Law Journal* 12-2, Fall 1997) to a Supreme Court case strikingly similar to the one at hand.



The doctrine of intellectual property misuse first arose in the early 1900s in conjunction with the use of patents. In the 1917 case of *Motion Picture Patents v. Universal Film Mfg. Co.* [243 U.S. 502 (1917)], the patentee licensed its patented movie projector on the condition that the film used in the machine must be purchased from the patentee (a type of tying arrangement). The Court found that:

[S]uch a restriction is invalid because such a film is obviously not any part of the invention of the patent in suit; because it is an attempt, without statutory warrant, to continue the patent monopoly in this particular character of film after it has expired, and because to enforce it would be to create a monopoly in the manufacture and use of moving picture films, wholly outside of the patent in suit and of the patent law as we have interpreted it.

In short, the Court denied relief to the patentee because the licensing restrictions attempted to extend the scope of the film projector patent into the unpatented area of film.

The same logic applies to the studios' use of CSS on movies. Were it confined to assuring that the consumer purchased the descrambling key before viewing the work, there might not be a problem. However, just as in *Motion Picture Patents*, the intellectual property rights to the work are tied not just to the key, but to full blown players which implement additional technology that is not part of the monopoly grant. Further this technology can only be obtained, according to the MPAA, subject to the DVD-CCA licence which contains anticompetitive terms that attempt to restrict end-users from reverse engineering it and prevent public disclosure of the ideas it contains. Both restrictions violate 17 USC 102(b) which forbids copyright protection to "ideas" or "methods of operation".

The reasoning from 1917 is timeless. These restrictions are invalid because a player is obviously not any part of the creation of the intellectual property in suit; because it is an attempt, without statutory warrant, to extend the intellectual property monopoly in this instance movies on DVD, beyond the scope and duration statutorily protected, and because to enforce it would be to create a trust in the licencing and use of DVD players, wholly outside of the intellectual property in suit, and hence beyond the reach of intellectual property laws as the Supreme Court has interpreted them.

## **5.8 These problems inhere only to the studios' reading**

It is noteworthy that the problems discussed above largely go away when the statute is read, as seems clear it was intended, to protect only measures

which test whether a user is authorized to view a particular work, and only to the effect that copyright holders can sue if such a test is subverted, not if it is performed correctly by a device which they have not licensed. In this reading, the law becomes reflective of the expressed Congressional intent, not completely at variance with it. And the law is no longer seen as granting exclusive rights over any process to copyright holders. No such grant is necessary to protect legitimate access control; Congress can ban circumvention tools without granting exclusive rights to manufacturers of access controls just as they can ban burglary tools without granting a new form of intellectual property right to locksmiths.

## **6 Consequences of adopting plaintiffs' reading**

We have argued so far that the studios' reading of the DMCA is at odds with the text of the statute itself, with legislative intent, and with the Constitution. However, if they were to prevail in their lawsuit, it would establish a precedent which would, in the long run, be enormously harmful to the public interest. To see this, let us examine what rights the studios are claiming in this case, and consider what similar claims they might make in the future.

### **6.1 Imposition of arbitrary use controls on work, via license restrictions**

To begin with, the movie studios are claiming a monopoly right to vet and approve implementations of the CSS process, a process which is necessary to render the video from any DVD (deriving this supposed right from the notion that CSS is an "access control" process, even though it does no more to check that the viewer of a given disk is in any sense authorized than do any of the other, numerous processes such as MPEG decompression which are necessary to achieve the same end). To put the matter simply, it is not possible to build a useful DVD player — one which will render the movies on any of the DVD disks commonly sold in stores — which does not perform the CSS process. (One could build a DVD player which did not do CSS, but it would not render the vast majority of current DVD titles, and would be very little use in the usual role of such a player in home entertainment). So, if the studios succeed in their case, it will not be possible to build a useful DVD player without a license.

And, while the fee for these licenses is (so far!) nominal, and they have been given out (so far!) to anyone who was willing to agree to the terms of the license, there is a catch — namely, the terms of the license, which already impose conditions which many might find obnoxious.

One such condition, for instance, is the implementation of the "region

coding” mechanism, by means of which the studios mark certain disks as intended for particular markets, so that a DVD sold in the United States, for instance, is not supposed to be playable in Brazil. Many people (not excepting Americans, who are not supposed to be able to view disks sold in Europe!) might find this to be an obnoxious restriction. Indeed, in Europe, there is already a substantial market for DVD players without region control, and for kits to disable the region control mechanism in DVD players. This region coding mechanism has nothing to do with either access control or copy control, the two nominal rights provided by copyright holders under the DMCA. Yet, the studios are using their supposed right to license the CSS mechanism as a club to force player manufacturers to adopt it.

And there is nothing in the studios’ reading of the law to prevent them from imposing even more restrictions on CSS licensees in the future, which, if translated into mechanisms such as region coding, would be translated directly into controls of the use of their works by the consumer. In effect, the studios would have bootstrapped the access control power, which they were given by Congress into a power to control the *use* of their works, which they were denied. And they would have reestablished the end-to-end control of the chain through which their works are distributed which they lost decades ago in *U.S. v. Paramount* — they would not directly control the players in peoples’ homes, but they would have so much control over what those players were allowed to do that the effect on the public interest would be as severe as if they did.

## 6.2 Economic control of the player market

Likewise, while the studios are not charging excessive fees or discriminating against potential licensees now, there is nothing in their reading of the law to prevent them from doing so in the future, thereby allowing them to pick and choose among potential licensees. They would have bootstrapped the “access control” power into power to control the design of products which play their works — another power which Congress specifically denied them.

In short, if the movie studios are allowed to impose arbitrary terms in the CSS license, and to require such a license as a condition of legal manufacture of players for their work, they would have acquired a power of enormous scope, of immense value to them, but hugely inimical to the public interest.

## 7 Conclusion

The law regarding intellectual property protection in the United States has always stressed a balance of interests, between, in particular, copyright holders and the general public. This theme of balance was kept carefully in mind by Congress as they deliberated over and enacted the DMCA — in particular, it is a theme of the Congressional debates, repeated over and over, that the

ban on “circumvention” devices would be narrow, would cover only devices specifically designed to grant unauthorized access, and would not cover any device with a legitimate purpose.

The interpretation of the law adopted by the MPAA stands this balance on its head. The movie studios are asserting an absolute right to control the manufacture of *any* machinery which is capable of viewing their CSS-protected works, specifically including the LiViD project, whose sole purpose is in fact producing a player functionally equivalent to those already commercially available for Windows and Macintosh computer systems. And they are already using this power to restrict the options available to the general public (by making players artificially unable to view films from outside “region 1”, the U.S. and Canada), and so to artificially restrain trade. This is not about piracy, it is about control. It should not, and cannot stand.

**Mickey McGown**



August 4, 2000

The following comments are in response to the request of the Copyright Office regarding Sections 109 and 117. The questions posed by the Copyright Office are in *italics*, while my comments are in **bold**.

*1. Section 109*

*(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of the first sale doctrine?*

**"It alters the intended effect of the first sale doctrine by allowing the copyright holder to insist that each subsequent 'owner' obtain a new authorization."**

*(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of the first sale doctrine?*

**"None. It is reasonable to retain proper attribution to the original author."**

*(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale doctrine?*

*(d) What is the relationship between existing and emergent technology, on one hand, and the first sale doctrine, on the other?*

**"New technologies do not affect the first-sale doctrine any more than previous technologies."**

*(e) To what extent, if any, is the first sale doctrine related to, or premised on, particular media or methods of distribution?*

*(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?*

**"To no extent at all."**

*(g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?*

**"It should not be expanded at all. If the concern is about the original owner keeping a copy after the fact, this is not a new issue. It has always been incumbent upon the individual to follow through with their obligation."**

*(h) Does the absence of a digital first sale doctrine under present law have any measurable effect (positive or negative) on the marketplace for works in digital form?*

**"No. It is not the absence of a new law that has affected the marketplace, it is the absence of persons, both corporate and private, adhering to existing law."**

*1. Section 117*

*(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of section 117?*

**"The fair-use privileges granted by US Code, Chapter 17, Section 117(a)(2) can be criminalized at the whim of the copyright holder. There appears to be no limit to the interpretation of what is covered, ranging from simple archive viewers to tamper-resistant fasteners to complex file formats, even retroactively."**

*(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of section 117?*

*(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of section 117?*

**"None."**

*(d) What is the relationship between existing and emergent technology, on one hand, and section 117, on the other?*

*(e) To what extent, if any, is section 117 related to, or premised on, any particular technology?*

*(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which section 117 is established?*

**"Section 117 is not premised on technology. However, copy-protection methods have grown more complex, making the individual work harder to retain fair-use privileges. Anti-circumvention legislation now makes it a legal minefield."**

## *2. General*

*(a) Are there any additional issues that should be considered? If so, what are they and what are your views on them?*

**"I am concerned that the prohibition on circumvention of technical protection measures (TPM's) effectively creates a new class of intellectual properties, one that I am not allowed to study. It is not a copyrighted work, because that is what is being protected. It is not a patented work, because it would have been disclosed. It is not a trade secret, because it is prohibited to be independently discovered. This new class of works has a vague definition, which allows it to be applied to a wide variety of situations in ways that I don't believe were intended, and I am restricted from examining these new works even while asserting my section 117 privileges."**

*(b) Do you believe that hearings would be useful in preparing the required report to Congress? If so, do you wish to participate in any hearings?*

**"Yes, but only if that hearing has the jurisdiction to urge repeal of the prohibition of circumvention of TPM's, or has the effect of exempting all classes of works from the prohibition. If I can further this cause by my participation, I would be honored."**

Thank you,

Mickey McGown  
mickeym@mindspring.com



**Bryan W. Taylor**



**Comment in Response to the  
Copyright Office Request for Comments  
on Sections 109 and 117 of the Copyright Act (June 5, 2000)**

Federal Register: June 5, 2000 (Volume 65, Number 108)  
Notices - Page 35673-35675

LIBRARY OF CONGRESS  
The United States Copyright Office

DEPARTMENT OF COMMERCE  
National Telecommunications and Information Administration

This comment is filed by Bryan W. Taylor, an American citizen, as a private individual.

I would like to express my gratitude to the Copyright Office for affording the public the opportunity to provide input.

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## INTRODUCTION TO FIRST SALE AND THE DMCA

The Digital Millennium Copyright Act (DMCA) creates a new right to authorize access to copyrighted works when technological protection measures (TPM's) are used. The new law, however, is silent on critical questions that are answered for the other rights given to copyright owners. Specifically, there are at least two interpretations of the statute that are consistent with its text regarding the relation of the new right to authorize access to First Sale. One interpretation obliterates the doctrine of First Sale and has serious antitrust implications, while the other strengthens First Sale and preserves the balanced relationship between authors and the public.

In a nutshell, one interpretation of the DMCA finds copyright holders in possession of two distinct rights, which can be sold separately. These are the right to vend copies and the right to authorize access. This interpretation would treat the new right to control access as if it were equivalent of the exclusive rights in 17 U.S.C 106 (though it is not listed there). The sale of the rights in 106 can be transferred separately. If access control is treated this way, then the doctrine of First Sale has been replaced with the doctrine of "First and Second Sale" since both access and copy are needed for use.

Moreover, by design, a dangerous tying arrangement would be created between the two. This tying arrangement is not one of speculation. Indeed, it is being used in the marketplace today by the DVD-CCA to claim rights to a "Third Sale" with the collective market power of the movie studios forcing the product on would be DVD player developers. There simply is no right to control players, which are distinct from encryption keys. The use of the market power of the studios to force player technology to the entire player market is in utter contempt for the DMCA statute, Congressional antitrust legislation, and the public.

An alternate interpretation of the DMCA is that the right to authorize access control is not listed in 106, and therefore must not be treated as such. Rather, like every other aspect of control over use not covered by the exclusive rights of section 106, control is transferred when the just reward is collected in the market place. Under this view, access authority is inherently transferred at First Sale, along with a lot of other rights.

Congress simply failed to put anything textual in the law that decides between these two alternatives. Obviously, studios and publishers, true to their long standing history, seek every bit of control that they can use to milk money out of consumers and prefer the first model. Consumers, academics, scientists, and librarians, true to their long standing history of seeking every bit of knowledge possible to advance the progress of science and arts, obviously prefer the second model.

The question, simply put, is how should the Copyright Office interpret an ambiguous statute that can reasonably be read two mutually incompatible ways. Fortunately, a long line of Supreme Court decisions provide the answer. In fact, direct guidance on the question of how to resolve ambiguity has recently been offered by the Supreme Court in the holding of *Sony v. Universal Studios*:

The protection given to copyrights is wholly statutory, and when Congress has not plainly marked the course to be followed, the judiciary must be circumspect in construing the scope of rights created by a statute that never contemplated such a calculus of interests.

Thus the answer to the question of how to pick between different interpretations is clear: circumspection is required if the granting of rights to the copyright holder is not "plainly marked". This result requires that ambiguity be resolved against the copyright holder. The granted monopoly inherent in intellectual property must never be extended beyond the limits of its specific grants. When the limit is fuzzy, we must err on the side of caution. This is settled law.

The holding in Sony is no accident. In fact, the connection to prior jurisprudence is provided in footnote 13, which is quite telling:

While the law has never recognized an author's right to absolute control of his work, the natural tendency of legal rights to express themselves in absolute terms to the exclusion of all else is particularly pronounced in the history of the constitutionally sanctioned monopolies of the copyright and the patent. See, e. g., *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 156 - 158 (1948) (copyright owners claiming right to tie license of one film to license of another under copyright law); *Fox Film Corp. v. Doyal*, 286 U.S. 123 (1932) (copyright owner claiming copyright renders it immune from state taxation of copyright royalties); *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 349 -351 (1908) (copyright owner claiming that a right to fix resale price of his works within the scope of his copyright); *International Business Machines Corp. v. United States*, 298 U.S. 131 (1936) (patentees claiming right to tie sale of unpatented article to lease of patented device)."

Thus the Sony decision is no accident, but the consistent application of a century of careful consideration.

The legislative history of the DMCA finds much disapproval for the concept of the 'pay per use' society. It is difficult to imagine how this can be reconciled with the "First and Second Sale" model. The right to control access, if it is not transferred at First Sale, will inevitably lead to repeated sales for access. This requires little more than incorporating a counter into the TPM so that different keys are required every time. It will not take long for publishers to realize that if they can collect twice they can collect repeatedly. Thus "First and Second Sale" will be replaced by "First and Second and Third and ... Sale".

The real purpose of the DMCA is not to allow copyright holders to have expanded power to collect repeatedly from hapless consumers. Instead it is merely to create another alternative way to collect that is compatible with e-commerce. By using encryption, the work can be securely transmitted separately from the key. The DMCA creates a way for copyright holders to take their just First Sale reward by selling EITHER the copy or the key.

By allowing this new model, the burden of network based commerce is greatly eased. Encrypted copies can be freely circulated, without concern for endless copying of useless cipher text. Then, when a buyer is found, the minimum amount of data need be exchanged: a credit card number

for a key. An example of the DMCA in action, preventing copyright holders from losing the fruit of their labor without being compensated is provided by Real Networks v. Streambox. Unlike the DVD cases, Streambox users have no claim of access because they have not paid First Sale.

There is a truly frightening claim that is being advanced currently by movie studio plaintiffs, but it is not one that can be reconciled with the statute. It is clear that Congress intended authority to access to be conferred through the application of information with the authority of the copyright holder. This is found in the definitions of 1201(a)(3):

As used in this subsection -

(A) to "circumvent a technological measure" means to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner; and

(B) a technological measure "effectively controls access to a work" if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work.

The key used for decryption is the quintessential example of such information. A monopoly to profit once from such keys is all that is granted.

The movie studios in the controversial DVD cases claim that beyond just first and second sale, that they have an exclusive right to authorize players, the programs that apply the key. Thus, they believe that in addition to the First Sale of the DVD, and the Second Sale of the player program, that if you want to create a player you must buy authorization through "Third Sale" in the form of \$10,000 to the DVD-CCA.

In order to sustain this claim, one must infer from the statutory prohibition on distributing circumvention devices, that a right to authorize players exists. This simply isn't found in the text. A statutory prohibition is not the creation of a right for a third party. In fact the only authority created is done so in the text of 1201(a)(3) above. Here it is clearly seen that the only authorization given to the copyright holder is over the application of access information and the act of descrambling.

From this, the movie studios would have us believe that they have been given total control of the entire DVD player market. The technology license they sell grants a copyright license to the software it protects and allows appropriation of the certain trade secrets under a confidential relationship, but it certainly cannot create a new form of super-intellectual-property that protects ideas without a patent's disclosure requirement and as a copyright simply cannot do.

The studios are clearly making a play for the "absolute control" decried by footnote 13 in Sony. This is not surprising however, since if you include the Sony decision itself in the tally, 3 of the 5 decisions describe abuses by movie studios. DVD's are just another episode in a long history

of intellectual property abuse by movie studios. Actually, the Court left out another significant case from its list: *Motion Picture Patents v. Universal Film Mfg. Co.* 243 U.S. 502 (1917). The facts of that case are eerily similar to those of the DVD situation.

It is difficult to identify any idea that the Supreme Court has rebuffed so repeatedly as the movie industry's overly aggressive interpretation of intellectual property rights. Movie industry credibility on copyright should be treated like the tobacco industry on health matters: listen to what they say and believe the opposite.

Normally, one would expect a Federal Judge to identify such clear overreaching. The collective market power of the MPAA studios bears down on the DVD player market, forcing an unwanted license down the throats of any would-be competitor. The violation of antitrust laws, and the misuse of intellectual property are so obvious it shocks the conscience.

Sadly, the judge in the New York DVD case refuses to recognize these arguments, but, as he admits, his former law firm was responsible for advising Time Warner on DVD antitrust matters while the Judge practiced there. Despite this, Judge Kaplan refuses to recuse himself. No reasonable person could expect such a judge to repudiate the prophylactic antitrust work of his former firm without suffering a conflict of interest. The recent precedent in *Panama v. American Tobacco Company*, No. 99-30685 (5th Cir. 7/20/2000) on a very similar recusal situation only confirms that the judge should have stepped down. Fortunately, the integrity of the process the Copyright Office has been using is beyond reproach.

For the above reasons, I urge the Copyright Office to use its rule making and influence to advance the progress of science and the arts by rejecting the notion of "First and Second Sale". Moreover, I urge that CSS encrypted DVD movies specifically be defined as a "class of works" for exemption status under 1201(a)(1)(B). Finally I urge the Copyright Office to declare that applying DVD "title keys" obtained from the DVD media constitutes "application of information with the authority of the copyright holder" so that any device that does so is noncircumventing in accordance with the First Sale doctrine.

## **ANSWERS TO SPECIFIC QUESTIONS**

### 1. Section 109

(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of the first sale doctrine?

Depending on the choice of interpretation of the DMCA, First Sale has either been obliterated or it has been strengthened.

(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale doctrine?

Electronic commerce, combined with encryption technology, afford a new and more efficient model for copyright holders to take their just reward in the market place: easy distribution of digital encrypted works over the internet, with independent payment for access: trading a credit card number for an encryption key.

(d) What is the relationship between existing and emergent technology, on one hand, and the first sale doctrine, on the other?

New ways of doing commerce have and will continue to create more efficient ways for copyright holders to trade their intellectual property. The First Sale doctrine should continue to apply to assure that the point when rights are transferred is the point of sale.

(e) To what extent, if any, is the first sale doctrine related to, or premised on, particular media or methods of distribution?

The first sale doctrine is simply the quid-quo-pro that the public, through Congress has offered to authors for access to their work. Authors are allowed, for limited times, to extract from the public domain and to obtain a one time reward for providing access to the fruits of their intellect. The distribution method or media is totally irrelevant to this.

(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?

New technology does not alter the premise upon which First Sale is based, but it does seem to offer movie studios and other would be copyright abusers a continual supply of new ways to try to abuse the public's generosity in offering copyright protections.

(g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?

There is no need to link First Sale to the ownership of the copy. Using encryption, First Sale can be tied to the transmission of an encryption key. The resulting efficiency improves advancement of science and arts by making it easier for the public to provide authors with a one time reward.

(h) Does the absence of a digital first sale doctrine under present law have any measurable effect (positive or negative) on the marketplace for works in digital form?

The digital First Sale doctrine is the same as it was prior to the DMCA. All that has changed is that the encrypted work may be distributed independently of money changing hands when an encryption key locks it.

Bryan Taylor



**American Library Association, American Association of Law Libraries,  
Association of Research Libraries, Medical Library Association, and Special  
Libraries Association**



Before  
The Library of Congress, The United States Copyright Office  
and  
The Department of Commerce, National Telecommunications  
and Information Administration  
Washington, D.C.

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Inquiry Regarding Sections 109 and 117 )

Docket No. 000522150-0150-01

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Comments of the Library Associations

We file these comments to the Copyright Office’s Inquiry on behalf of five major library associations, the American Library Association, the American Association of Law Libraries, the Association of Research Libraries, the Medical Library Association, and the Special Libraries Association (the “Libraries”). These associations represent the interests of tens of thousands of libraries, librarians and institutions, as well as their public and private patrons.

Section 104 of the Digital Millennium Copyright Act (“DMCA”) directs the Register of Copyrights and the Assistant Secretary for Communications and Information of the Department of Commerce to submit a report to the Congress by October 28, 2000, evaluating the effects of the amendments made by title 1 of the Act and the development of electronic commerce and associated technology on the operation of sections 109 and 117 of title 17, United States Code, and the relationship between existing and emerging technology and the operation of those sections.

The Libraries believe there are unsettling trends undermining the Constitutional and legislative balance between incentives to create works and the public access to ideas and content that require federal review and action. Consumers obtaining digital works

are routinely required to assent to contract terms that require waiver of long-standing limitations on the exclusive copyright rights, including the first sale doctrine, fair use and preservation. While copyright policy supports a digital first sale doctrine, the current state of the law post-DMCA permits diminished use of the doctrine, impeding the free flow of information and libraries' ability to provide public access to digital works. The Copyright Office should use this inquiry as the platform from which to urge Congress to take meaningful steps to clarify the terms of a digital first sale doctrine to ensure that state laws and contractual terms that unduly restrict the rights of information users do not preempt federal copyright policy.

### **Introduction: The Role of the First Sale Doctrine In U.S. Copyright Law**

The balancing of incentives to create and provide public access to ideas and content is fundamental to U.S. copyright policy. *See, e.g. Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975). The Constitution empowers Congress to enact copyright legislation for the specific purpose of “promot(ing) the Progress of Science and the useful Arts, by securing for limited Times, to Authors and Inventors, the exclusive Right to their respective Writings and Discoveries.” U.S. Const., art. I, § 8, cl. 8. Pursuant to that public purpose, the Copyright Act grants to authors the exclusive right to distribute copies of their work, 17 U.S.C. §106(3), but limits that right by distinguishing between ownership of a copyright (the bundle of exclusive rights granted an author) and ownership of a copy (the tangible material in which a work is fixed), 17 U.S.C. §202, and by extinguishing the copyright owner's distribution right upon the first sale of each copy, *see* 17 U.S.C. §109. Of course, no copyright exists in government works, nor in facts or data.

The limitation of the distribution right to the first sale, as codified in Section 109 of the 1976 Act, was intended to continue the first sale doctrine established by decisions under Section 27 of the 1909 Act.<sup>1</sup> The treatment of the first sale doctrine by U.S. courts has consistently reflected the belief that the public benefit derived from the alienability of creative works outweighs the increased incentive to create that would stem from granting authors perpetual control over copies of a work. *Burke & Van Heusen, Inc. v. Arrow Drug*, 233 F. Supp. 881, 884 (E.D.Penn. 1964);<sup>2</sup> *Blazon, Inc. v. Deluxe Game Corp.*, 268 F. Supp. 416, 434 (S.D.N.Y 1965) (quoting Nimmer, Copyright, §103.31 at 385 (1963) for the proposition that “[after the first sale], the policy favoring a copyright monopoly for authors gives way to the policy opposing restraints of trade and restraints on alienation.”); *See, e.g., C.M. Paula Co. v. Logan*, 355 F. Supp. 189, 191 (N.D. Tex. 1973) (same). The balancing approach to the doctrine was recognized by the Supreme Court early this century. *See Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908).<sup>3</sup> The Libraries

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<sup>1</sup> *See* Staff of House Comm. on the Judiciary, 89<sup>th</sup> Cong., 1<sup>st</sup> Sess., Copyright Law Revision, Part 6, Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill 28-29 (Comm. Print 1965) (submitted by Register of Copyrights) reprinted in 4 Omnibus Copyright Legislative History (George S. Grossman ed., 1976) (clarifying that the distribution right would not prevent an owner of a lawfully made copy from selling, lending, renting, giving, or destroying the copy). *See also* Act of Mar. 4, 1909, ch. 320, §41, 35 Stat. 1075, 1084 (stating that “nothing in [the Copyright Act] shall be deemed to forbid, prevent or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.”). The doctrine is said to have its roots in the English common law rule against restraints on alienation of property. *See, e.g.,* H.R. Rep. No. 98-987 at 2 (1984), reprinted in 1984 U.S.C.C.A.N. 2898, 2899.

<sup>2</sup> In *Burke & Van Heusen*, a copyright proprietor attempted to restrict use of records containing its copyrighted musical compositions to promotional distribution in conjunction with shampoo sales. *Id.* at 884. The court held that the defendant’s sale of the records independent of shampoo did not infringe the plaintiff’s vending right, because receiving proceeds from the initial sale of the records completed the plaintiff’s reward under the copyright statute. *Id.* at 882. Beyond that reward, the plaintiff enjoyed “no further right of control over the use or disposition of the individual copies of the work. *Id.*”

<sup>3</sup> In *Bobbs-Merrill*, the plaintiff owned copyright in a book, copies of which were printed with the following notice: “The price of this book at retail is one dollar net. No dealer is licensed to sell (the copies) at a less price, and a sale at a less price will be treated as an infringement of the copyright.” *Id.* at 341. Notwithstanding the notice, the defendant sold the books at retail for eighty-nine cents. *Id.* at 342. The Court rejected the plaintiff’s copyright infringement claim, holding that the while the vending right

believe that recent developments surrounding distribution practices involving digital works undermine this constitutionally crafted balance.

**Questions Regarding Section 109**

**(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of the first sale doctrine?**

The DMCA's enactment of prohibitions on circumvention places criminal penalties on top of contractual restrictions, thereby increasing publishers' ability to control access to works. The public, which enjoys use and lending rights with respect to works that were subject to the first sale doctrine because they were purchased outright, now faces licensing and legal barriers to private as well as public lending and use. While content owners contend that technological measures merely control unlicensed access and prevent piracy, as the Libraries explained in comments and testimony in the Section 1201 rulemaking proceeding, many measures currently in use or development blur control over initial access with control over library lending and fair use practices such as viewing, reading, extracting, copying and printing. These measures may also allow copyright owners to control use and disposition of copies of digital works long after the copyrights have passed into the public domain. The same concern applies to those who seek to regulate access to digital versions of government works. This unlimited control is contrary to the core principle of the first sale doctrine.

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protected plaintiff's multiplication and sale of his production, the right had been exhausted when the plaintiff sold copies of the book "in quantities at a price satisfactory to it." Id. at 351.

America's libraries have long been among the nation's largest volume-purchasers of copyrighted works.<sup>4</sup> Libraries and their staffs are also diligent law abiders. They understand and adhere to the balance that the Constitution and copyright law have struck between the rights of copyright owners and users. However, recent adoption of legislative changes in the DMCA has reinforced a view of the legal environment that makes sharing of certain digital works suspect. It must be stressed that from the Libraries' perspective, fair use, preservation and the first sale doctrine are as important in a digital environment as they are in the print world.

Technological measures, augmented by the threat of criminal sanctions for circumventing those measures, permit publishers to control uses in new and unprecedented ways. Publishers can now block a lawful licensee's access to digital content by activating a control and device embedded into the code. While the law prohibits sale of devices designed to circumvent technological protections, and certain individual practices will be prohibited commencing October 28, 2000, the mechanisms may be activated without regard to whether the conduct at issue is infringing. License restrictions on what would ordinarily be fair use, permissible dissemination under the first sale doctrine or allowable preservation, may ultimately be enforced through these measures. Moreover, one patron's misuse may be used as the pretext for foreclosing access not just to the offending individual but to all authorized users, to the public's detriment. For example, one university recently had several services turned off by the

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<sup>4</sup> According to surveys published in 1998 by the National Center for Education Statistics (U.S. Department of Education), the 8,891 U.S. public library systems alone spent \$789 million on library materials, including electronic formats, in 1995. The 3,303 U.S. academic libraries spent \$1.3 billion on information resources in all formats in 1994. These libraries now spend well over \$2 billion.

vendor because of “unusual patterns of use” (i.e., excessive searches and downloads) by one individual.

Technological measures also impact on a library’s ability to implement customized systems for ensuring compliance with license terms. When works are owned outright and are subject to the first sale doctrine, a library is able to exercise managerial discretion over the lending and use of its materials. In a publishing world dominated by digitally controlled works, libraries are forced to comply with one-size-fits-all technological enforcement measures that sometimes result in delays and diminished access by patrons. For example, access controls based on shared passwords have already proven problematic for some libraries. According to one university librarian, “We have gone to great lengths to organize and maintain a myriad of passwords to give to off-campus users. Passwords are getting to be a nightmare; I have pages of them.” Licenses that limit access to students registered at a university, for example, may also impede full utilization. These licenses are frequently administered according to users’ domain names, which may prevent libraries from making works available to visiting professors, scholars and community members with access to the library. Distance education users who are covered by the license but who attempt to log in from distant IP addresses also face severe and often impassable technological hurdles.

Technological measures that limit the machines from which a digital work can be accessed are another common impediment to full utilization of licensed resources. A recent survey by the Libraries of the impact of technology disclosed that many databases are available on only one computer in a library, which means that only one user can dial in at any given time. For example, the *Nature* web site bundles together several journals



online that are password protected. Only one individual can use the site at any given time. This means that even though all the journals were lawfully acquired, a single patron using just one of the purchased works effectively blocks use of all the other journals available on the site. In the print format, each issue could be simultaneously used by separate users. There is no copyright rationale for preventing multiple users from accessing different journals at the same time, yet the technological measure and prohibition on circumvention of that measure enforce the restriction.

The blurring of distinctions between lawful access and use was not the intent of Congress when it passed the DMCA's anti-circumvention provisions. The DMCA and its legislative history indicate that the prohibitions were not to affect other rights, remedies and limitations in the Act. *See* 17. U.S.C. §1201(c)(1). However, any reservation of these rights is moot if it remains illegal for a library or a user to circumvent technological measures in order to use the underlying works in ways that have traditionally been permitted under the first sale doctrine, fair use and preservation. In light of these developments, the Libraries urge copyright reform to reaffirm and assure their ability to lend digital works in the public interest and to facilitate uses of those works that are consistent with traditional copyright law principles.

**(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of the first sale doctrine?**

Copyright Management Information ("CMI") technologies such as "digital watermarks," "digital signatures," and "digital object identifiers" do not by themselves prevent access to a digital work, but they do give content owners an unprecedented

ability to track ongoing use of digital works. Despite Congressional efforts to protect privacy in the DMCA, CMI technologies allow publishers to monitor who is looking at a work and exactly what the users are doing with it. Deployed in conjunction with access controls, CMI technologies impose unprecedented limits on and accountability for a library's ability to lend and make fair use of lawfully acquired digital works.

Digital publishers now have the ability to manage the kind of day-to-day operational decisions that were previously within the discretion of libraries. Previously, as owner of a particular copy of a book, a library was entitled to set the terms of patron access to that copy; as licensee of a digital work subject to technological measures, the library may be denied such right. The inability to establish uniform usage procedures will become increasingly problematic as the number of licensed works proliferates. Libraries are already finding it difficult to keep track of and interpret varying contract terms. In light of the accountability imposed by CMI and the criminal sanctions associated with circumvention, many individual librarians are understandably reluctant to make the fair use judgment calls that previously were standard management decisions or expose patrons to the new sanctions. Where uncertainty about permissible use exists, liability concerns may lead librarians to forego uses that are actually permitted under license and the law. According to one university librarian, "Technological devices such as watermarking have affected interlibrary loan, class reserve, and classroom use in the application of fair use. Electronic journals are still available in print versions so interlibrary loan and reserves are still possible. But when publishers start eliminating print versions, such electronic restrictions will be a significant problem unless electronic versions are treated just as print versions where fair use applies."

The combination of technological measures and CMI systems also gives information publishers an unsettling ability to track individual intellectual inquiry in ways that would not have been permissible traditionally under the first sale doctrine. To the extent that the first sale doctrine ensures individuals' and libraries' right to share and lend lawfully owned copies of a copyrighted work, the doctrine facilitates the exchange and intellectual collaboration that is central to the First Amendment "marketplace of ideas." Mindful of the accountability imposed by CMI, libraries are asked to comply with licensing terms that effectively restrict the time, place, and duration of private intellectual engagement. Intellectual inquiry is especially threatened when CMI technologies are deployed in conjunction with access blocks. According to one library system: "Some journals from the American Chemical Society request that they be allowed to send 'cookies' to users' workstations to monitor use. When users refuse this invasion of privacy, they are denied access at their workstations even though the organization has a subscription." Even though the definition of CMI in the DMCA specifically excludes "any personally identifying information about a user of a work or of a copy," 17 U.S.C. §1202(c), the way CMI technologies are actually implemented chills use of a library's digital resources for research in areas where anonymous inquiry and the absence of a digital trail are critical. Of course, this chill can affect not only scholarly researchers, but more broadly faculty, students and the general public.

America's libraries have always had the right to allow their patrons to enter the library's facilities, access works lawfully owned by the library, and use those works, often anonymously, as allowed by copyright laws.<sup>5</sup> Copyright law has never meant that publishers can control who looks at information and whether a page can be copied for

private use. Now, increasingly sophisticated technological measures and private licenses between parties with unequal bargaining power threaten to curtail the abundant access to information and private intellectual inquiry that American libraries, both public and private, were founded to facilitate. While the exact nature and extent of the detrimental effects remain unclear at this time, the need for a full understanding of the interaction between CMI and first sale, on the one hand, and privacy rights on the other, is increasingly apparent. As with other developing aspects of technology and privacy, legislative analysis and action are needed to avert adverse effects.

**(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale doctrine?**

In the past decade, electronic distribution has grown into a dominant method for publishing many kinds of copyrighted works. As a general proposition, owners of copyright in digital works distribute these works by licensing usage rights rather than selling physical copies of the copyrighted work. Because the first sale doctrine codified in section 109 of the Copyright Act applies only to lawfully owned copies of a copyrighted work, some suggest this statutory limitation on a copyright owner's right to control distribution of a copyrighted work beyond the initial sale of copies is inapplicable to licensed works. As a result, many digital licenses are able to—and do—restrict both the resale and lending of digital works and the licensee's ability to use lawfully obtained copies in ways that have traditionally been permitted under fair use, the first sale doctrine and the rules of preservation with regard to analog works.

The Libraries have found that licensing rather than selling digital works has allowed content owners to implement a price and market discrimination business model

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<sup>5</sup> Indeed, many states have laws prohibiting libraries from revealing circulation records.

which forces libraries to choose between second-class, but affordable products and more expensive digital versions. To the extent that “deluxe” digital versions feature content and search mechanisms not available in lower-priced formats, libraries’ limited budgets threaten to exacerbate the “digital divide” between those who have access to electronic information services and those who do not.

Where libraries are able to afford access to digital products, licensing terms routinely affect uses that were traditionally lawful under the first sale doctrine. Routine library practices permitted under copyright law, such as interlibrary lending, lending for classroom or at-home use by patrons, archiving, preservation, and duplication for fair use purposes, have all been restricted – in some cases severely restricted and in other instances barred – by licensing agreements. Alternatively, in some instances, sharing of digital works may be made only upon payment of additional fees. Loss of access to digital works for these purposes also promises to increase the information-access gap between the rich and the poor. The Libraries’ recent inquiries to members and others has determined that:

***1. Interlibrary lending of digital works is threatened by restrictive practices***

Because digital products are costly and library budgets are limited, few facilities can afford to acquire access to all the digital works that are likely to be sought by patrons. Interlibrary lending has traditionally enabled libraries to borrow from each other’s collections on behalf of patrons seeking access to material that is unavailable in the patron’s local library. The practice is often prohibited by the licenses under which digital works are acquired. Public libraries in communities with limited resources - whose patrons are among the least able independently to purchase access and among the least

likely to have direct access to other publicly accessible collections, such as at public colleges and universities - have traditionally been the most dependent on interlibrary lending. Accordingly, these libraries are the most disadvantaged by the containment of interlibrary lending of digital works. Librarians around the country have provided detailed commentary on the loss of this lending right:

- “We will not be doing any ILL [interlibrary lending] to other libraries using online journals. Since we have dropped many print journals in favor of online only, libraries that have depended on us for our unique collection will have to go elsewhere.”
- “Most licenses do not cover inter-library loan privileges, and must be negotiated. While we are able to ILL anything from our print collection, publishers are reluctant to extend that provision to electronic material.”
- “We are not allowed, and do not practice, interlibrary loan of materials that we [license] in electronic format, which means that if we no longer hold a print copy, we are not able to provide interlibrary loan to things that we purchase rights to.”
- “The terms for some products are unacceptable or cost prohibitive, and we have not licensed these products, so our users do not have access. Unlike printed books or journals, digital products are generally not available through inter-library loan and often there is no print equivalent. Since there is seldom a method for a single user to access the digital products the library does not license, these products are essentially unavailable to our users.”

Restrictions on interlibrary lending can be devastating to scientific and medical interests. As one academic medical library recently reported:

- “We recently had difficulty obtaining an article from the *European Journal of Surgical Oncology* for one of our users on interlibrary loan. Two libraries were not able to supply the article because they only had the electronic copy of the journal and the license does not allow interlibrary loan use. We were finally able to obtain the article from the National Library of Medicine. Obviously, whoever requested the article was made to wait longer for receipt of information that may have been important for patient care or research.”

Even where licenses permit some interlibrary lending, lack of staff and expertise in interpreting contract terms may make the practice impracticable. One library system recently reported:

- “The mish-mash of licensing terms has simply made inter-library loan of digital materials impractical for us to provide—to the detriment of users around the globe with whom we otherwise share scholarly material. We have hundreds of contracts with different e-journal and full-text vendors with different terms governing inter-library loan. Some of our licenses do permit us to print out the digital text and loan the printed version. However, because of the complexity of these terms, the high volume of inter-library loan that we do, and the low-paid short staffing in our interlibrary loan department, we have had to resort to the practical expedient of simply not providing any inter-library loan of digital materials.”

*Interlibrary lending is a vital aspect of our educational system. Acquired digital works should have the same status as their print and analog companions when it comes to library loans. The first sale doctrine should be clarified to ensure that core federal copyright principles associated with interlibrary lending are guaranteed regardless of format.*

***2. Licensed Digital Works are the Equivalent of “Chained Books,” Often Unavailable for Classroom and Offsite Use.***

Lending a lawfully purchased copy of a work for classroom and offsite use has historically been within the discretion of libraries under the first sale doctrine. As teachers and patrons increasingly seek digital works for these purposes, the impact of usage limitations imposed by licenses has become apparent. Many digital works agreements limit access to one specific computer terminal, causing one librarian to liken licensed digital works to “chained books” that can only be read at a specific table. Other librarians share frustration with such limitations:

- “There is an ongoing, unresolved problem between desire to provide access to material and technical service’s concern with signing restrictive site licenses.”
- “Some vendors/publishers have been very reluctant to permit access to their databases from off-campus .... Some publishers have instituted pricing policies which penalize libraries for offering access to off-campus users. This restricts what we are able to provide for distance education and what is available for students and faculty in their local residences.”
- “The proportion of contemporary culture and communication in electronic format is increasing rapidly. Loss of ability to “clip” or “Xerox” bits of video, music, and electronic-only publications limits what students and faculty could take to class when most media in our collection were print or LP records.”

*Copyright law should provide an explicit right to use all works in a school’s library in classrooms within that institution, whether the works are in digital, analog or print format. Off-campus uses by enrolled students and faculty should also be explicitly allowed as a corollary to the first sale doctrine.*

### ***3. Licensing Provisions That Preclude Rights Traditionally Available Under The First Sale Doctrine Threaten A Digital Future Without Access to History***

Under Sections 107, 108 and 109 of the Copyright Act, libraries are able to archive lawfully purchased works for future use and historical preservation. They are also now explicitly authorized to convert particular copies of a work into new formats (for instance by scanning print works into microfilm and digital formats) to ensure against loss of access as technology evolves and playback equipment becomes outmoded. As libraries obtain more electronic products under license rather than purchase, they are losing control over archiving and preservation, because many licenses prohibit copying digital works for archival or any other purpose, and because the prohibitions on copying are enforced by technological measures. Where they were once the foremost guardians



of America's public domain literary heritage, libraries are finding themselves increasingly at the mercy of publishers' abilities and commercial incentives to archive.

From the Libraries' perspective, works that exist only on content providers' servers may be subject to corruption, sabotage, subsequent alteration and selective preservation. If digital works are not archived in a professional manner (appropriate storage media, care and environmental maintenance, adequate indexing, etc.) the risk of loss to authors and society is enormous. There are no firm statistics on losses because the transition to digital publishing is still in the relatively early stages, but it is entirely likely that profit-motivated publishers will not invest in archiving older works that may no longer be marketable on a large commercial scale. Indeed, libraries are already finding that subscription services do not always maintain older works. The PALS network subscribed to by one college library recently dropped its 1993 full-text database, leaving the library without access to those works.

Libraries have also expressed concern that they will lose access to digital works in the event that publishers merge, cease operations, or decide not to convert existing works into new formats as technology evolves. As one librarian explained, "Under the terms of purchase we are generally not permitted to make copies, and as these media are damaged or deteriorate the information is simply lost to humanity. Often the companies are no longer in business, and when they are still in business they frequently no longer have this older material in stock. It might as well have never existed."

Mindful of the uncertainty, libraries are often forced to trade off between current and future interests. One academic medical librarian explained: "Our users are demanding electronic products and we cannot afford to maintain both print and electronic

products due to cost considerations. We are unsure of the permanence of electronic products and our ability to have archival access to electronic publications. When we license an electronic journal, will we be able to access an issue 20 or 30 years from now as we can with a print journal?"

Libraries around the country echoed these concerns:

- "Archiving of e-journals is generally not permitted by license. Print journals are generally available, but do not include value-added supplements (video, sound, images) .... An increasing number (of print journals) will become 'electronic only' in future years."
- "Archiving is not possible at all with our First Search and Infotrac. We are dependent on current subscription for access. Theoretically, we have archival rights to keep EBSCO disks and some encyclopedias etc. However, as the interface and computer formats change, using the old disks becomes impractical and eventually impossible because technological and legal restrictions usually prohibit migrating the information to newer formats."
- "Changes in format for technology limits access and use. National Geographic 20 volume set is not compatible with NT network system and is no longer accessible."
- "We try to select our subscriptions carefully, with a view to a long-range subscription with long-standing, reputable companies. ... This is a distinct drawback to licensing versus straight-out ownership."
- "Elsevier has granted electronic access to their journals, but tells us they will only provide access for a 9 month period, so we will lose access to those electronic issues that we once had. We cannot afford their Science Direct product at the moment, which would give us more comprehensive, stable access to their journals."
- "We have had to return tens of thousands of dollars worth of CD-ROMs to vendors like Standard and Poors when our subscriptions ran out, leaving us with no archival data for many years of business information. The price of purchasing this archival information in another format is prohibitive. The data is simply no longer available to the economists and MBA students on our campus."
- "In just [one] week ... we had to withdraw and discard 75 titles that were on older computer disks because we were not sure if we had the rights to transfer them to more current media. With millions of items to keep track of and short

staffing, we simply cannot devote the staff resources to researching the rights of every title in order to know if we can preserve it or not. The practical consequence is that if the publisher or the laws make it difficult for cash-strapped libraries to save this material, it simply will not be saved.”

*Federal copyright law should ensure that America’s libraries have the full legal tools required to preserve bodies of works in digital, as well as analog and print, formats. The 1998 amendments to Section 108 initiated legal support for this effort by removing the “digital” barrier to certain copying and by allowing three, rather than one, copies to be made of covered works. It is time now to review the state of preservation of digital works in a systematic way. The Libraries believe the time is at hand to enable repository libraries around the country to be designated custodians of specific parts America’s digital history and supported in that work..*

***4. Restrictive Licensing Terms and Pay-per-use Models May Hamper Research in the Very Areas Where it is Most Needed.***

High prices and limited budgets routinely force the Libraries to acquire digital products subject to license limitations on transactions, usage hours, or the number of simultaneous users. In order to acquire certain digital products, libraries face restrictive terms that effectively diminish the use of scholarly works, contrary to copyright policy applicable to print works. To the extent that high prices reflect a lack of competitive information sources, and to the extent that scholarly research tends to build on existing information, restrictive license terms may effectively discourage research in the very areas where it is most needed.

The problem has been confronted even by relatively large and well-financed library systems. In order to schedule access to certain high-demand sources, students and faculty there are “being forced to do research late at night during off-peak hours.”

Visiting other schools or asking colleagues at other institutions to provide research assistance has been the only means of accessing certain other sources that the university cannot currently afford.

Scheduling disincentives have already been compounded by cost disincentives at some university libraries. As one librarian explained, “Document delivered articles, for which we pay copyright, are delivered with a technological device that prevents a second viewing or online storage. So, to get the item again, we have to pay again—a situation that doesn’t exist when we purchase a periodical in print.” As individuals and research institutions face increased financial burdens at every step in the research process, some projects may be discouraged. Licensed access with transactional pricing may well enable current information publishers to maintain perpetual monopolies over the information categories they currently dominate.

*Licensing terms that unreasonably burden libraries’ and their patrons’ use of works acquired by contract rather than outright purchase should be preempted by an appropriate federal digital first sale doctrine.*

##### ***5. The Lack of a Clear Digital First Sale Doctrine Eliminates Private Donations as a Long-standing source of Library Materials***

Libraries have long relied on private donations to add continually to their collections. School libraries and public library children’s collections have traditionally been regular recipients of books and audio materials donated by the families of children who have outgrown them. As educational CD-ROMs become more common and more in-demand by students and teachers, the libraries have found themselves confronted with licensing agreements that render them unable to use donated digital works. The result is

that public funds are sometimes used to purchase digital works that might have been acquired by donation under the first sale doctrine. This is especially detrimental to Libraries and their patrons in light of the budget constraints limiting libraries' ability to afford costly digital works, and licensing terms that routinely prohibit interlibrary loan as an alternative means of providing patrons with access to digital works. According to one public elementary school librarian, "When the CD-ROM is given to me in its original case--for example, a counting or letter recognition CD-ROM that a child has outgrown--I feel I should be able to accept it if it would be a useful addition to our curriculum. . . . I feel CD-ROMs should be treated like books, and should be able to be legally used by those other than the original purchaser."

*Libraries must be allowed to receive donations of digital works without fear of legal reprisal to donor or library.*

**d) What is the relationship between existing and emergent technology, on one hand, and the first sale doctrine, on the other? e) To what extent is the first sale doctrine related to, or premised on, particular media or methods of distribution? f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?**

The first sale doctrine is neither media-specific nor technology-specific. The rights and privileges that are codified in the Copyright Act are intended to operate as a whole, with "checks" such as the first sale doctrine preventing the remuneration rights of authors from chilling the public access to creative works that is the goal of copyright law. *See generally Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

Some argue that current law prevents application of the first sale doctrine to digital works, because the doctrine limits only the distribution right, not the reproduction right, and because use of a digital program necessitates copying it into the hard drive of a

computer. The Libraries do not agree. Even though Section 109(a) states that the doctrine applies “notwithstanding the provisions of section 106(3),” (the distribution right), a proper application of Section 109 takes into account fair use and necessary activities incidental to application of doctrine (such as reproduction). See cf. 17 U.S.C. §117 (confirming that an owner of a copy of a computer program does not infringe the reproduction right by copying that program as an essential step in use).

Moreover, the Supreme Court has held that the Copyright Act “should not be so narrowly construed as to permit evasion because of changing habits due to new inventions and discoveries.” *Id.* 158 (affirming that reception of an electronic broadcast by a retail outlet did not constitute a public performance under the 1909 Act). When technological change renders its literal terms ambiguous, the Act must be construed in light of its basic purpose. *Id.* at 157.

The numerous privileges and exemptions that libraries and their patrons enjoy under copyright law evidence the long-standing conviction that the rights accorded by the first sale doctrine are fundamental to the basic purpose of the Copyright Act. Even when the threat posed to the phonorecord and software industries by modern duplication technologies led Congress to prohibit commercial rental of those works, libraries and educational institutions retained certain lending rights that were deemed to serve a “valuable public purpose.” H.R. Rep. No. 735, 101<sup>st</sup> Cong., 2d Sess. (1990), reprinted in 1990 U.S.C.C.A.N. 6935, 6539. As explicitly recognized by Chairman Kastenmeier at the 1990 hearings on the Computer Software Rental Amendments Act of 1990:

[A] bill to change the first sale doctrine . . . is not a modest proposal. It is . . . a major substantive proposal involving a fundamental change in one of the main tenets of copyright law.”

Software Rental Amendments of 1990: Hearing Before the Subcomm. on Courts, Intellectual Property and the Admin. of Justice of the House Comm. on the Judiciary, 101<sup>st</sup> Cong, 2d Sess. 2 (1990) (statement of Rep. Robert Kastenmeier) (quoting Prof. David Lange).

During consideration of the 1990 amendments, Rep. Carlos Moorhead noted, “*Legislation to reform the first sale doctrine frequently arises from a collision course between intellectual property law and technological change.*” 136 Cong. Rec. H8266 (daily ed. Sept. 27, 1990) (emphasis supplied). Such reform is appropriate, as Congress noted in 1998 by directing the Copyright Office to consider additional changes to the copyright law that might be needed.

The first sale doctrine presupposes that copyright proprietors will realize “a fair return” on their creative investments from the first sale of a copy. *See, e.g., Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F. 2d 847, 854 (2d Cir. 1963) (stating that the ultimate issue in application of the first sale doctrine is whether or not the copyright proprietor has “received his reward,” quoting *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942)). When market conditions threaten to undermine incentives to creative production, a re-balancing of owner’s rights and user’s privileges may be warranted. However, where the author’s interests and those of the public conflict, “the public interest must prevail.” *See Register’s Report on the General Revision of the U.S. Copyright Law* (1961) (explaining the purpose of public interest limitations on author’s rights), reprinted in 8 Nimmer On Copyright at App. 14-17.

The piracy rationale that has warranted past modifications to the first sale doctrine may eventually be rendered obsolete by copy control technologies. Until such time as

that determination can be made, the increased incentive to digital publishing that may be achieved by restrictive licenses must be balanced against the benefit that the public receives from library lending. Full application of the first sale doctrine requires extending the section 117 “essential copy” rights that currently facilitate use of computer programs to use of digital works lawfully acquired under the first sale doctrine. Certainly, the public interest in ensuring that libraries are able to carry out their mission of providing access to works – to promote the progress of knowledge – requires no less.

**(g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?**

As our survey has shown, vital library services have been diminished by the loss of control over collections that results from restrictions on the application of the first sale doctrine to licensed digital works, so some rethinking of federal policy is urgently needed. We are in the midst of an accelerating transition to digital formats; print versions of some publications currently remain available for uses such as interlibrary and offsite lending which are banned by digital licensing terms. However, these substitutes are becoming less available as users demand the additional content and search mechanisms that are typically available only in electronic formats.

For libraries to serve the informational needs of the American public in the future as effectively as they have in the past, the binding that ties copyright policy embodied in the first sale doctrine (as well as the fair use doctrine and preservation of works) to lending and usage rights must be strengthened with respect to digital works. This Copyright Office study should recognize this fact and recommend changes to Section 109



consistent with the proposals herein. Specifically, a first sale doctrine for the “digital millennium” should include these points:

1. Interlibrary Lending: Fundamental public copyright policy should not permit distinctions in lending based on the format of the work. The Copyright Act should reaffirm and strengthen the rules on interlibrary loans of digital works.
2. Unchaining Works: All works acquired by a library should be available for use in the classroom, regardless of geographic location, and use by enrolled students and faculty, wherever they are located.
3. Preservation: As recently as 1998 when Congress modified Section 108, it reaffirmed the libraries vital role as the preservers of our nation’s recorded history. The trends since passage of the DMCA require additional initiatives. One such initiative to ensure preservation of works in digital formats would be creation of a national system of digital library repositories, wherein specific libraries or institutions would be designated as custodians of specific parts of America’s digital history and assisted in their efforts to serve as the preserver of these works.
4. Unreasonable Licensing Restrictions: Federal law should preempt state statutes and contractual terms which unduly restrict the access rights all to which all Americans are entitled to with regard to copyrighted works. A unitary federal policy, providing minimum standards respecting limitations on the exclusive rights of ownership (including but not limited to first sale, fair use and preservation) should be established.

5. Donations: Federal policy as expressed in copyright law should encourage donation of works to libraries irrespective of format. Donors and recipients of digital works should not face threats of litigation or reprisals for the generosity of the gift or the willingness to receive.

If the Copyright Office does not recommend and the Congress does not act, many publishers will continue to legislate digital first sale limitations in their stead—by contract—to an end that fails to effectuate the federal policy of balance between the interests of information owners and users. Restrictive licensing of digital works has become the industry standard, and as print sources become increasingly obsolete, acquiescence is the only means by which many users can gain access to the information they need.

From the Libraries' perspective, this practice deprives many libraries of vital control over their collections. Essential library services such as interlibrary lending, archiving, preservation, and lending for classroom and offsite use have been severely curtailed. Digital products are expensive; for many citizens, library and classroom access is their *only* access. Foreclosing that access will exacerbate the “digital divide,” which, in our information-based economy, may mean lost productivity for generations to come. Perhaps even more disturbing is the risk to our nation's rich cultural heritage that is posed by the licensing away of the libraries' archiving rights. The profit motive that properly governs the publishing industry simply cannot ensure that today's digital works will remain available to tomorrow's historians, scholars, and scientific and medical researchers.

As the Supreme Court articulated in *Sony Corp. v. Universal City Studios, Inc.*, “The monopoly privileges that Congress may authorize are *neither unlimited* nor primarily designed to provide a special private benefit. Rather, the *limited* grant is a means by which an important public purpose may be achieved.” 464 U.S. 417, 429 (1984) (Emphasis added.) That important public purpose – the continued flow of ideas and information – is directly served by the limitations on copyright that Congress has built into the law. However, as the debate over the proposed Uniform Computer Information Transactions Act (“UCITA”) has demonstrated, unless an express federal digital policy preempts state laws, content owners will continue to turn to local laws and restrictive licensing agreements as a way of forcing members of the public to waive the very federal rights that Congress reserved for the public – including those rights that flow from the first sale doctrine on which so many library practices depend.

**h) Does the absence of a digital first sale doctrine under present law have any measurable effect (positive or negative) on the marketplace for works in digital form?**

The Libraries believe that the current uncertainty about the application of the first sale doctrine for digital works has and will continue to have a negative impact on the marketplace for works in digital form.

Uncertainty about the extent to which the rights reserved to users by the Copyright Act apply to licensed digital works is currently chilling digital purchases by libraries. The standard licenses by which publishers market digital works prohibit many practices that have traditionally been within the libraries’ discretion under the first sale doctrine. These practices, including lending for offsite use and archiving, are vital to libraries’ ability to serve patrons now and in future decades.

In the absence of clear legislative guidance, many libraries have taken the “safe” route and continued to purchase print alternatives to digital where those alternatives remain available. These print works generally lack the added content and search capabilities of their digital counterparts, but libraries appreciate that the print versions may confidently be used according to provisions of the Copyright Act with which they are familiar. This is no small factor as the threat of “self-help repossession” by publishers compounds the libraries’ concerns about liability for unintentional non-compliance with proliferating contract terms. For these reasons—and because they are eager to purchase more digital works as uniform usage guidelines become available—the Libraries believe that the uncertainty of a digital first sale doctrine has had a significant negative effect on the short-term market for digital works.

The Libraries also believe that the lack of a codified digital first sale doctrine will hurt the market for digital products well into the future, by exacerbating the “digital divide” between those who have access to digital technologies and those who do not. Interlibrary and classroom lending provide many low- and middle-income individuals and communities with their only access to digital works. If restrictive licenses continue to bar libraries from making digital works available through these services, many citizens simply will not develop the comfort with electronic technology that they need to compete as producers in the digital economy. Because marginalized producers are unlikely to reach their full potential as consumers of digital goods, the Libraries believe that reaffirmation of the first sale doctrine extension to digital works will positively impact the future market for such works.

**General: Other issues to consider. Would hearings be helpful?**

A new copyright debate is raging throughout many state legislatures this year. The issues posed by attempts to pass the proposed Uniform Computer Information Transactions Act on a state-by-state basis, has led those in state governments, unaccustomed to dealing with federal copyright policy, to confront the relationship between copyright policy and contract law. The debate, which fundamentally affects the first sale doctrine and the applicability of particular terms within licensing agreements, backed by strong local laws, to impact on the federal copyright policy, should not be ignored by the Copyright Office in this inquiry. The Libraries believe that no review of the first sale doctrine and computer licensing rules should be completed without the Congress giving serious consideration to a new federal preemption provision affecting these rules.

The Libraries urge that in light of the vital need for a digital first sale doctrine policy, public hearings should be held prior to the Copyright Office sending a report to Congress.

Respectfully submitted,

American Library Association  
American Association of Law Libraries  
Association of Research Libraries  
Medical Library Association  
Special Libraries Association

Date: August 4, 2000



**Computer & Communications Industry Association**







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**Re: Report to Congress Pursuant to Section 104 of the Digital Millennium Copyright Act (DMCA)**

Dear Messrs. Feder and Joyner:

The Computer & Communications Industry Association (CCIA) respectfully submits these comments in response to the Federal Register Notice on June 5, 2000, concerning the study required by Section 104 of the Digital Millennium Copyright Act (DMCA).

The Computer & Communications Industry Association (CCIA) is an association of Internet, computer, telecommunications, software, and electronic commerce companies ranging from small, entrepreneurial companies to some of the largest in the industry. CCIA's members include equipment manufacturers, software developers, telecommunications and online service providers, resellers, systems integrators, and third-party vendors. Its member companies employ well over a half-million employees and generate annual revenues exceeding \$300 billion.

The June 5 Notice requests, *inter alia*, comments on the effects of the development of electronic commerce and the operation of Section 117 of the Copyright Act, and the relationship between existing and emerging technology and the operation of Section 117. Our view is that the Section 117's narrow scope has impeded the growth of e-commerce.

**I. Section 117 and Computer Programs.**

Congress adopted Section 117 in 1980 as part of the Computer Software Protection Act. Congress based Section 117 on language recommended by the National Commission on New Technological Uses of Copyrighted Works (CONTU) in its 1979 report. Twenty-one years ago, long before the advent of the World Wide Web, CONTU concluded that the Copyright Act required relatively few amendments to accommodate computer programs properly. Specifically, CONTU recommended an exception that permitted the making of a copy of a computer program 1) as an essential step in the utilization of the computer program, e.g., loading the program into the computer's hard drive; or 2) for back-up or archival purposes.

In 1980 Congress followed CONTU's recommendations, with one significant difference. CONTU suggested that the exception apply to the "rightful possessor" of a copy of the computer program. Congress, however, replaced the phrase "the rightful possessor" with "the owner" of a copy of the computer program. At first, courts did not place great weight on this word choice, and applied Section 117 to entities that obtained the software pursuant to a license agreement. *See, e.g., Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255 (5th Cir. 1988). More recently, courts withheld availability of Section 117 from licensees. *See, e.g., MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993). Because almost all software is distributed subject to a license, be it a negotiated agreement or a "shrink-wrap" contract, this recent line of cases in essence has repealed Section 117.

The *MAI v. Peak* decision contained another critical holding: that the temporary copy of a program in a computer's random access memory (RAM) constituted an actionable reproduction under the Copyright Act. This holding is on questionable footing; the House Report accompanying the 1976 Copyright Act states that "For a work to be 'reproduced,' its fixation in tangible form must be 'sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated *for a period of more than transitory duration.*'" (Emphasis supplied.) Nonetheless, *MAI* has been followed by other courts.

These two holdings, taken together, leave the licensee completely at the mercy of the licensor. Virtually every use of a computer program involves the making of RAM copies; and Section 117 does not excuse the making of copies by licensees. Thus, the licensee can use the software it paid for in full only in the manner specifically permitted by the licensor. For example, the licensor can require that the software be maintained only by the licensor's service organization.

## **II. Section 117 and the Internet.**

The advent of the World Wide Web only compounds the temporary copy problem. Even if Section 117 were to apply to all rightful possessors of copies, rather than just owners of copies, Section 117 by its terms concerns only computer programs. It does not refer to other works, such as text, sound recordings, or films. Since the Internet operates by packets of information moving from the RAM of one server to the RAM of the next, the

Internet involves the making of copies that the *MAI* decision considers to be potentially unlawful and Section 117 clearly does not sanction. One court, for example, found unlawful the RAM copy made by a user while browsing a website.

This basic framework of the theoretical illegality of virtually all Internet transmissions has imposed serious barriers on the growth of the Internet. The potential exposure of Internet service providers for activities initiated by third parties led to the lengthy and costly negotiations that culminated in the Digital Millennium Copyright Act's safe harbor provisions. Service providers now often find themselves modifying the structure of their services in order to comply with the safe harbors' complex legal requirements rather than deploying the most technologically efficient solutions. When the activity can not be squeezed into the DMCA's safe harbors, service providers and users alike must really on uncertain legal doctrines such as fair use, copyright misuse, and implied license to avoid legal liability.

Further, foreign jurisdictions have followed the U.S. model of the illegality of Internet transmissions, again leading to costly lobbying with uncertain results. For example, the draft EU Copyright Directive states that "Member States shall provide for the exclusive right to authorise or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form...." This provision, in turn, has led to great controversy over the scope of the exception to the temporary reproduction right.

### **III. Conclusion.**

Temporary copying is inherent to digital technology. Unless it results in the making of a permanent copy, or in a public performance or display, the legitimate interests of the rightsholder have not been harmed. Moreover, even if the temporary copy does result in the making of a permanent copy, or a public performance or display, then the copyright analysis should focus on that permanent copy or public performance or display, and not the temporary copy. Treating temporary copies as potentially infringing copies has imposed needless complexity and uncertainty on the Internet. The temporary copy problem in the U.S. would evaporate if Section 117 were amended to include the following language from S. 1146 and H.R. 3048 introduced in the 105th Congress: "Notwithstanding the provisions of Section 106, it is not an infringement to make a copy of a work in a digital format if such copying --

- (1) is incidental to the operation of a device in the course of the use of a work otherwise lawful under this title; and
- (2) does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author."

Thank you for the opportunity to comment on this important matter. Please do not hesitate to contact me if I can be of further assistance.

Sincerely,

Jason M. Mahler

Vice President and General Counsel  
Computer & Communications Industry Association

**Patrice A. Lyons**



**REPORT TO CONGRESS PURSUANT TO SECTION 104  
OF THE DIGITAL MILLENNIUM COPYRIGHT ACT  
[Docket No. 000522150-0150-01]**

**Comments submitted to the U.S. Copyright Office & National  
Telecommunications and Information Administration**

[ Comments also available on the Internet at <http://hdl.handle.net/4263537/section109> ]

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## **Introduction**

By Notice published in the Federal Register of June 5, 2000, the U.S. Copyright Office and the National Telecommunications and Information Administration requested public comments relating to an issue that at first blush might seem relatively straightforward: the meaning and scope of section 109 of the U.S. Copyright Law, title 17 U.S.C.<sup>1</sup> The reality is otherwise. Many newcomers to copyright, particularly in the rapidly developing Internet environment, often misinterpret the meaning of this provision in a very basic way. My comments will address, in general, Section 109(a) of the copyright law (1(e), (f) and (g) of the “Specific Questions” raised in the Request for public comment), and put forward a possible theoretical basis for moving forward that will draw on recent developments in the technology for persistently identifying and accessing information expressed in the form of digital objects.

## **Section 109 & “Copies”**

Fundamental to an understanding of section 109 is an appreciation of the meaning of the term “copy.”<sup>2</sup> From a legal perspective, this is a much misunderstood -- and misused -- word. Many in the emerging information industries simply view “copy” in a lay person’s sense, and are mystified when told that it is defined as a “material object” for copyright purposes.<sup>3</sup> There is an important difference between a copyrighted work, and a physical object in which the work may be fixed. This distinction has important consequences for other sections of the copyright law.

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<sup>1</sup> For ease of reference, citations to sections of the copyright law will be to the informal reprint of the law by the United States Copyright Office, Circular 92 (April 2000).

<sup>2</sup> Section 109(a) limits section 106(3) by generally permitting “the owner of a particular copy or phonorecord lawfully made . . . to sell or otherwise dispose of the possession of that copy or phonorecord.” My comments will focus on “copy” and not “phonorecord.”

<sup>3</sup> Under section 101, “‘Copies’ are material objects, other than phonorecords, in which a work is fixed by any method now know or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term ‘copies’ includes the material object, other than a phonorecord, in which the work is first fixed;” see also, H.R. Rep. No. 1476, 94<sup>th</sup> Cong., 2d Sess. 61 (1976). For an interesting recent case touching on the meaning of “copy,” see DSC Communications Corp. v. Pulse Communications, Inc., 1999 Copyright L. Dec. (CCH) & 27,886, at 31,272-73 (Fed.Cir. 1999) (discussion of interplay between section 117 and 109).



To illustrate the difference between the general notion of copy and “copy” for purposes of the copyright rights of reproduction and distribution,<sup>4</sup> it is sometimes helpful to use imagery familiar to computer users. My favorite is the image of a “flying toaster” that used to dart across my PC screen while the computer was otherwise idle. With today’s technology, there is no way to move a metal toaster over fiber optic cables or fly it to a satellite for transmission to users. There is also no way to send a piece of plastic, tape, paper, or similar physical object over the Internet. No “copy” of a copyrighted work is transmitted over the Internet. This has important ramifications for other provisions of the law, e.g., if no copy is distributed to the public over the Internet, then the mere act of transmission alone would not serve to publish a work.<sup>5</sup> A mere change of terminology to refer to what has been loosely called a “digital transmission” would not appear to change the situation. There would also be no legal requirement for a copyright notice on information sent via the Internet, unless, of course, it had been previously made available in the form of material objects in sufficient amount to satisfy the requirements for publication.<sup>6</sup>

The misunderstanding may stem from the often interchangeable use of the concept of a copy in the sense of a “reproduction” of a work and copy as the *physical object* in which the reproduction may be fixed. Further elaboration on the difference between a reproduction and a copy may clarify the situation. In particular, it may advance a consideration of section 109 and its relevance, if any, in encouraging the creation and dissemination of information goods and services in a networked environment. The Committee Report on section 109 is helpful in this context. For example, the Report provides the following illustration of the meaning of “copy:”

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<sup>4</sup> Among the exclusive rights of owners of copyright set forth in sections 106(1) and (3) of the law are the rights “to reproduce the copyrighted work in copies or phonorecords” and “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease or lending;” see e.g. section 201(c) of the law.

<sup>5</sup> As defined in section 101 of the copyright law: “‘Publication’ is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication;” see also H.R. Rep. No. 1476, 94<sup>th</sup> Cong., 2d Sess., 138 (1976) (“any form or dissemination in which a material object does not change hands-- performance or displays on television, for example--is not a publication no matter how many people are exposed to the work”).

<sup>6</sup> According to the House Committee Report, a work is “published” if one or more copies or phonorecords embodying it are distributed to the public--that is, generally to persons under no explicit or implicit restrictions with respect to disclosure of its contents--without regard to the manner in which the copies or phonorecords changed hands. Id. at 138.

“. . .the outright sale of an authorized copy of a book frees it from any copyright control over its resale price or other conditions of its future disposition. A library that has acquired ownership of a copy is entitled to lend it under any conditions it chooses to impose. . . .Under section 202 however, the owner of the physical copy or phonorecord cannot reproduce or perform the copyrighted work publicly without the copyright owner’s consent.”<sup>7</sup>

Unlike works fixed in the form of a book on paper or as a CD-ROM on a piece of plastic, works such as a game program written in a computer language and made accessible at an Internet site, may potentially be reproduced, performed and/or displayed publicly and otherwise used by millions of users without any payment, or even credit, to the owners of copyright in the work as a whole, or its component parts. Extension of section 109 to such new forms of expression without careful evaluation may have a negative impact on the creation and accessibility of new works of authorship to the detriment of both copyright owners and the public at large.

### **State Contract Law**

The meaning of the term “copy” also has ramifications for the interplay between state contract law and the federal copyright statute. There is a growing body of state contract law that employs the term “copy;” however, the definition of the term differs from that used in the U.S. copyright law. Here I am thinking of the Uniform Computer Information Transactions Act (“UCITA”) that was drafted by the National Conference of Commissioners of Uniform State Laws and approved for enactment in all states at its meeting in July 1999.<sup>8</sup> Without going into the details of prior drafts, for purposes of illustration, I will limit my comments to the current version of what is now known as UCITA. Section 102(20) of UCITA defines “copy” in terms of the “medium” on which information is fixed. However, it is not clear whether “medium” is limited to a physical copy or includes, for example, information expressed in some digital form that is mapped into one or more continuous waveforms (i.e., analog signals) for purpose of transmission to say a remote computer. Since the definition of the term “delivery” in UCITA is intended to cover both “voluntary physical” or “electronic transfer” of possession or control of a copy, does this mean that “medium” for UCITA is not the same as “material object” for copyright purposes? This difference may prove troublesome unless there is some coherence drawn between the differing concepts. Whether “delivery” is the same as distribution, or whether it is broad enough to cover both “distribution” and “public performance,” or some new right, should also be clarified.

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<sup>7</sup> Id. at 79.

<sup>8</sup> For text of UCITA, see <http://www.ucitaonline.com>

There are also important differences between the definition of “computer program” for purposes of UCITA, and “computer program” under copyright law. This may have ramifications for a consideration of a logical unit of information for a possible amendment of section 109. Under UCITA, “separately identifiable informational content” is not included under the definition of computer program; and “informational content” is generally intended to cover information “to be communicated to or perceived by an individual.” The U.S. copyright law does not require that works incorporated in a computer program (works that may be viewed as “informational content” under UCITA) are as such excluded from the scope of the term “computer program” for copyright law purposes. This is a particularly important point where new creative works are embodied in a computer program that is performed on a single computer or on a distributed basis over the Internet; and no protected expression would necessarily be “communicated to or perceived by an individual.”

This recalls the rulemaking proceeding at the Copyright Office with respect to protection of computer programs that incorporate typeface designs. An early regulation required that applicants disclaim data pertaining to the typeface; however, the Office was later persuaded to change this position and found that “computer programs designed for generating typeface in conjunction with low resolution and other printing devices may involve original computer instructions entitled to protection under the Copyright Act.”<sup>9</sup> Even if this arbitrary distinction between computer programs and informational content remains confined to the state level for now, the law in this area continues to evolve. In the event the law embraces the notion of a logical entity that is uniquely and persistently identifiable, it may show the way forward for a reconciliation between the now disparate concepts in UCITA and the federal copyright statute.

The term “copy” also comes into play in such provisions of the UCITA as section 502 on “Title to Copy.” For example, under Section 502(b)(2)(B), “[i]f an agreement provides for transfer of title to a copy, title passes: . . .with respect to electronic delivery of a copy, if a first sale occurs under federal copyright law, at the time and place at which the licensor completed its obligations with respect to tender of the copy.” The commentary on this section further stresses the link between this provision and the federal copyright concept of first sale as follows:

“Title transfers when the licensor completes its obligations regarding tender of delivery, which obligations are spelled out in Section 606. The rule for electronic transfers is the same, but explicitly defers to federal copyright law. Some argue

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<sup>9</sup> Registrability of Computer Programs that Generate Typefaces, Final Regulation, 57 Fed .Reg. 6201 (1992).

that even if there is an intent to transfer title to a copy, an electronic transfer of a copy of a copyrighted work is not a first sale because it does not involve transfer of a copy from the licensor to the licensee. Under subsection (b), state law expressly coordinates with resolution of that issue in federal law.”<sup>10</sup>

It would appear from this commentary that the meaning of section 502 of UCITA may benefit from clarification of the meaning and scope of section 109 of the U.S. copyright law. In any event, a study of section 109 should take into account the possible impact of section 109 on state contract law, and the scope of the preemption of state law by the federal copyright statute in this context. There may also be implications for the copyright law concept of “first sale” that may develop around the concept of a “Transferable Record” as set forth in the Uniform Electronic Transactions Act (UETA); however, it is a bit early to tell how this will evolve.<sup>11</sup>

### **Interplay between Patent & Copyright Law**

Over the last decade, there has been an increasing focus on the application of patent law to the now vigorous information economy. The decision of the U.S. Court of Appeals for Federal Circuit in the case of State Street Bank v. Signature<sup>12</sup> that recognized patent protection for business methods provides some guidance on this emerging area of the law.<sup>13</sup> In the State Street case, the court held that “the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces ‘a useful, concrete and tangible result’ -- a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades.” At first glance the notions of “tangible” and “momentarily fixed for recording” would depart from the normal meanings of these concepts for copyright law purposes. There are other aspects to consider.

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<sup>10</sup> Official Comments on Section 502, reprinted in Electronic Contracting: Current Law and the Uniform Computer Information Transactions Act, at 187 (2000).

<sup>11</sup> For text of UETA, see <http://www.jetaonline.com>

<sup>12</sup> State Street Bank & Trust v. Signature Financial Group, Fed. Cir. No. 96-1327 (1998), at <http://laws.findlaw.com/Fed/961327.html> ; see also AT&T Corp. v. Excel Communications, Inc., Fed. Cir. No. 98-1338 (1999), at <http://www.law.emory.edu/fedcircuit/apr99/98-1338.wp.html>

<sup>13</sup> For interesting discussion of developing law of business method patents, see “Automated Financial or Management Data Processing Methods (Business Methods),” <http://www.uspto.gov/web/menu/busmethp/index.html>

A careful evaluation of the interplay between possible patented processes or method patents, and the products or services produced using such processes or methods is warranted. If the “first sale” doctrine is expanded or extended to include the developing electronic arena (and the need for such a move is still far from clear), then the notion of the unit of information that is to be viewed as the virtual equivalent of the “copy” should be clarified. The developing patent law around the concept of a “data structure” may be a starting point in this context. Care should be taken, however, since traditional copyright-dependent industries today do not usually rely on patents to protect the result of the physical instantiation of their protected works. However, new information economy organizations may opt to follow such a path.

Consider the data structure called a “novel.” When a literary work is expressed as a novel and fixed on paper, normally there is no question raised about patents in this method of structuring the data. The same may be said for what might be viewed as the method of expression itself, e.g., English language and syntax. However, in electronic commerce, where works are often expressed initially in digital form, using new computer languages like Java, there may be patents claimed not just in the method of structuring the data, but in the resulting product itself. The dividing line between what is subject to patent, and expression protected by copyright, is increasingly ambiguous. Indeed the two areas already appear to overlap, at least in part. Certain understandings may need to be reached on when a process or method should be deemed subject matter of patent, and when the copyright law should be preeminent. Anytime someone wants to write the virtual equivalent of a novel or publish a newspaper or express a copyrighted work in some new data structure, there should be some generally understood forms of expression that would not require an author to negotiate a patent license.<sup>14</sup>

### **Communications Law -- Extended**

The Digital Millennium Copyright Act (“DMCA”) marks an important step forward in adapting the U.S. copyright law to meet the capabilities of the evolving information infrastructure; however, one aspect of the existing communications law merits further reflection in the context of a study of section 109. In weighing possible electronic alternatives to the physical copy, some account should be taken of current communications law as it relates to the conventional broadcast, satellite and cable industries. If the notion of a uniquely and persistently identifiable unit of information is found to be generally comparable to a physical copy for purposes of an extended version of any new “first sale” doctrine for electronic commerce, then there should also

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<sup>14</sup> For some general thoughts on this subject, see P.A. Lyons, “Where Electronic Publications and Television Programs are Really Computer Programs: Some Copyright Implications,” Scholarly Publishing The Electronic Frontier, ch. 18, at 299 (1996).

be some discussion of who owns such a “virtual copy” and what rights they may have. In this context, it is important to maintain some logical coherence between any proposed new legislation and the communications law as it has evolved since the enactment of the Communications Act of 1934. An example from the broadcast industry may help to illustrate my point.

In the 1934 Act, Congress recognized that technology existed that would allow someone to receive a broadcast signal, remodulate the signal, and rebroadcast it without permission of the owner of what was called a “program.” There was concern that once such programs were broadcast over the airwaves, the broadcaster would lose control over the material. Since at the time there was uncertainty about the application of the definitions of “copying” and “performance” under the 1909 Copyright Act to a radio broadcast, Congress enacted Section 325 to provide broadcasters, and thus program owners, some degree of protection against the usurpation and redistribution of their valuable programming.<sup>15</sup>

Distinct from copyright rights, one can conceive of a new “communicator’s right” to authorize others to access discrete units of information that may be stored in network-based repositories, or accessed via software “agents” that interact with other such agents. The notion of “access to perform stated operations on sets of sequences of bits” is a potentially important new addition to the provision of communications services which may fit comfortably in the context of the communications law; and, it appears useful for the rules governing authorization for such access to be articulated within the framework of that law. This would allow for the broadening of any such new legislation to cover situations where the material in question is not based on or incorporates copyrighted works or performances of works.

### **Managing Access to Digital Information**

Access to repositories of information expressed in some digital form for storage, processing, retrieval and other stated operations will be a fundamental attribute of business in the future. The notion of what today are called “databases” may prove too limited to adequately describe the dynamic information resources under development or now actually being deployed. I am

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<sup>15</sup> Section 325(a) states in part: “. . .nor shall any broadcasting station rebroadcast the program or any part thereof of another broadcasting station without the express authority of the originating station.” 47 U.S. C., sec. 325(a); see generally J.E. Dunstan & P.Lyons, “Access to Digital Objects: A Communications Law Perspective,” Annual Survey of American Law, 3 N.Y.U. L. Sch. 363 (1994).

attaching a paper prepared by me for a Congress held at Monaco in March 1997, and published in the ASIS Bulletin of December/January 1998.<sup>16</sup> It provides a brief overview of the notion of digital objects (sometimes referred to as packages, containers or, more generally, structured bit sequences) and their supporting technologies. In this context, a digital object is understood as one or more sequences of bits or sets of such sequences that contain “typed data” (to allow the sequences to be interpreted) and include a unique, persistent identifier for the object known as a “handle” (or, in certain instances a “DOI”).<sup>17</sup> There are several implementations of this technology to date in various sectors of the economy such as the publishing industry.

A practical illustration of the general concept of a digital object, and the possible need for further consideration of the legal and procedural framework for the deposit of such objects in multiple repositories, was the subject of a recommendation of the Committee on Intellectual Property Rights and the Emerging Information Infrastructure.<sup>18</sup> While the recommendation referred to the “deposit of digital files in multiple depositories,” the underlying concepts relate more generally to the deposit of structured bit sequences in one or more repositories. Fundamental aspects of such an information infrastructure were described in a paper on a framework for distributed digital object services.<sup>19</sup> With appropriate authentication, storage and access mechanisms in place, digital objects could attain a similar attribute of persistence as a “material object” such as a book printed on paper. This framework represents an important contribution to the emerging information infrastructure and points the way toward managing information in the networked environment.

There is a relationship between the recommendation concerning “deposit of digital files” and the meaning of “copy” for purposes of section 109, as well as the more basic concept of “publication” for copyright law purposes. It is important to recall that section 407 of the U.S. copyright law provides generally that “the owner of copyright or the exclusive right of publication in a work published in the United States shall deposit at the Library of Congress,

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<sup>16</sup> See <http://www.asis.org/Bulletin/Dec-97/lyons.htm> (reproduced in the **Appendix**); this paper was prepared for delivery at the Unesco International Congress on Ethical, Legal and societal aspects of Digital Information, held at Monaco, March 10-12, 1997.

<sup>17</sup> For information and software relating to “handles,” see Handle System at <http://www.handle.net> Information on the DOI may be found at <http://www.doi.org>

<sup>18</sup> The Digital Dilemma, Intellectual Property in the Information Age, Computer Science and Telecomm. Board, National Research Council, at 208-209 (2000).

<sup>19</sup> R.E. Kahn & R. Wilensky, “A Framework for Distributed Digital Object Services” (1995), available at <http://www.cnri.reston.va.us/home/cstr/arch/k-w.html>

within three months after the date of such publication . . . two complete copies of the best edition.” There is also an interplay between section 407 and the requirements for registration of copyright claims that should be considered in this context.

The meaning of the term “copy” came up for discussion at the Copyright Office several years ago in the course of the Advisory Committee on Copyright Registration and Deposit (known as the Accord group). Consideration was given to whether there was a distribution of copies for purposes of publishing works where no actual “copy” of the work was transmitted to the public. The Accord group decided to propose legislation to Congress that would amend section 407 to extend to unpublished, but publicly transmitted works. This proposal did not get very far due to opposition from representatives in the computer program and database industries.<sup>20</sup>

In closing, a study of the meaning of section 109 should take into account the ramifications of any proposed change on the basic concepts underlying the U.S. copyright law as a whole, as well as patent and communications law. The interplay between the federal copyright law and state contract law should also be explored. Any examination of the meaning of this provision should not be carried out in isolation. If the notion of a “virtual copy” (or other similar data structure) that may be “delivered,” “transmitted,” “processed,” “accessed” or otherwise used in a networked environment is to be considered, then it is essential that an analysis of such a proposal be carried out in light of the developing information architecture, including the work that is going forward around the concept of digital objects. In any study of the role of section 109 of the copyright law, however, the primary role of copyright in encouraging the creation and dissemination of works of authorship should be kept uppermost in mind. An effort to expand public access to copyrighted works should not inadvertently lead to a severe limitation on the ability of copyright owners to control the dissemination of their works.

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<sup>20</sup> See Copyright Reform Act of 1993, H.R. Rep. No. 103-833, 103d Cong., 1<sup>st</sup> Sess., at 25 (1993) (proposed study “to determine how to implement an amendment to that section [407] extending the mandatory deposit provisions to unpublished, but publicly transmitted works, including computer programs and online databases”); see also Report of the Advisory Committee on Copyright Registration and Deposit, Co-Chairs R. Wedgeworth and B. Ringer, 86 Copyright L. Rep. (CCH), at 55, n. 14 (1993).



## APPENDIX

### **Managing Access to Digital Information: Some Basic Terminology Issues**

by Patrice A. Lyons

Often, a marked technical advance stimulates a period of intellectual progress. It is widely recognized that the printing press was such a development. Whereas, before this invention, only a few books were laboriously produced, and fewer still were available to the public, the printing press opened the doors for sharing information with a much larger audience. There is little doubt that this new procedure for communicating ideas had a major impact on civilization. Other data structures besides books, such as newspapers, monographs and journals, also emerged to take advantage of the capabilities of the printing press.

In this century, radio and television technology ushered in a yet more diversified medium of communication. In addition to expressing ideas with printed text and illustrations, information could be widely shared in a dynamic form consisting of a series of related sounds and images. While the data structure understood as “the book” played (and continues to play) a leading role in the print-on-paper world, a unifying structure, known as “the transmission program,” facilitates the origination and transmission of information in the broadcast, cable and satellite communications industries. This unit for organizing and identifying information has generally been regulated under communications and trade laws, but it also has implications for the application of copyright law in a communications environment. For example, the North American Free Trade Agreement (NAFTA) makes provision for the protection of “encrypted program-carrying satellite signals.”

### **Like books and transmission programs in the past, what logical entities are most appropriate to facilitate commerce in creative works in a digital environment?**

Over the last decade, there has been substantial growth in the use of computer networking capabilities for the creation and dissemination of copyright works. Of particular note is the emergence of the Internet. For definition of Internet see

[http://www.fnc.gov/Internet\\_res.html](http://www.fnc.gov/Internet_res.html)

This phenomenon is not a unique situation in the history of intellectual progress. It has been a distinguishing feature of human potential to challenge existing assumptions, to reconceptualize given knowledge and to generate diverse informational materials and artifacts for entertainment, educational, industrial and other purposes. Technology has simply helped to accelerate the process.

The widespread availability of global information systems like the Internet carries with it the potential to generate and share information at a degree of complexity and pervasiveness that was unimaginable until recently. Already, information is being posted on the Net that would otherwise only be available to a restricted group, if anyone knew of its existence. Unlike transmission programs consisting of sounds or images that are produced solely for communication to the public in sequence and as a unit, digital information is inherently malleable. Information expressed as sequences of binary digits (or bits) may be accessed interactively, data streams from widely distributed sources may be intermingled and new works dynamically generated and processed.

There is a growing perception in the research community, and increasingly by leaders in copyright-dependent industries, that data structures are needed to enable the organization and identification of units of digital information for purposes of managing rights and interests in a network environment. Efforts in this direction are well underway. Of particular note is a framework under development that will enable copyright works and other information resources, once configured as "digital objects," to be reproduced, stored, accessed and disseminated over computer networks in this new form of data structure. This architecture grew out of a program organized and led by the Corporation for National Research Initiatives (CNRI) under the sponsorship of the U.S. Defense Advanced Research Projects Agency and with the active participation of the U.S. Copyright Office of the Library of Congress. Fundamental aspects of this information infrastructure were described in a paper entitled "A Framework for Distributed Digital Object Services" by Robert Kahn and Robert Wilensky. It is available on the Internet at

<http://www.cnri.reston.va.us/home/cstr/arch/k-w.html>

Digital objects (sometimes referred to as packages, containers or, more generally, structured bit sequences) and their supporting technologies have emerged as a focus of experimentation. In this context, a digital object is understood as one or more sequences of bits or sets of such sequences that contain "typed data" (to allow the sequences to be interpreted), and include a unique, persistent identifier for the object known as a "handle" (or, in certain instances, a "DOI"). The digital object is intended to be a generic means of structuring information in the digital world. A digital object may incorporate information in which copyright, patent, trade secret or other rights or interests may be claimed, although this need not always be the case. Key infrastructure components of an open architecture that supports digital objects are discussed in a Cross-Industry Working Team (XIWT) white paper entitled "Managing Access to Digital Information: An Approach Based on Digital Objects and Stated Operations" that is available at

<http://www.xiwt.org>

Digital objects may be deposited and stored in a network-based computer system or “repository” for possible subsequent access. Repositories may be operated in a variety of ways, spanning the range from individual storage depots to bulletin boards to broadcast stations on the Internet. From a copyright perspective, it is important to stress that a “handle” identifies a particular logical entity, i.e., a data structure, in which a work or other information has been embodied, but not the underlying information itself.

A unique and important attribute of a digital object embodying a copyright work is the capability of the object to incorporate data about itself. This information or metadata may include conditions for accessing the digital object and/or its underlying content, or an indicator to where such information may be available. The digital object may also enable a negotiation to take place where a user wishes to go beyond any conditions previously set forth in its metadata. This capability is an essential ingredient to enable and encourage the growth of commerce in copyright works in a digital environment.

Several organizations are now building testbeds to implement the digital object framework. These include two at the U.S. Library of Congress and another in the publishing community sponsored by the Association of American Publishers. Information on the publishers’ initiative is available at

<http://www.doi.org>

A key goal in these efforts is to provide an open architecture that allows the identification and management of access to digital information. They seek to make both proprietary and non-proprietary information available in a structured and well-known way with open interfaces, protocols and object structures. A digital object as a structured package of encrypted information may also facilitate the development of flexible and efficient mechanisms for managing rights or interests in a computer network environment. In this context, the keys can be managed and distributed independently from the digital object itself. This capability for managing rights or interests also applies where intelligent agents, structured as digital objects, act on behalf of rightsholders in a network environment to protect works embodied in such objects.

**What is the copyright status of original works of authorship structured as "digital objects"?**

When Congress revised the United States federal copyright statute about 20 years ago, it restated the two fundamental criteria of copyright protection: originality and fixation in tangible form. From the first U.S. copyright statute, which designated only "maps, charts and books," the copyright law has grown to include new forms of expression as creative and worthy of protection. The wording of the definition of fixation, however, limits this expansive intent. It specifically provides that a work is "fixed" in a tangible medium of expression when it is embodied in an authorized "copy" or "phonorecord." Generally, a copy for these purposes is a material object (other than a phonorecord). This limitation is not just a matter of passing interest in the context of U.S. law. The concept of fixation is important, since it represents the dividing line between the application of the federal copyright statute and any protection that may be available under State common law or statute.

What it means to be a copy also came up at the Diplomatic Conference on Certain Copyright and Neighboring Rights Questions convened by WIPO and held in December 1996. Specifically, the following text appears under the Agreed Statements concerning Articles 6 and 7 of the WIPO Copyright Treaty adopted by the Diplomatic Conference: ". . .the expressions 'copies' and 'original and copies' being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects." While the Conference thus clarified the intended meaning of copies, the meaning of original may require further analysis. In the United States, an original may be deemed to apply to the first fixation of a work in a tangible form; however, many countries extend copyright protection to what are sometimes termed original works without a fixation requirement.

This topic is particularly interesting to consider where "original works of authorship" for purposes of U.S. law (or what are sometimes termed "original works of the mind" under other bodies of law) are created wholly within a global information system like the Internet, and where, in this environment, there may be no material fixation (or copy) generated, much less distributed. A novel interpretation of materially fixed might include a capability that supports "fixation on demand"; however, there would still be some inherent ambiguity about the status of such works prior to their fixation.

The development of a digital object infrastructure may enable the expansion of copyright protection to accommodate works that are not first fixed in a tangible medium of expression, or, in the case of material such as live broadcasts, that are not recorded simultaneously with their

transmission. Introducing the notion of a structured, logical unit, i.e., a “digital object,” may better accommodate the emerging capabilities of digital technology. These include, in particular, the deployment of such dynamic resources as intelligent agents. It may also avoid the use of ambiguous and oxymoronic terms such as intangible copies.

In addition to the existing requirement under U.S. law that an original work of authorship be “fixed in a tangible medium of expression” for federal copyright protection to attach, an alternative criteria may prove very useful in a network environment:

“an original work of authorship structured in a persistent, uniquely identifiable medium of expression from which it may be reproduced, perceived, performed or accessed by any device or process for a period of more than transitory duration.”

For purposes of this proposed new provision, structured may be defined to include digital objects and other equivalent data structures.

A digital object with its unique persistent identifier thus serves much the same purpose as a material fixation under U.S. law. Moreover, this concept may also prove of assistance in countries that extend protection without the need for a fixation. A capability of persistently and uniquely identifying a data structure in which copyright works, or performances of works, are embodied may encourage the development of a new marketplace for copyright works in a digital environment. Of course, where an original work of authorship structured as a digital object is actually fixed in a tangible medium of expression, copyright protection would subsist in accordance with current U.S. copyright law. My proposal would simply offer an alternative basis for protection to attach.

### **Should the processing and communication of bits be viewed as a distribution and/or a performance?**

Questions have been raised about the classification of new creative works like MIDI sequences for purposes of copyright. Are they literary works? Musical works? Computer programs? Sound recordings? Further, what happens when users access a network-based repository of such works on an interactive basis, and the results of such access are disseminated over the Internet? Depending on the nature of the access request, the dissemination may not represent any particular sequence of bits that previously existed in that, or indeed, any repository. This situation is also likely to become increasingly prevalent where complex works, such as knowledge-based systems, are made commercially available over the Internet to provide advice and guidance on a wide variety of topics.

Many information resources (configured as digital objects or not) that are now accessible to the public over the Internet may look and sound like conventional copyright works. Often, the term multimedia is applied to these capabilities, as if these resources were simple compilations of several traditional works, such as music, photographs, films or text, to be treated as what might generally be called data. It may be appropriate to regard these works as a whole as either computer programs or computer databases, or some combination thereof. However, a more accurate, comprehensive and flexible terminology to describe this emerging area is needed that reflects the realities of the underlying technology.

Information in digital form (whether of a purely symbolic or numeric character) is a purely conceptual entity; however, it may be represented as a real entity in the form of symbols or numbers fixed in a material object, where it is usually considered a “literary work” for copyright purposes. In light of the developing capabilities of digital technology, Committee No. 702 of the American Bar Association explored whether it might be helpful to establish a subcategory of literary works capable of behavior, to be called “digital works.” In its 1996 report, the Committee proposed the following definition for discussion purposes: “‘Digital works’ are literary works consisting of an ordered set of symbols from a discrete alphabet, such as computer programs or knowledge structures, that are capable of behavior when processed.”

Such a provision is particularly important where a patented process may be involved in the performance of a digital work subject to copyright or where there may be patents involved in the methods used for structuring data.

If a consensus can be reached on what it means to be a “digital work,” it may lead to a better understanding of what occurs from a copyright, patent and communications law perspective where information represented in some digital format is mapped into a waveform. Terms such as digital communication or digital transmission may not be adequate to describe the situation fully.

It was the Committee’s understanding that, strictly speaking, there are only continuous waveforms (or analog signals) in the real world. A “signal” is meant to be “digital” only in the conceptual sense that it is understood to contain a sequence of discrete symbols or bits. Any sequence of discrete symbols that corresponds to the expression of certain information may be mapped into one or more continuous waveforms. For purposes of copyright, where this ordered set of symbols is viewed as a “digital work,” the mapping of the information into a waveform by any device or process may be viewed as a performance of the work. There may be other performances of works that take place, not just at the source, but at the point of reception and within the network itself, where intelligent agents may be tasked with performing various operations. Certain of these performances may be deemed exempt from copyright liability.

Networks and network servers can generally be either active or passive entities in any communications system. As passive entities, they typically serve to communicate bits without essential change from a source to one or more destinations. As active entities, they have the ability to process the information in arbitrary ways. When the information is encrypted at its source, the processing options along the communications pathways are inherently more limited, but it is still possible to perform a limited set of functions within the network, such as aggregation, selective filtering and disaggregation. Thus, the extent of copyright liability for any given situation should be based upon the nature of the service being provided. There may be classes of operations performed on digital objects that have only a minimal, if any, impact on any underlying copyright works. While strictly speaking performances, such operations might be deemed to encompass the “distribution” of digital objects embodying copyright works. Complex operations would most likely bring into play the copyright right of public performance.

There may be rules and procedures developed for access to digital objects, or repositories of digital objects, that may overlap and impact in practice any copyright and other rights or interests that apply to the underlying information content. In the context of a digital object infrastructure, there has been some discussion of the notion of “access to perform stated operations on a sequence of bits.” Whether, and under what circumstances, such operations should be accommodated under communications laws, and how protection at the digital object level will interact with any copyright, patent, banking, privacy, trade secret and other rights or interests in an object's contents, is an important area for continued discussion and experimentation. Where a copyright work is configured as an encrypted digital object, a new set of capabilities is introduced having great potential for the management of rights or interests in a network environment or even for indicating that there are no restrictions placed on access to digital information.

In summary, this paper has introduced the digital object as a logical structure for organizing information expressed as sequences of bits (like the book or the transmission program in other media). It compares the characteristics of digital objects, i.e., unique persistent identifiers, network accessibility and typed data, to the attributes of fixation in a material object and shows them to be generally equivalent. In addition, it introduces a notion of a digital work as a literary work that is capable of behavior and discusses some of the attributes of encrypted digital objects that may bring into play the copyright rights of distribution, as well as public performance, in a network environment.





**Digital Media Association**



**Before the  
COPYRIGHT OFFICE  
LIBRARY OF CONGRESS  
and the  
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION  
DEPARTMENT OF COMMERCE  
Washington, D.C.**

Report to Congress Pursuant to )  
Section 104 of the ) Docket No. 000522150-0150-01  
Digital Millennium Copyright Act )

**COMMENTS OF THE  
DIGITAL MEDIA ASSOCIATION**

The Digital Media Association ("DiMA"), pursuant to the notice published at 65 Fed. Reg. 35673 (June 5, 2000) ("Notice"), and Section 104 of the Digital Millennium Copyright Act ("DMCA"), is pleased to submit these comments in connection with the study by the Copyright Office and the National Telecommunications and Information Administration of two important issues affecting electronic commerce and copyright policy: the scope of the "first sale" doctrine in the digital environment, and exemption from infringement the making of archival copies and temporary copies of digitally-downloaded works in the course of authorized uses (the "Study").

DiMA (<http://www.digmedia.org>) was formed on June 2, 1998, by seven (7) companies leading the creation of new ways to deliver and market music and video over digital networks to promote three core principles:

- To promote pro-consumer competitive opportunities in digital distribution, transmission, broadcast, and retail of digital media;
- To encourage the development and use of responsible measures to protect intellectual property rights, including the payment of fair and reasonable royalties associated with such rights; and,
- To oppose technological and legal barriers that inhibit innovation or adoption of new technologies, products and services.

On June 5, 1998, DiMA testified before the House Commerce Committee Subcommittee on Telecommunications, Trade and Consumer Protection that resolving both of the issues to be addressed in this Study was essential to growing ecommerce and Internet broadcasting. Thus, DiMA was particularly gratified that Congress had the foresight to require in Section 104 of the DMCA that this Study be timely conducted.

Today, just two years after DiMA's formation, our more than 50 members<sup>1</sup> believe that extending the first sale doctrine to cyberspace and exempting temporary buffering during streaming will promote ecommerce in copyrighted works. These last two years have witnessed a dramatic increase in the scope and popularity of Internet webcasting of audio and video programming; and this year promises to be a turning point for the sale of copyrighted sound recordings and video over the Internet. Questions surrounding the legal status of webcasting or consumer rights in digitally-purchased media, if left unanswered, will put a damper on these promising markets and technologies. The time to resolve these issues is now.

In response to the Notice and the questions set forth therein, DiMA's comments below elaborate on the following three key points:

1. Extending existing limitations on the rights of copyright owners into the digital environment is consistent with the policies underlying the Copyright Act and the WIPO treaties implemented by the DMCA. To rapidly promote ecommerce, it would be preferable to enact these limitations into law rather than wait for the courts to sort through the issues.
2. To create a level playing field for ecommerce in digitally-delivered audio, video and other media, the first sale doctrine of 17 U.S.C. § 109(a) must be extended, either by judicial interpretation or amendment, to apply to content lawfully acquired by digital transmission. Unless consumers receive from digital media the same quality, value and convenience they receive from physical media, ecommerce will be left stranded at the starting gate.
3. The exemption in 17 U.S.C. § 117 that legitimizes archiving and usage of computer software should be adapted and applied to digitally-delivered performances and copies. Specifically, temporary copies that enable the performance of digital media, including streaming audio and video, should explicitly be exempted from the exclusive rights of copyright owners, including the rights of reproduction and distribution. Further, consumers should retain the right to make one archival copy of digitally-delivered media to guard against losses from technical errors or equipment failure.

**I. Extending Current Limitations Into the Digital Environment is Consistent with Copyright Policy and International Obligations.**

Two policies draw the baseline for any discussion of whether or how to adapt the Copyright Act to the digital networked environment. First, copyright exists to promote the public interest. Securing the rights of authors is intended to provide incentives to support the greater public good, not to be an end in itself. See, e.g., Feist Publications, Inc. v. Rural Telephone Service Co., 499 U.S. 340, 349-350 (1991); Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984). Hence, statutory changes and interpretations of

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<sup>1</sup> A list of DiMA's current members is attached.

copyright law should balance the impact of the law upon the copyright owner against the paramount public interest in the dissemination and proliferation of copyrighted works.

Second, copyright law should respond to technological progress, not hinder it. As the Supreme Court has noted, "[f]rom its beginning, the law of copyright has developed in response to significant changes in technology. Indeed, it was the invention of a new form of copying equipment - the printing press - that gave rise to the original need for copyright protection." *Id.*, 464 U.S. at 430.<sup>2</sup> Courts have the responsibility to flexibly interpret copyright law in light of its implications for the public interest; but the primary responsibility for adapting copyright law resides in Congress. *Id.*, at 430.

Summarizing these principles a quarter-century ago, the Supreme Court wrote:

The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an `author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. *'The sole interest of the United States and the primary object in conferring the monopoly,' this Court has said, 'lie in the general benefits derived by the public from the labors of authors.'* *When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of this basic purpose.*

Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) (citations and footnotes omitted); emphasis added..

Both of these fundamental principles find further support in the treaties that prompted Congress to adopt the DMCA, namely, the 1996 World Intellectual Property Organization ("WIPO") Copyright Treaty and WIPO Performances and Phonograms Treaty. The Preamble to the WIPO Copyright Treaty recognizes both "the profound impact of the development and convergence of information and communication technologies on the creation and use of literary and artistic works," and "the need to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information, as reflected in the Berne Convention." WIPO Copyright Treaty, CRNR/DC/94 (December 23, 1996).<sup>3</sup>

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<sup>2</sup> "Repeatedly, as new developments have occurred in this country, it has been the Congress that has fashioned the new rules that new technology made necessary." *Id.*, 464 U.S. at 430-431 (footnotes omitted.)

<sup>3</sup> Equivalent language is found in the Preamble to WIPO Performances and Phonograms Treaty ("WPPT"), CRNC/DC/95 (December 23, 1996).

Similarly, the Agreed Statements concerning the WIPO Copyright Treaty, with specific reference to the adoption of limitations and exceptions to copyright, provide:

It is understood that the provisions of Article 10 [regarding limitations and exceptions] permit Contracting Parties to carry forward and appropriately extend into the digital environment limitations and exceptions in their national laws which have been considered acceptable under the Berne Convention. Similarly, these provisions should be understood to permit Contracting Parties to devise new exceptions and limitations that are appropriate in the digital network environment.

Agreed Statements to WIPO Copyright Treaty, CRNR/DC/96 (December 23, 1996).<sup>4</sup>

Thus, both domestic and international copyright policy embrace the need to extend existing privileges and exemptions under copyright into the digital networked environment.

Generally, the competitive market should be given time to evolve before making "pre-emptive" changes to copyright law. Over time, DiMA believes that existing exemptions created for the "physical" world likely would be adapted to the digital realm by judicial interpretation, or justified under doctrines such as fair use. Nevertheless, the public interest and the evolution of the marketplace often are better served by laws that clearly address and define the rules for a new technological environment. "Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994). Indeed, as the Copyright Office recently noted in a similar context:

Where a statutory provision that was intended to implement a particular policy is written in such a way that it becomes obsolete due to changes in technology, the provision may require updating if that policy is to continue. Doing so may be seen not as preempting a new market, but as accommodating existing markets that are being tapped by new methods.

Report on Copyright and Digital Distance Education, at 144 (May 1999). Thus, legal certainty in applying copyright to new digital technologies benefits the copyright owner and user alike, and prepares the market for compelling technologies and business models. Indeed, the explosion of webcasting since the enactment of the DMCA statutory performance license provides an object lesson in how a stable legal environment provides the launch pad for new industries.

Given the light-speed innovation of today's digital world -- and even the speed of light isn't all it used to be -- it would be unreasonable to expect legislation to anticipate or even keep

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<sup>4</sup> See Agreed Statement to Article 16 of the WPPT: "The agreed statement concerning Article 10 (on Limitations and Exceptions) of the WIPO Copyright Treaty is applicable *mutatis mutandis* also to Article 16 (on Limitations and Exceptions) of the WIPO Performances and Phonograms Treaty." CRNR/DC/97 (December 23, 1996).

pace with all the pushes and pulls upon the copyright envelope. However, several copyright disputes threatening digital media companies are overdue for resolution. Among them are the two issues encompassed within this study:

- The first sale doctrine should be applied to digitally-delivered copies and phonorecords of copyrighted works; and,
- Temporary buffer memory copies made in the ordinary operation of streaming media software, and archival back-up copies of digitally-delivered media, should be explicitly exempted from the right of reproduction.<sup>5</sup>

Clarifying these legal principles will promote the growth and development of electronic commerce and the dissemination of copyrighted works. DiMA suggests below why these privileges neither conflict with the normal exploitation of copyrighted works nor unreasonably prejudice the legitimate interests of copyright owners.

## **II. The First Sale Doctrine Should Explicitly Extend into the Digital Environment.**

### **A. A Historical Perspective**

The first sale doctrine balances the economic rights of the copyright owner and the consumer with respect to copyrighted works. The rationale underlying the first sale doctrine has its roots in the English Common law rule opposing restraints of trade and restraints upon alienation of personal property,<sup>6</sup> and is adopted internationally in copyright and patent law as a principle regarding the exhaustion of the proprietor's rights upon first sale.

Copyright law secures to the copyright owner the exclusive right of first distribution, to provide an incentive for the creation and dissemination of works. However, once the copyright holder has been compensated for the initial distribution of the work, no further incentive is required, so the copyright owner should be unable to extract further profits from that particular copy of the work. After that first sale, as the Supreme Court held nearly a century ago, the "right to vend" has been fully exercised and further limitations cannot be imposed on disposition of

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<sup>5</sup> A third, equally important, issue concerns the extension of the Section 110(7) exemption for in-store performances of music to explicitly encompass online retail. DiMA briefly addresses this issue *infra* at Section IV.

<sup>6</sup> See Burke & Van Heusen, Inc. v. Arrow Drug, Inc., 233 F. Supp. 881, 883 (E.D. Pa. 1964). See also H.R. Rep. No. 987, 98th Cong., 2d Sess. 2, reprinted in 1984 U.S. Code Cong. & Admin. News 2899.

those goods.<sup>7</sup> This doctrine has been embodied in substantially equivalent forms under both Section 27 of the Copyright Act of 1909<sup>8</sup> and Section 109(a) of the current Act.<sup>9</sup>

These rationales apply with equal force in today's digital world. The law should not discriminate against digital embodiments. Once the copyright holder has been justly compensated for the initial sale of the work, the consumer should have the same right to dispose of the copy, regardless of whether it was acquired as a physical or digital copy.

## **B. First Sale Remains Rational and Necessary in the Digital Environment.**

Although a court justifiably could interpret the existing language of Section 109(a) to protect digital retransmissions of digitally-acquired content, some copyright owners have disputed this interpretation. In DiMA's view, an unambiguous statement that the first sale doctrine applies to digitally-acquired content will benefit all parties. DiMA therefore supports legislative clarification of Section 109 so as to firmly establish that the first sale doctrine applies to digital retransmissions of digitally-acquired copies and phonorecords of copyrighted works.

The first legislative initiative to recognize the necessity of the digital first sale doctrine occurred in November 1997. Representatives Rick Boucher and Tom Campbell introduced H.R. 3048 (the "Boucher-Campbell bill"), which would have amended the first sale doctrine to include digitally-acquired media. This bipartisan bill, subsequently co-sponsored by approximately 50 representatives, would have added to Title 17 a new Section 109(f) that would have permitted the operation of the first sale doctrine by transmission of the work to a single recipient, if the person effectuating the transfer erases or destroys his or her copy or phonorecord at substantially the same time. In its June 8, 1998, testimony before the House Commerce Committee Subcommittee on Telecommunications, Trade and Consumer Protection, DiMA supported both the extension of the first sale doctrine to digitally-acquired media, and the passage of that provision of H.R. 3048:

The "first sale" doctrine should be adapted for the digital environment. Just as consumers have the right to resell or give away a book, CD or video purchased in a physical retail store, they should have the right to transfer ownership of copies

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<sup>7</sup> Bobbs-Merrill Company v. Straus, 210 U.S. 339, 350-51 (1908).

<sup>8</sup> Section 27 of the 1909 Act stated, in pertinent part, "nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work, the possession of which has been lawfully obtained."

<sup>9</sup> Section 109(a) states, *inter alia*, "the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." 17 U.S.C. § 109(a).



received electronically. ***If Internet commerce is to succeed, consumers must have the assurance that the electronically purchased copy is just as good and valuable as the store-bought copy, and a copy that cannot be resold or given away is a lot less valuable.*** Rep. Boucher's bill, H.R. 3048, would secure this existing right for the digital environment. In the past, the argument has been made that, in the digital environment, if that transfer of ownership is done by computer, then a copy remains on the sender's computer even after the copy has been transmitted. This is a flawed argument. Technology companies like Liquid Audio and a2b music already have developed technologies for secure electronic delivery and copying of music. They, and many others, are capable of developing software that will ensure that the copy on the sender's computer is deleted after transmission. But they will have no incentive to develop these technologies if the first sale doctrine does not apply, since their technology still would be unlawful.

The passage of time has only proved these views correct, but the risks from operating without the digital first sale doctrine are imminent. On July 24, 2000, market analysts at Jupiter Communications released estimates that annual U.S. sales of digitally-downloaded music could reach \$1.5 billion by 2005. Without a first sale doctrine, this market may not reach its potential. And as we have already seen in related Internet contexts, failing to capitalize on the inherent flexibility of digital systems delays market development and entices others to illicitly provide the convenience the consumer desires. When law and ecommerce enable the online consumer to receive full value, quality, convenience and service, the business and the market will prosper.

The technology to secure the first sale privilege exists today. As will be explained further below, copyrighted content can be delivered to the consumer with digital rights management ("DRM") systems that enable secure electronic transfers of possession or ownership, and that protect against unauthorized retention of the transferred copy. Extending the first sale doctrine to the electronic environment will provide the incentive for development of newer, more flexible, and more efficient DRM tools. Thus, by explicitly extending the first sale privilege to digitally-delivered works, DiMA believes that the law will simultaneously promote the interests of consumers, copyright owners, and companies engaged in building the new ecommerce economy.

With this background, DiMA responds below to the questions posed in the Notice.

***(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of the first sale doctrine?***

The impact on the first sale doctrine of Section 1201 to date has been limited, in light of the embryonic state of ecommerce. At this stage, DiMA can describe how the anticircumvention provisions have had a positive impact or no impact on ecommerce; yet we also can envision scenarios in which they would diminish or negate the operation of the first sale doctrine.

(i) Technological protection measures can support the first sale privilege.

On the positive side, encryption can facilitate practical implementations of the first sale doctrine. Several companies have implemented technologies to electronically deliver digital copies or phonorecords in encrypted form. Protected files (such as music, motion pictures, photographs or text) can be copied freely, but cannot be accessed without the decryption key. Therefore, maintaining tight technological control over the transmission of the decryption key effectively maintains security over the digital media file. To implement first sale using encrypted content, then, the technology would need merely to limit copying of the decryption key, and to assure transmission of that key along with the transfer of possession of the digital phonorecord or copy. Once the key has been permanently transmitted from the seller's machine, any encrypted data remaining in the seller's storage media is inaccessible and valueless.

Similarly, authentication processes can be implemented so as to assure that digital copies and phonorecords are transferred securely and permanently. For example, a software technology could incorporate means for assuring the deletion of the content from the first owner's computer following successful transfer of the content to the new owner. Then, when initializing the transmission process, software on the seller's and purchaser's computers can authenticate each other through a series of cryptographic challenges and responses, and establish a secure channel for the transmission of the content according to the rules set forth in the software. Once this secure transmission is completed and verified, then the software on the seller's computer can delete or disable access to the work.

Such encryption and authentication systems may constitute access controls subject to the provisions of Section 1201(a). In these respects, Section 1201 may be said both to be compatible with and to enable the operation of the first sale doctrine for digitally-delivered content.

(ii) Technological Protection Measures can be Irrelevant to First Sale.

Not all media is delivered electronically in a secured or encrypted format. In such instances, Section 1201 is irrelevant to the operation of the first sale doctrine for digital media.

Thousands of files in the unprotected MP3 format are distributed with authorization of the copyright owner and without charge over the Internet. Wide dissemination of these tracks without restriction is generally the goal, so as to promote unknown artists or create buzz for forthcoming recordings by current stars.

Some companies sell unprotected music with the authorization of the copyright owner. EMusic.com (<http://www.emusic.com>), for example, markets and sells sound recordings for downloading by the consumer in the MP3 format without encryption or any form of copy protection. Companies such as EMusic view copy protection as an impediment to consumer convenience and the popularization of electronic media. They rely on the honesty of the paying consumer, and take no steps to enforce the operation of the first sale doctrine. In most respects, this business model closely emulates current practice in which physical analog and digital media

are delivered without technological protections, and there is no assurance that a consumer who resells a commercial compact disc has not made and retained a copy in another format.

(iii) Technological Protection Measures should not Negate First Sale.

DiMA is concerned that Section 1201 could become a blunt instrument by which to impede or negate the first sale doctrine. To be clear, DRM and other measures will play a critical role in promoting ecommerce and first sale. DRM tools will fuel new business models (such as subscription or on-demand listening, “try before you buy,” rental or downloading of promotional recordings that will “time-out” after a specified period) in which first sale privileges should not apply. DiMA welcomes these pro-content owner/pro-consumer opportunities as alternatives to the purchasing of content.

However, technological protection measures applied indiscriminately to digitally-purchased copies or phonorecords of works could prevent electronic resale or transfer of possession. If so, the DMCA anticircumvention provisions will punish consumers that disable or avoid those technological protection measures in order to facilitate legitimate first sale privileges. As a result, Section 1201 could enforce a gross and discriminatory imbalance between digital and physical media that would stifle ecommerce, to the prejudice of online companies and consumers.

Similarly, technological protections could condition the consumer's right to access upon unilaterally-imposed license terms that force the consumer to forego essential privileges (such as first sale or fair use). Leveraging technological protections (and Section 1201) with unacceptable “take it or leave it” contract clauses could significantly interfere with consumer rights and, hence, the success of online digital distribution. As several unsuccessful Internet enterprises already have learned, you ignore consumer rights and benefits at your peril. If online retailers cannot secure basic consumer privileges such as first sale, then digital downloading may remain a promotional tool rather than a dominant sales force.

***(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of the first sale doctrine?***

DiMA believes that, at this stage, these prohibitions have had no effect on the operation of the first sale doctrine.

***(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale doctrine?***

The potential impact of ecommerce on first sale – positive, negative or neutral – likely will not be fully experienced until it is more widespread. DiMA expects that the next 12 months will be the turning point for ecommerce, when three key elements for ecommerce converge.

(1) **Technology.** The first element, that is, the technology to deliver music in secured and unsecured formats, already is in place. Secured formats include:

- Liquid Audio (<http://www.liquidaudio.com>) enables the delivery of encrypted music along with rules of use, such as files that become unplayable after a specified time, files that can play only on a specified computer, files that can be burned to recordable CD only once, or files that can be shared on multiple computers. Liquid Audio also has spearheaded an effort to include a “Genuine Music Mark” on commercially-released MP3 files so that even unsecured content can be authenticated by copyright owners.
- EverAd, Inc. developed and markets the "PlayJ" technology (<http://www.playj.com>), which delivers encrypted music that, when played, displays advertising that effectively monetizes the free downloaded tracks. The advertisements change periodically, and persist on the screen while the music plays.
- RealNetworks (<http://www.real.com>) provides tools to content owners who wish to securely deliver their content for playback through software applications such as the RealJukebox.
- Reciprocal, Inc. (<http://www.reciprocal.com>) provides digital rights management services to content owners and distributors. Among its other services, Reciprocal, using underlying digital distribution platforms of companies such as Microsoft, IBM and InterTrust, issues permits that enable consumers to access secured content. Depending on conditions determined by the distributor of the content, Reciprocal issues a permit after consumers make the necessary payment, provide requested information or without any requirement whatsoever. While the secured content file may be transmitted by the original consumer to others (i.e. "superdistribution"), subsequent recipients of the file must separately obtain a permit to access the content pursuant to the usage rules established by the original distributor of the content.

All these companies participate in the recording industry-led SDMI effort to establish specifications for secure music content. These and other technologies are becoming popularized by content companies and online retailers that offer pay downloads of music files. Thus, this necessary element of the infrastructure already is in place.

2. **High-Speed Distribution.** Second, the success of digital downloading also relates to the pace of the rollout of broadband technology. DSL and cable modem service to the home will speed the downloading of media, making ecommerce a faster and more enjoyable consumer experience. To some extent, the pervasive penetration of Napster, Gnutella, ScourExchange and other similar file-sharing services suggests that consumers will tolerate a certain level of delay in getting music online. In this connection, a recent Yankelovich survey co-sponsored by DiMA shows that more than 80 percent of consumers age 13-39 download music at home, where connections are likely to be slower, than at work or at school. Beyond

question, however, faster download speeds will make digital delivery more convenient, reliable and desirable for the consumer.

**3. Content.** The third element, of course, is availability of content. DiMA members are gratified at the initial forays by content companies into online sales through a variety of retail outlets, but this still is no more than a toe in the water. We hope that, as content companies gain comfort with the medium and experience successes, full catalogs of content soon may become available to the consumer through all online retailer outlets.

With the confluence of these developments, we are reaching the end of the “chicken-and-egg” period of ecommerce. As all three elements fall into place, the task turns now to evangelizing online distribution to the consumer. DiMA therefore expects that, over the next 12 months, the anticipated increases in availability of both legitimate music and faster Internet connections will catapult ecommerce into the consumer mainstream.

However, we emphasize that consumer confidence in ecommerce will develop only if consumers receive full value and convenience from their online transactions. Thus, the first sale doctrine remains important and necessary to the digital legal landscape.

***(d) What is the relationship between existing and emergent technology, on one hand, and the first sale doctrine, on the other?***

As noted above, DiMA believes that ecommerce will flourish only if consumers obtain from their purchases at least the same value and flexibility that they enjoy from purchasing physical media. Thus, amending the first sale doctrine will avert the potential for discriminatory legal treatment for ecommerce, to the prejudice of both consumers and online business.

***(e) To what extent, if any, is the first sale doctrine related to, or premised on, particular media or methods of distribution?***

The history of the first sale doctrine, described *supra* at II-A, was premised upon a balance between the incentive for copyright owners and the public interest. At the time the first sale doctrine first was embodied in legislative language, ecommerce was science fiction. Yet the statement of the doctrine in Section 27 of the 1909 Act would have been broad enough to accommodate ecommerce: “nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work, the possession of which has been lawfully obtained.”

In the 1976 amendments to the Copyright Act, the exposition of the first sale doctrine in Section 109(a) became more specific, so as to encompass phonorecords as well as copies; and to clarify that the first sale doctrine applied only to the specific copy or phonorecord acquired by the consumer, not to any copies that might be made therefrom (e.g., by photocopying or home taping). Yet, the underlying premise – that a copyright owner should not be entitled to multiple remuneration or to restrain transfers of lawfully-acquired property – remains as sound in the digital world as in the physical world.

Thus, nothing in the first sale doctrine itself inherently favors physical media over digital media, or overland distribution over electronic transmission.

***(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?***

The first sale doctrine itself, as noted in our response to (e) above, is not premised upon a particular technology or technological environment. The principles underlying the first sale doctrine are technology-neutral.

***(g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?***

For the reasons articulated above, DiMA believes that the first sale doctrine must be expanded to permit lending and transfer of media acquired digitally by consumers.

During the 1997-98 debates over H.R. 3048 and the DMCA, content owners opposed to a digital first sale privilege contended that a digital first sale doctrine would promote rampant copying and redistribution of works, and that consumers could not be trusted to delete their copies once transferred. DiMA continues to believe these concerns are misplaced, for the following reasons:

(1) As DiMA testified in June 1998, technological protections and DRM systems can facilitate the operation of the first sale doctrine in a manner that respects the rights of both copyright owners and consumers. Through technological processes such as encryption, authentication and password-protection, right holders can assure that digitally-downloaded copies and phonorecords are either deleted after transfer or disabled (such as by permanently transferring with the content the only copy of the decryption key).

(2) DRM tools implement the first sale doctrine more securely for digitally-transmitted content than for today's physical media. CDs and books are resold freely; yet, the consumer/reseller may have copied these physical media using cassette or CD recorders, scanners and photocopy equipment. Denying the first sale doctrine for digitally-delivered media ironically would deprive consumers of traditional privileges in a far more secure environment.

(3) Any extension of the first sale doctrine cannot apply only to content protected using DRM tools. As noted above, several online businesses are successfully marketing digital downloaded media in unprotected or open formats such as MP3. In these circumstances, the copyright owner has consented to the distribution of such media while recognizing that it can be freely copied and redistributed. Having elected to rely on the honesty of the consumer for the initial distribution of the content, denying that consumer's entitlement to the fair use privilege would be prejudicial both to the consumer and to the "open format" business model.

(4) Finally, some may contend that the growing popularity of peer-to-peer file sharing technologies somehow justifies their fear of a digital first sale right. Whatever the impact of these technologies, they are irrelevant to first sale. First, most shared files arrive on the computer ripped from a CD. The digital first sale right favored by DiMA encompasses electronic transfers of possession only for media lawfully acquired by digital transmission. Second, DRM systems can protect against any threat posed by file-sharing technologies. If such files may be shared, they either cannot be accessed by the downloader, or (in the case of DRM systems that promote paid superdistribution models) cannot be accessed without payment of a fee. Third, as noted above, content sold without technological protections effectively contemplated free redistribution. In such cases, the content owner anticipates a reasonable return under that business model. There is no reason to thwart consumers that wish to lawfully resell or permanently part with their purchases, simply because others freely trade them.

***(h) Does the absence of a digital first sale doctrine under present law have any measurable effect (positive or negative) on the marketplace for works in digital form?***

Under present law, DiMA believes that a court correctly could interpret the first sale doctrine to apply to digitally-acquired media. However, no cases have addressed this issue to date. DiMA therefore suggests that copyright owners, ecommerce and consumers would benefit from legislative clarification of Section 109.

As noted above, digital delivery is only now emerging as a means to market sound recordings, books and motion pictures to consumers. The absence of the first sale privilege has not had a chance to affect consumers. So far, the leaders in digitally distributing music online have been those which market the music in unprotected form, or which employ DRM systems that enable permanent transfer of ownership. Thus, the “absence” of a first sale privilege has not been felt in the marketplace.

Notwithstanding, ***DiMA believes that it would be highly detrimental to ecommerce if consumers ever experienced the “absence” of a first sale privilege.*** Technologies with seemingly great market potential can be stunted by adverse press or bad initial marketing. Consumers will become dissatisfied with ecommerce if they cannot trade or sell via transmission the works they acquire digitally. Denying consumers a digital first sale privilege is the equivalent of telling consumers that, if they tire of a CD, they must throw it (and their investment) away. The success of ecommerce depends on giving the consumer the same value, with greater convenience and selection. Without a digital first sale privilege, consumers will not buy in to electronic commerce.

### III. Section 117 of the Copyright Act Should Exempt Archival and Temporary Copying for Digital Media.

#### A. A Historical Perspective

Section 117 of the Copyright Act creates an exemption to copyright infringement for the owner of a copy of a computer program to make a copy of that program, as long as making such a copy is an essential step in the utilization of the program in conjunction with a machine and is used in no other manner, or if such copy is for archival purposes.<sup>10</sup> This exemption ensures the rightful owner of a copy of a particular computer program the ability to use it freely without fear of copyright liability, while at the same time preventing a copyright owner from forcing a lawful owner of a copy to stop using the program.<sup>11</sup>

While the legislative history of Section 117 is sparse, Congress did note that Section 117 "embodies the recommendations of the Commission on New Technological Works with respect to clarifying the law of copyright of computer software."<sup>12</sup> Further, courts have noted that "it is fair to conclude, since Congress adopted its recommendations without alteration, that the CONTU Final Report reflects the Congressional Intent."<sup>13</sup>

The CONTU Final Report noted that as a practical matter, computer programs on disks cannot be used without first being loaded into a computer's memory, which by definition involves "copying." The CONTU Report stressed that "one who rightfully possesses a copy of the program...should be provided with a legal right to copy it," *i.e.* "the right to load it into a computer..."<sup>14</sup> But, the Report further stressed that the right exists only to enable use of the

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<sup>10</sup> The text of Section 117 reads, in pertinent part, "it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program, provided: (1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or (2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful."

<sup>11</sup> See the National Commission on New Technological Uses of Copyrighted Works ("CONTU") Final Report, p. 13.

<sup>12</sup> H.R. Rep. No. 96-1307 (Part I), reprinted in 1980 U.S. Code Congressional and Administrative News 6460, 6482.

<sup>13</sup> Atari, Inc. v. JS&A Group, Inc., 597 F. Supp. 5, 9 (N.D. Ill. 1983) quoting Midway Mfg. Co. v. Stroh, 564 F. Supp. 741, 750 (N.D. Ill. 1983).

<sup>14</sup> CONTU Final Report, p. 13.



program by the possessor, and does not extend to other copies of the program.<sup>15</sup> Thus, the rights granted by Section 117 do not include the right to make the copies accessible to others.<sup>16</sup>

Early case law interpreting this section noted that the literal text of the statute required that the copy be created as an "essential step," thus the copy must be "no more permanent than is reasonably necessary."<sup>17</sup> However, latter decisions tend to support a more liberal reading of Section 117, which "is consistent with Congress's stated purpose of providing the copyright protection necessary to encourage the creation and broad distribution of computer programs in a competitive market."<sup>18</sup>

## **B. The Focus of this Study of the Impact of Section 117**

The exemption set forth in Section 117 of the Copyright Act implicates at least three types of copying of digital media.

First, consumers should be able to make a back-up or archival copy or phonorecord of content that they acquire through digital downloading. Anyone who uses computers recognizes that their investments in media, like any software, can be lost in case of damage to a hard disk drive. Similarly, consumers who upgrade their computer systems every few years need some means of transferring their media to their new computer. DiMA believes that the principle is important, but the means for implementation may be as varied as in the case of today's computer software. For example, no archival copy is necessary if (as in the case of some DRM systems) the seller can replenish any media lost or damaged. As another example, for systems such as Liquid Audio, the ability to burn once to CD can serve as an appropriate archival copy.

Second, temporary copies of recorded content made in the course of playback also should be exempt from claims of infringement. This is no different than the case directly contemplated by Section 117(a). The computing device retrieves copyrighted material from a storage medium (such as a hard disk drive or a CD) and then loads the material into random access memory ("RAM") for processing and performance or display. This issue implicates virtually all digital devices and all media forms. Indeed, nearly every device for performing digital media incorporates some memory to process the content so as to make it perceptible, from portable CD players and "e-books" to high definition television sets.

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<sup>15</sup> See id.

<sup>16</sup> See Apple Computer, Inc. v. Formula International, Inc., 594 F. Supp. 617, 622 (C.D. Cal. 1984).

<sup>17</sup> See id.

<sup>18</sup> See CONTU Final Report p. 27. See also DSC Communications Corporation v. Pulse Communications, Inc., 976 F. Supp. 359, 362 (E.D. Va. 1997) ("The trend is to read Section 117 broadly").

Third, the technical process of Internet webcasting requires that the receiving device temporarily store a few seconds of data transmitted by the webcaster, before playing back the audio or video to the consumer. Data transmitted over the Internet arrives in small packets that need to be received and assembled by the receiving device. For data that is to be performed concurrent with its reception (such as “streaming media”), that data is collected in a segment of RAM that is allocated as a “buffer” for audio performance or display.

In the case of webcasting, the receiving device, using software such as the RealNetworks RealPlayer, collects in this RAM buffer a few seconds of data to guard against interruptions or delays due to line congestion or slow Internet connections. More particularly, when the user requests transmission of webcast media, the RealPlayer software on the user’s receiving device communicates with the transmitting server and determines, given the quality of the media and the speed of the transmission, how many seconds of data should be stored in the receiving device’s RAM buffer before beginning playback to the user. Higher quality media (that contains more data) will take longer to transmit, so more data will be accumulated in the buffer; similarly, more data will be accumulated where the user has a slow or congested Internet connection. The data in the RAM buffer cannot be accessed for other purposes within the receiving device; it can only be performed via the streaming media software. Once performed, the transmitted data leaves the buffer permanently and cannot otherwise be stored in a direct digital copy on the receiving device.<sup>19</sup>

Through use of this temporary buffer, the user experience from Internet webcasting approximates the smoothness of performances rendered by radio or television. Effectively, the need for a buffer is a technological accident owing to the design of Internet communications protocols. The buffer has no use to the consumer other than to facilitate those performances. Thus, where the performances are licensed, the use of RAM buffering has no additional impact upon the economic rights of copyright owners.

Each of these types of temporary copying should already be deemed not to be copyright infringement under existing copyright law, including the fair use doctrine. Notwithstanding, DiMA long has been aware that this view is not shared by certain copyright owners. Therefore, for the reasons set forth *supra* at I, DiMA believes that an explicit amendment to Section 117 could benefit all parties by clarifying the legal status of these temporary noninfringing copies.

### **C. Legislative and Regulatory Background of this Study**

S. 1146, introduced by Senator John Ashcroft on September 3, 1997, would have amended Section 117 by providing explicitly in Section 117 that it is not copyright infringement

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<sup>19</sup> In this regard, where the streaming technology features this capacity, the disabling of direct digital copying of the data streamed during webcasting is a condition of the statutory webcasting license. See 17 U.S.C. § 114(d)(2)(C)(vi).

to make a digital copy that is “incidental to the operation of a device in the course of the use of a work otherwise lawful” under Title 17.<sup>20</sup>

The scope of the temporary copying exemption, as relevant to Internet webcasting, reappeared on the radar screen in December 1997. Three Internet webcasters – AudioNet, Inc. (now Yahoo!/broadcast.com), RealNetworks, Inc. and Terraflex Data Systems, Inc. (now Spinner.com, which is owned by America Online, Inc.) – opposed the adoption of a broadly-worded rule, jointly proposed to the Copyright Office by the National Music Publishers Association and the Recording Industry Association of America, that could have applied the reproduction right (and a mechanical royalty at the statutory rate) to these temporary RAM buffer copies. Eventually, that language was withdrawn from the proposed regulation and the issue was deferred until the next arbitration period.

DiMA directly raised this issue in its June 8, 1998, testimony before the House Commerce Committee Subcommittee Telecommunications, Trade and Consumer Protection:

Temporary copies made on a user's PC during Internet transmission, for a transitory period and to facilitate performance of the audio or video, should not be considered copyright infringement. Hundreds of thousands of hours of audio and video material now are available over the Internet. "Streaming media" technology is essential to making these Internet transmissions sound as smooth as over the radio. . . .

***If temporary RAM copies of those few seconds of material are deemed to be copyright infringement, and streaming media performances and technology could therefore be deemed unlawful, audio and video over the Internet will come to a grinding halt.*** H.R. 3048 addresses this problem by stating that temporary copying incidental to an otherwise authorized performance is not copyright infringement. We strongly support this measure as an absolutely integral part of this bill, and as essential for the future of the Internet.

Following that testimony, DiMA engaged with copyright owners in a series of discussions under the auspices of then-chair of the House Internet Caucus, Rep. Rick White, in

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<sup>20</sup> The Ashcroft bill proposed a new subsection (b) to section 117:

- (b) Notwithstanding the provisions of section 106, it is not an infringement to make a copy of a work in a digital format if such copying--
- (1) is incidental to the operation of a device in the course of the use of a work otherwise lawful under this title; and
  - (2) does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

The 1997 Boucher-Campbell bill proposed the same language to address this issue.

an effort to craft a mutually-acceptable legislative exemption for these RAM buffers. When time ran out for those discussions, Congress incorporated into the DMCA Section 104, to study this issue as part of the overall interaction between Section 117 and new technological uses.

With this background, DiMA responds below to the questions posed in the Notice, as relevant to each of the three types of temporary copying identified above.

***(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of section 117?***

Technological protection measures, such as the DRM tools provided by Liquid Audio and Reciprocal, can provide consumers the means to make a "back-up" copy of their digitally-downloaded content, in a secure manner that also protects the rights of copyright owners. However, technological protection measures could be applied so as to thwart the consumer's right to make such archival copies. Thus, Section 117 should provide consumers with the assurance that, in the ordinary course of purchasing content in a manner analogous to today's purchases in record shops, the law will not preclude them from making their archival copy.<sup>21</sup>

Technological protection measures should not affect the consumer's ability to playback media that the consumer has lawfully acquired. Devices licensed to perform the content will be equipped with the technologies to decrypt or otherwise access the content for playback.

Similarly, today's protection measures do not interfere with consumers' ability to enjoy webcast performances. Certain webcasting technologies (e.g., streaming in the MP3 format) use no protection measures, and so are unaffected by the provisions of Section 1201. For streaming systems that do implement protection, those protection measures have facilitated the growth of webcasting by assuring copyright owners that their works are secure against direct digital copying. The importance of such technological protection measures was acknowledged in RealNetworks v. Streambox, Inc.<sup>22</sup> There, the court issued a preliminary injunction against the distribution of the "Streambox VCR," a software product that circumvented authentication and copy protection measures implemented in the RealPlayer software so as to permit a Streambox user to record the streamed RealMedia files, against a copyright holder's wishes. The court's findings of fact specifically noted that a large number of copyright owners rely on RealNetworks' software to protect their content against duplication, and that the ability to circumvent this protection "would likely reduce the willingness of copyright owners to make their audio and video works accessible to the public over the Internet." Id. ¶ 26. Thus, DiMA believes that

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<sup>21</sup> DiMA would not suggest that archiving be applied to downloads that are not equivalent to a sale. For example, music acquired on a "try before you buy" basis or on a "pay per listen" service would not be subject to such provisions. But, as in the case of the current section 117(a), the *owner* of a digitally-downloaded copy should be able to make a back-up copy without being deemed an infringer.

<sup>22</sup> 2000 U.S. Dist. LEXIS 1889 (W.D. Wa. Jan. 18, 2000).

Section 1201 to date has not impeded webcasting, and that systems that implement technological protection measures have helped make more copyrighted works available to the public.

***(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of section 117?***

DiMA believes that, at this stage, these prohibitions have had no effect on the operation of Section 117.

***(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of section 117?***

DiMA believes that the growth of ecommerce -- and the vast potential opportunities it creates for copyright owners, technology developers and media companies -- demonstrates why Section 117 needs to be expanded to address all forms of digital content, and not just software.

First, as noted above, the growing popularity of digital downloading necessitates that the law continue to guarantee consumers the right to secure their investment in digital media. For consumers to embrace digital delivery, they must first be assured that the content they acquire will not be lost due to events such as server or hard disk crashes. Thus, Section 117 should permit the making of an archival or back-up copy of media acquired digitally, without branding consumers as infringers.

Second, virtually all devices that playback content recorded in a digital format must process that content by first loading all or some portion of it into memory. All devices that perform such digital media effectively are "computers," including CD players, DVD players and HD television receivers. Over the past year, consumers have begun purchasing new generation portable playback devices, such as MP3 players. By next year, playback of digital media will become pervasive in all handheld devices, including portable organizers, cellular phones and even wristwatches. In this new environment, recorded digital media are in the same position as was computer software in the 1970's -- at least some portion of these media need to be temporarily copied into RAM in order to be performed. Thus, Section 117 should be expanded so as to exempt the loading of all types of digital content into memory, as an essential step in accessing the content.

Third, webcasting technology demonstrates another reason why Section 117 needs to be updated for the digital age. The small temporary buffer memory copies used in today's webcasting technology have no intrinsic or economic value apart from the performance. Where the webcaster makes an authorized performance of copyrighted material, the temporary buffers necessary to enable that performance should be exempt from any claim of copyright infringement. In this regard, DiMA notes that the Copyright Office appears to have reached a similar conclusion in its study of distance education, resulting in the recommendation that the scope of the Section 110(2) exemption should be expanded to encompass "transient copies created as part of the automatic technical process of the digital transmission of an exempted

performance or display." Report on Copyright and Digital Distance Education, *supra* at 146-7. The exemption from the reproduction right is all the more warranted for webcasting, where the same copyright owners of the musical composition, audiovisual work or the sound recording already will have authorized, and been compensated for, the performance of the works.

- (d) What is the relationship between existing and emergent technology, on one hand, and section 117, on the other?***
- (e) To what extent, if any, is section 117 related to, or premised on, any particular technology?***

Section 117 was adopted to deal with a specific known technology then becoming more prevalent in the late 1970s. The basis for the exemption, as noted above, was the fundamental principle that the lawful owner of a copyrighted work ought to have the right to use it. In the case of computer software, the material objects that contained the computer code potentially could be damaged, and so the need was perceived for an archival exemption. Similarly, using the software required that all or some portion of the code be copied into temporary memory where the code could interact with and process other data, and so the need was perceived to exempt this temporary copying.

The result of CONTU's consideration was a limited provision that applied the principle in the context of a particular known problem. Congress, when adopting Section 117, could not then foresee all the potential applications of the underlying principles to future types of devices and media. Now, however, digital media other than software programs, and computing devices other than computers, are pervasive. Content other than computer programs is available to the consumer, is susceptible to loss, and cannot be used by the purchaser without temporary copying into device memory.

DiMA therefore believes that it is time to take cognizance of how the concepts underlying of Section 117 ought to be applied to new technologies and uses. We therefore strongly request that Section 117 be adapted and expanded to encompass the types of digital copying that are necessary and appropriate to the uses of digital media, and to the promotion of electronic commerce.

- (f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which section 117 is established?***

As noted above, although the language of Section 117 may have been premised upon a particular technological environment, the conceptual justifications for the exemption were founded on principles that have general application to the digital environment.

#### IV. DiMA's Views on the "General" Questions Posed by the Study

*(a) Are there any additional issues that should be considered? If so, what are they and what are your views on them?*

Another issue squarely at the intersection of copyright and ecommerce relates to the application of Section 110(7) of the Copyright Act, the "retailer exemption" to online retailers. Section 110(7) exempts retail record stores from paying music license fees when they perform music in their stores "to promote the retail sale of copies or phonorecords of the work." Thus, when a consumer hears music playing in Barnes and Noble or Tower Records, these retailers are not required to pay performance license fees for such in-store play.

Online music retail businesses that market and sell copyrighted music (in physical form or by digital downloading) also allow the customer to hear the music (or, more commonly, a music sample) before buying. Most of these businesses allow the consumer to hear samples of virtually every song available for purchase. This unique facility of electronic commerce promotes consumer satisfaction and awareness of performing artists, as well as sales of copyrighted music.

However, some copyright owners contend that this exemption, adopted in 1976, should apply only to "brick and mortar" retail establishments, and does not and should not benefit online retailers. Such an interpretation unfairly discriminates against online retailers, encumbering ecommerce with additional license fee payments. Ironically, if it becomes expensive to provide music samples, then electronic retailers will offer fewer samples – slowing the growth of ecommerce, diminishing consumer welfare and potentially stifling the online music market.

To avoid prejudice to online retailers, DiMA believes that Section 110(7) should be amended in two respects to clearly exempt online retailers and retail services for similarly promotional performances, in two ways:

- First, the existing exemption is limited to performances in "establishments" that are not transmitted "beyond the place where the establishment is located . . . [or beyond] the immediate area where the sale is occurring." ***Section 110(7) should clarify that online record retail sites are the equivalent of physical "establishments," and that the transmission between the e-tailer and the consumer is equivalent to the "immediate area where the sale is occurring."***
- Second, the exemption was written before Congress created a copyright covering digital public performances of sound recordings. Therefore, ***the exemption should be extended to digital public performances of sound recordings in both physical and ecommerce record retail establishments.***

*(b) Do you believe that hearings would be useful in preparing the required report to Congress? If so, do you wish to participate in any hearings?*

DiMA believes that hearings might be useful for the Copyright Office and NTIA to gain a more detailed understanding of the developing technologies and ecommerce business models and

how they would benefit from the proposed changes to Sections 109 and 117. In particular, hearings would afford the opportunity to receive additional input regarding new technologies and emerging business models. DiMA and several of its members would be interested in participating in these hearings.

Respectfully submitted,

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## **Home Recording Rights Coalition**



**Before the  
COPYRIGHT OFFICE  
LIBRARY OF CONGRESS  
and the  
NATIONAL TELECOMMUNICATIONS AND INFORMATION  
ADMINISTRATION  
DEPARTMENT OF COMMERCE  
Washington, D.C.**

Report to Congress Pursuant to )  
Section 104 of the ) Docket No. 000522150-0150-01  
Digital Millennium Copyright Act )

**COMMENTS OF THE  
HOME RECORDING RIGHTS COALITION**

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August 4, 2000



## **I. Introduction**

The Home Recording Rights Coalition appreciates the opportunity to offer our perspective on the appropriate scope of the "first sale" doctrine in the digital era and the exemption from copyright infringement of archival copies and ephemeral copies of copyrighted works made in the course of authorized uses. In short, HRRC believes the first sale doctrine should be extended to cyberspace and that temporary caching or buffering of works should not be deemed copyright infringement within the meaning of the Copyright Act. We urge the Copyright Office and NTIA to support legislative and other efforts to update sections 109 and 117 of the Copyright Act for the digital era.

With respect to proposed changes to current law that could affect the interests of consumers in cyberspace, HRRC has offered these Core Principles for consideration by policymakers:

- ◆ Fair Use remains vital to consumer welfare in the digital age. Consumers should continue to be able to engage in time-shifting, place shifting, and other private, noncommercial rendering of lawfully obtained music and video content.
- ◆ Products and services with substantial non-infringing uses, including those that enable fair use activities by consumers, should continue to be legal. Home recording practices have nothing to do with commercial retransmission of signals, unauthorized commercial reproduction of content, or other acts of "piracy." Home recording and piracy should not be confused.
- ◆ Any technical constraints imposed on products or consumers by law, license or regulation should be narrowly tailored and construed, should not hinder technological innovation, and may be justified only to the extent that they foster the availability of content to consumers.

In response to the Federal Register Notice and the questions set forth therein, HRRC's comments below will elaborate on how the Copyright Office and NTIA can advance these core principles through this proceeding.

## **II. Background**

As the Copyright Office's web site home page reminds visitors, the purpose of copyright is "[t]o promote the Progress of Science and useful Arts . . . ." As our founding

fathers recognized, the purpose of copyright is not to enrich authors at the expense of consumers, but rather it is to benefit society as a whole. That laudable goal, as embodied in the Constitution, can best be achieved by balancing the interests of copyright owners and information consumers in adapting the law to changes in technology.

The first sale doctrine historically promoted that balancing of interests well, irrespective of changes in technology in the analog era. In our view, the first sale doctrine has not been and should not be premised on any particular media or methods of distribution. The emergence of new technologies should not alter the premises on which the doctrine was established. Thus, as originally proposed by Representatives Rick Boucher and Tom Campbell during the consideration of the precursor to the Digital Millennium Copyright Act, the first sale doctrine should encompass the digital distribution of works.

Similarly, section 117 of the Copyright Act has promoted the balancing of interests between copyright owners and information consumers using a variety of devices to view or listen to a variety of copyrighted works. Section 117 was adopted to deal with a specific known technology then becoming more prevalent in the late 1970s. The basis for the exemption was the fundamental principle that the lawful owner of a copyrighted should be able to use it. When adopting section 117, Congress could not then foresee all the potential applications of the underlying principles to future types of devices and media. Now, however, digital media other than software programs, and computing devices other than computers, have become pervasive. Content other than computer programs is available to consumers, is susceptible to loss, and cannot be used by a purchaser without temporary copying into device memory. Representatives Boucher and Campbell, as well as Senator John Ashcroft, recognized in 1997 the need to update the law to take into account these changes in technology as well.

HRRC recognizes that, in general, it is preferable to let the market evolve before recommending changes to copyright law. We also recognize that exemptions in the Copyright Act for the physical or analog world might be adapted in the digital realm by judicial interpretation or justified under doctrines such as fair use. Nevertheless, the public interest and the evolution of the marketplace may be served best when the law clearly addresses and defines the permissible uses of works in a new technological environment. HRRC believes that legal certainty in applying copyright to new digital technologies will benefit copyright owners and consumers alike, and will open the market to more exciting and compelling technologies and business models. Therefore, HRRC recommends that the Copyright Office and NTIA endorse the provisions of the Ashcroft and Boucher-Campbell bills that would have updated current law for the digital era.



### III. The First Sale Doctrine Should Be Updated for the Digital Era<sup>1</sup>

The first sale doctrine has always been premised upon a balance between the incentive for copyright owners and the broader public interest in using copyrighted works. Although written in the analog era, the doctrine as embodied first in a statute was broad enough to anticipate future technological developments. Section 27 of the 1909 Act provided that "nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work, the possession of which has been lawfully obtained."

In 1976 Congress enacted section 109(a) to revise and expand the first sale doctrine. In recognition of the importance of updating the 1976 Act to eliminate any uncertainty about the proper scope of the provision (and to make other changes to current law), Representatives Boucher and Campbell introduced H.R. 3048, the Digital Era Copyright Enhancement Act, late in 1997. As Mr. Boucher explained in his statement accompanying introduction of the bill, "this legislation best advances the interests of both creators and users of copyrighted works in the digital era by modernizing the Copyright Act in a way that will preserve the fundamental balance built into the act by our predecessors throughout the analog era." Cong. Rec. at E2352 (Nov. 13, 1997) (daily ed.). This bipartisan bill--supported by 50 cosponsors--would have added to Title 17 a new section 109(f) that would have permitted the operation of the first sale doctrine by transmission of a work to a single recipient, if the person effectuating the transfer erased or destroyed his or her copy or phonorecord at substantially the same time. As proposed, section 109(f) would have read:

(f) The authorization for use set forth in subsection (a) applies where the owner of a particular copy or phonorecord in a digital format lawfully made under this title, or any person authorized by such owner, performs, displays or distributes the work by means of transmission to a single recipient, if that person erases or destroys his or her copy or phonorecord at substantially the same time. The reproduction of the work, to the extent necessary for such performance, display, distribution, is not an infringement.

Taking into account developments throughout the analog era, including the emergence of video rental stores, Mr. Boucher offered the following explanation of the purpose of the provision in his "Section-by-Section Analysis" of the bill:

Section 4 would amend section 109 of the Copyright Act to establish the digital equivalent of the "first sale" doctrine. Under current law, a person

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For short-hand reference, in the discussion below, we refer to the digital transmission world as simply "digital" and the physical world as simply "analog," although the physical should be understood to include physical products containing content in digital form.<sup>1</sup>

who has legally obtained a book or videocassette may physically transfer it to another person without permission of the copyright owner.

Given the historical importance to libraries, scholars, educators, and consumers of transferring to others lawfully acquired copies of works, Section 4 would permit electronic transmission of a lawfully acquired digital copy of a work as long as the person making the transfer eliminates (e.g., erases or destroys) the copy of the work from his or her system at substantially the same time as he or she makes the transfer. To avoid any risk that the mere act of making the transfer would be deemed an infringing act under existing section 116 of the Copyright Act, Section 4 of the proposed bill states that the “reproduction of the work, to the extent necessary for such performance, display, or distribution, is not an infringement.”

Id. at 2353.

At the time, this simple proposed change in current law was met with howls of protest. Even though the loaning of books by libraries had not destroyed the publishing industry and video rentals were producing greater financial returns than box office receipts, somehow it was felt that “digital made it all different.” Questions were also raised about whether the technology existed to ensure the proposed law could be implemented as intended. (Notwithstanding evidence to the contrary, this was seen as a mission impossible to achieve.) As a result, the inevitable process of compromise left this provision for consideration at another time. In our view, the Copyright Office and NTIA would do well to recommend that Congress adopt the provision when it next updates the Copyright Act to bring it further into the digital era.

Whatever the situation in 1998, the technology to secure the first sale privilege exists today. Copyrighted content can be delivered to consumers with digital rights management (DRM) systems that enable secure electronic transfers of possession or ownership, and that protect against unauthorized retention of the transferred copy. Through technological processes such as encryption, authentication, and password-protection, copyright owners can ensure that digitally downloaded copies and phonorecords are either deleted after being transferred or are disabled (such as by permanently transferring with the content the only copy of the decryption key).

Clearly, as Representatives Boucher and Campbell recognized two years ago, fair use remains vital to consumer welfare in the digital age. Consumers should continue to be able to engage in time-shifting, place shifting, and other private, noncommercial rendering of lawfully obtained music and video content. They also should continue to be able to share lawfully

acquired works with family and friends. Extending the first sale doctrine to the digital era will provide the incentive for development of newer, more flexible, and more efficient DRM tools that will allow consumers to exercise more fully their fair use rights. Products and services with substantial non-infringing uses, including those that enable consumers to electronically transfer works lawfully acquired and then deleted, should be deemed to be legal.

By explicitly extending the first sale privilege to digitally delivered works, HRRC believes that the law will promote the interests of consumers, copyright owners, and companies engaged in building the new digital economy. And it will do so in the way that historically has guided the evolution of copyright policy: by balancing the interests of copyright owners and information consumers.

#### **IV. Section 117 Should Exempt Archival and Temporary Copying for Digital Media**

Section 117 of the Copyright Act creates an exemption to copyright infringement for the owner of a computer program to make a copy it, as long as doing so is an essential step in utilizing the program or if the copy is for archival purposes. Reflecting the historical balancing of interests of copyright owners and information consumers, this exemption ensures the rightful owner of a copy of a computer program may use it freely without fear of copyright liability, while at the same time preventing a copyright owner from forcing a lawful owner of a copy to stop using the program.

Although written in the analog era, the exemption set forth in section 117 of the Copyright Act implicates at least three types of copying of digital media today. First, consumers should be able to make a back-up or archival copy or phonorecord of content that they lawfully acquire through digital downloading. Second, temporary copies of recorded content made in the course of playback through buffering, caching, or other means also should be exempt from claims of infringement. Finally, because the technical process of Internet webcasting requires that a receiving device temporarily store a few seconds of data transmitted by a webcaster, before playing back the audio or video to the consumer, the law should recognize this process as well. HRRC submits that each of these types of temporary copying should already be deemed not to be copyright infringement under existing copyright law, including the doctrine of fair use. Nonetheless, to eliminate any legal uncertainty that could ultimately hurt the interests of consumers or that could stifle the development of new technology, HRRC recommends that the Copyright Office and NTIA support an explicit amendment to section 117 could benefit all parties by clarifying the legal status of these temporary non-infringing copies.

Fortunately, a legislative model already exists. Two bills introduced during the debate over the WIPO Copyright Treaties would have amended the Copyright Act to include a new section 117 (b). Both H.R. 3048, the Boucher-Campbell bill, and S. 1146, the Digital Copyright Clarification and Technology Education Act of 1997 introduced by Senator John Ashcroft, would have provided:

(b) Notwithstanding the provisions of section 106, it is not an infringement to make a copy of a work in a digital format if such copying—

(1) is incidental to the operation of a device in the course of the use of a work otherwise lawful under this title; and

(2) does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

As Mr. Boucher explained to his colleagues upon introduction of the measure, putting the provision in historical context:

Given the architecture of computers and data transmission networks, the simple act of viewing a downloaded image or sending an e-mail message creates an incidental or ephemeral reproduction (e.g., in RAM or cache memory). Although such “ephemeral copies” are not stored permanently, content owners last year sought to get the same rights to control ephemeral reproductions as they enjoy regarding analog “hard” copies (or digital ROM copies) today. In fact, as originally drafted, Article 7 of the WIPO Copyright Treaty expressly provided that temporary reproductions should be considered the equivalent of hard copies and thus should be subject to proprietors’ control. In response to strong opposition from both developed and developing countries at the Diplomatic Conference in Geneva in December, Article 7 was dropped from the treaty in its entirety.

Section 6 of the proposed bill would amend section 117 of the Copyright Act to make explicit that it is not an infringement for a person to make a digital copy of a work when such copying is made incidental to the operation of a computer or other device in the course of the use of the work in a way that is otherwise lawful, as long as such copying does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author. Thus, for example, a person would not be subject to liability for viewing a copyrighted work on the World Wide Web

simply because ephemeral copies of the work would have been made in the normal course of the operation of the Internet.

Id. at E2353. Senator Ashcroft as well pointed out the need for the measure as a means of updating current law to reflect the way in which the Internet functions. See Cong. Rec. S8729 (Sept. 3, 1997) (daily ed.).

In our view, the potential growth of electronic commerce--and the vast potential opportunities it creates for copyright owners, technology developers, hardware and software manufacturers, and media companies--demonstrates why section 117 should be expanded to address all forms of digital content, not just computer software. As noted above, virtually all devices that play back content recorded in a digital format must process that content by first loading all or some portion of it into memory. All devices that perform such digital media effectively are "computers," including CD players, DVD players, and HD television receivers. Over the past year, consumers have begun purchasing as well a new generation portable playback devices, such as MP3 players. More devices that make ephemeral copies will undoubtedly come to market in the next year, including a variety of handheld devices, such as portable organizers, cellular phones, and even wristwatches. In this new environment, recorded digital media are in the same position as was software in the 1970s. Like computer software, at least some portion of these media need to be temporarily copied into RAM in order to be performed.

Thus, as proposed by Senator Ashcroft and Representatives Boucher and Campbell, section 117 should be expanded so as to exempt the loading of all types of digital content into memory, as an essential step in accessing the content. Home recording practices have nothing to do with commercial retransmission of signals, unauthorized commercial reproduction of content, or other acts of "piracy." Ephemeral copies made in the course of viewing or lawfully gaining access to a work have nothing to do with piracy. The law should make clear this distinction. To advance the interests of information consumers, while protecting the legitimate interests of copyright owners, the Copyright Office and NTIA should recommend that Congress adopt the proposed change to section 117.

## **V. Conclusion**

Having urged the adoption of specific legislation, HRRC believes that hearings would be useful for the Copyright Office and NTIA to gain a more detailed understanding of emerging technologies and how they would be affected by proposed changes to sections 109 and 117. In particular, hearings would afford the Copyright Office and NTIA the opportunity to receive additional input regarding new technologies and emerging business

models. HRRC would be interested in participating in hearings to explore legislative options for recommendation to Congress.

We look forward to working with the Copyright Office, NTIA, copyright owners, and information consumers to make recommendations to Congress to bring the Copyright Act into the digital era.

**Charles Lee Thomason**





Comments on the Effect of §§1202 and 1203  
On the Operation of §§106 and 109 of Title 17.

The following comments are offered by Charles Lee Thomason, and are not to be taken as the views of the law firm of Thomason, Moser & Patterson, LLP or any of its clients.

Hereinafter are summary responses to some of the Specific Questions set out in the Notice at 65 F.R. 35673 (June 5, 2000), which are followed by general comments.

**1.     *Section 109***

*(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of the first sale doctrine?*

As set out in the general comments below, the effect of §§1202 and 1203 in Title 17 is to create liability for unoriginal, uncopyrightable information. A midstream reseller who trades in authentic, lawfully-obtained copies of a work, may remove labels or packaging before resale upon the belief that he is an “owner”, not of the copyrighted work, but an “owner of a particular copy” under §109(a). Without adequate notice, or on a mistaken that he is an “owner”, or that he obtained from an “owner”, the reseller may face liability if uncopyrightable “information” on the packaging has been removed or altered.

*(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale doctrine?*

If electronic commerce includes purchasing products using electronic ordering and payment means, then the first sale doctrine should be unaffected. As set out in the general comments below, it is widely suggested that electronic commerce is

cause to entitle copyright owners more protection, but not to subject those protected rights to the first sale doctrine.

*(d) What is the relationship between existing and emergent technology, on the one hand, and the first sale doctrine, on the other?*

New technology that serves as media in which a copyrighted work may be fixed obtains the same copyright as is granted to art or to books. Perhaps because what is new is mysterious to some, they believe that “digital” technology is free of the limitation are not “Subject to sections 107 through 120”<sup>1</sup> of the Copyright Act.<sup>2</sup> This view of “digital” works forgets the statement in *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) that “When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of this basic purpose.”

*(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?*

The premise of the first sale doctrine is not “technological”. After a lawful first distribution by sale “or other transfer of ownership”, the limited monopoly of copyright ownership gives way to policies against restraints on alienation of property, and leave the distributor of copies to contract and U.C.C. remedies. As long as the U.S. has free trade between merchants and consumers for consideration, the premise of the first sale doctrine should be unaltered.

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<sup>1</sup> As provided in §106.

<sup>2</sup> “Section 106 of the Copyright Act confers a bundle of exclusive rights ...subject to certain statutory exceptions.” *Harper & Row v. Nations Enterprises*, 471 U.S. 539, 546-47 (1984).

*(g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?*

The doctrine should not be expanded to digital transmissions, where no “particular copy” is transferred by sale of other transfer of ownership. Rather the first sale doctrine should be clarified to deal directly with the transactions described in §§106(3) and 109(a), so that its current vague and uncertain application is eliminated.

#### General Comments.

Prior to the Digital Millenium Copyright Act, only the “work” of original authorship and lawfully-made copies were accorded the exclusive distribution right that §106(3) protects. Copyright protection was not accorded to the separate, uncopyrightable labeling and packaging that accompanied the media in which the particular copy of the work was “fixed.”<sup>3</sup> That was an adjunct of the tangible/intangible separation between the intangible “exclusive rights under a copyright” that are “distinct from ownership of the material object in which the work is embodied.”<sup>4</sup>

The Digital Millenium Copyright Act, P.L. 105-304, 112 Stat. 2860, H.R. 2281, *codified in*, Title 17 U.S.C. §1201 *et seq.*, (hereinafter the DMCA) extended federal protection to labels, stickers, notices, and identifying information that are not copyrightable. Submit a a bar code or a ‘not for resale’ sticker to the Copyright Office for registration, and the application will not be

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<sup>3</sup> The Copyright Act expressly distinguished the work from the media in §202.

<sup>4</sup> 17 U.S.C. §202.

“entertained.”<sup>5</sup> This addition was intended to “not require any change in the substance of copyright rights or exceptions”<sup>6</sup> that U.S. copyright laws provided.

The first-sale `exception' to §106(3) is most significant with respect to the distribution of copyrighted works. In §1202 of the DMCA, Congress added to the exclusive rights that protect the copyrighted work, further rights that protect “information conveyed” with a copy of the work, and the first sale doctrine may not negate those protections. The DMCA made “it unlawful ... to deliberately alter or delete” what collectively is defined as “copyright management information” (hereinafter CMI). Liability is imposed should one distribute copies on which “identifying information” about the author, or the work, or even information about conditions on "use" of the work, have been “removed or altered”, and the statutory definition in §1202 of such “management information”<sup>7</sup> is broad.

c) DEFINITION- As used in this section, the term `copyright management information' means any of the following information conveyed in connection with copies or phonorecords of a work or performances or displays of a work, including in digital form, except that such term does not include any personally identifying information about a user of a work or of a copy, phonorecord, performance, or display of a work:

- (1) The title and other information identifying the work, including the information set forth on a notice of copyright.
- (2) The name of, and other identifying information about, the author of a work.
- (3) The name of, and other identifying information about, the copyright owner of the work, including the information set forth in a notice of copyright.
- (4) With the exception of public performances of works by radio and television broadcast stations, the name of, and other identifying

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<sup>5</sup> A “following are examples of works not subject or copyright and applications for registration of such works cannot be entertained: (a) Words and short phrases such as names, titles, and slogans; familiar symbols or designs...”

<sup>6</sup> Report to H.R. 2281. *Need cite*

<sup>7</sup> *See*, 17 U.S.C. §1202(c).

information about, a performer whose performance is fixed in a work other than an audiovisual work.

(5) With the exception of public performances of works by radio and television broadcast stations, in the case of an audiovisual work, the name of, and other identifying information about, a writer, performer, or director who is credited in the audiovisual work.

(6) Terms and conditions for use of the work.

(7) Identifying numbers or symbols referring to such information or links to such information.

(8) Such other information as the Register of Copyrights may prescribe by regulation, except that the Register of Copyrights may not require the provision of any information concerning the user of a copyrighted work.

The “copyright management information” prohibitions apply to all copies of copyrighted works that come in packaging, “including” those distributed “in digital form.” Further, subsection (7) to §1202(c) encompasses the broader category of “number or symbols referring to such [copyright management] information”, which includes UPC bar code sticker and many varieties of labels. The breadth of the defined “information” would make the CMI provisions applicable to:

- ◆ the identifying information on that “portion of the box sliced off” in *Disenos Artisticos v. Costco*, 97 F.3d 377, 379, 40 USPQ2d 1295, 1996 Copy. L. Dec. ¶ 27, 568 (9<sup>th</sup> Cir. 1996);
- ◆ to numbers or symbols printed on the packaging removed when “repackag[ing] the trading cards” in *Allison v. Vintage Sports Plaques*, 136 F.3d 1443, 1449, 46 USPQ2d 1138 (11<sup>th</sup> Cir. 1998);
- ◆ to the “UPC bar code and serial number labels” identifying the ‘academic’ software in *Adobe Sys. v. One Stop Micro, Inc.* 84 F. Supp. 1086, 1088, 53 USPQ2d 2003 (N.D.Cal. 2000);

- ◆ to information identifying the “upgrade” software<sup>8</sup> products in *Novell v. Network Trade Center*, 25 F. Supp. 2d 1218, 1222 (D. Utah 1990)<sup>9</sup>, *vacatur due to settlement*, 1187 F.R.D. 657, 658 (D. Utah 1990)<sup>10</sup>;
- ◆ to any labels indicating “for export only” in *L’Anza Research Int’l v. Quality King Distrib., Inc.*, 98 F.3d 1109, 1118, 1997 Copy. L. Dec. ¶27,666 (9<sup>th</sup> Cir. 1996), *revs’d*, *Quality King v. L’Anza*, 523 U.S. 1250, 118 S.Ct. 1125, 140 L.Ed.2d 254, 45 USPQ2d 1961 (1998);
- ◆ to the identifying information on the “original Enesco outer carton” in *Enesco Corp. v. Price/Costco Inc.*, 146 F.3d 1083, 1084 (9<sup>th</sup> Cir. 1998);
- ◆ to printed terms in copyrighted manuals stating “the express condition that there be no disclosure to third parties.” *Alcatel USA, Inc. v. DGI Technol., Inc.*, 166 F.3d 772, 778 (5<sup>th</sup> Cir. 1999);
- ◆ to digital information like the “codes identifying whether the compressed audio material is copyright protected” in *RIAA v. Diamond Multimedia Sys., Inc.*, 180 F. 3d 1072, 1074 (9<sup>th</sup> Cir. 1999);
- ◆ to the “information about ...the DSC lock-out software” in *DSC Commmunications Corp. v. Pulse Communications Inc.*, 170 F.3d 1354, 1364, 50 USPQ2d 1001, 1999 Copy. L. Dec. ¶ 27,886 (Fed. Cir. 1998) *rev’sg* 976 F. Supp. 359 (E.D. Va. 1997), *cert. den’d*, 120 S.Ct. 286, 145 L.Ed.2d 240 (1999); and

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<sup>8</sup> The “upgrade” products were “identical in every respect except packaging and price” to the full-retail version. At 1222.

<sup>9</sup> Held that “transactions ...from Novell through NTC to the end-user are `sales’ governed by the U.C.C. [and] the purchaser is an `owner’, [and such] transactions do not merely constitute the sale of a license.” At 1230.

<sup>10</sup> Upon *vacatur*, the court “express[ed] no opinion as to whether the prior judgment of this court on the copyright issue should be vacated.” At fn. 3.

- ◆ even to the “notice” of the ‘licensed-price’ printed inside the book cover in *Bobbs-Merrill v. Isidor Straus*, 210 U.S. 339 (1908).<sup>11</sup>

These first-sale cases scrutinize the distribution right and the first-sale right. Because of the vague standards used to assess a first sale, these cases probably would have involved additional liability arising from §§1202 and 1203 of the DMCA had those provisions then been in force.

How the first-sale doctrine is applied determines whether the CMI protections and the DMCA liabilities will attach. The analysis of whether there was a “sale of other transfer of ownership” of a “particular copy” of a work proceeds upon a confusing set of legal and contractual standards that overlay uncertain factual inquiries. Several diverging forks in the path of analysis are encountered: is this a legal or a factual issue; did the work come via a §106(3) licensed distribution or a §109(a) sale; is the legal standard dependent upon federal law, or the varied common law of the states; are provisions in a distribution agreement contractual covenants, which involve contract remedies, or limitations on the scope of a copyright license; if a factual analysis is necessary, then what proofs determine what is the sale of the tangible copy as distinct from the license of the intangible work? Each such distinction likely will result in the difference between first-sale protections being enforced, or liability being imposed for handling products from which “copyright management information” has been “altered”. Whether anyone favors or disfavors the first-sale doctrine or the DMCA, everyone should favor certainty in the application of the law. The CMI provisions and prohibitions threaten liability to merchants who distribute authentic, original, lawfully-made copyrighted works which they believe to have been

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<sup>11</sup> In *Bobbs-Merrill*, the information conveyed (as defined in §1202(c)(6)) with copies of the copyrighted book specified as terms and conditions for use of the work that transfers at “less than \$1” were infringing.

obtained after a first sale. That liability “for each” product, which is additional to copyright infringement remedies, is severe considering the quantities that resellers handle.

### (3) STATUTORY DAMAGES-

(B) At any time before final judgment is entered, a complaining party may elect to recover an award of statutory damages for each violation of section 1202 in the sum of not less than \$2,500 or more than \$25,000.

In the Digital Millenium, all copyrighted works fixed in digital medium will be distributed commercially under written agreements. The Act needs to be provide exactly what needs to be considered to make license agreements identifiably distinct from sale agreements. The Copyright Act and DMCA will apply to protect and govern distribution that falls within the realm of license. Sales or transfers based on purely contractual covenants should trigger the first-sale protection, and so distribution subsequent to the first sale can be on market terms that may be unauthorized by the copyright owner, and free of the CMI provisions.

In gauging whether an agreement involves a sale or a license, recent Court cases draw a loose dichotomy between a sale that is unlimited, and every condition or limitation on sale as being thereby a license. Various factors prove the difference, but not in any uniform way. In *Adobe Sys. v. One Stop Micro, supra*, the Judge ruled on summary judgment as to the “intent” behind the copyright owner’s “Reseller Agreement”, then rectified a latent “ambiguity” in its express terms based on “parol evidence” including “evidence of trade usage.” *Id.*, 84 F. Supp. 2d at 1090-91. He reached the copyright issue using extrinsic evidence, and in the face of an express merger clause, without having to consider Federal law. This was because California’s “exception to the parol evidence rule is broad.” *Id.*, at 1090.<sup>12</sup> Some question whether varying

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<sup>12</sup> Compare, *Step-Saver, supra*, at 95, where applying the U.C.C. parol evidence rule, the court “granted a motion in limine to exclude all evidence of earlier oral and written” representations.



state law concepts provide a sound legal ground for determining federal rights in a uniform way. The factors considered in *DSC Communications Corp. v. Pulse Communications Inc.*, 170 F.3d 1354, 1364 were the general indicia that were believed to distinguish a sale from a license<sup>13</sup>, specifically that the “transaction involves a single payment, giving the buyer an unlimited period in which it has a right to possession”, 976 F. Supp. At 362-363, and that the copy was obtained “for a single payment and an unlimited term” 170 F.3d at 1360.<sup>14</sup> The District Court agreed with a leading treatise, and the Circuit disagreed with both of them. It can be asked, how would a citizen know whether they own the “particular copy” that they purchased from a reseller. Next, another test used to separate a licensed transfer from a first sale considered “the parties’ course of performance and usage of trade” in *Green Book Int’l Corp. v. Inunity Corp.*, 2 F. Supp. 2d 112, 116 & 120, 2000 Copy. L. Dec. ¶28,005 (D. Mass. 1998). This was essentially a U.C.C. analysis. Also, in *Novell v. NTC, supra*, the U.C.C. was applied to decide that the transfer of “upgrade” software was a sale. None of these cases applied the same factors. Yet all manner of products are distributed in the same manner. Bookstores, both at the mall and online, sell books, art, videos, and software which are protected by copyright. Yet when the courts see a case involving computerized technology, the “particular copy” that went through the same channels of commerce as the books and videos is viewed as entitled to special rights, and only subject to some new version of the first sale doctrine.

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<sup>13</sup> In *Monotype Corp. PLC v. Int’l Typeface Corp.*, 43 F.3d 443, 447 (9<sup>th</sup> Cir. 1994), a “license to distribute ITC’s typefaces” that required that “each company paid ITC a royalty fee for each ITC typeface it distributed.”

<sup>14</sup> The District Court and Federal Circuit quote Nimmer, *Law of Computer Technology*, but the Circuit Court finds the single-payment unlimited-term” test for a sale to be “overly simplistic.” Professor Nimmer, who is listed as counsel of record in *DSC v. Pulse*, expanded his view when quoted in the *Adobe v. One Stop* decision at 84 F. Supp.2d at 1091-92.

Consider further that by definition, CMI could state “term and conditions for use” that may be claimed to constitute a license, which would take the product outside of the first-sale provisions. If a particular copy of the work is lawfully distributed with a sticker on it that states “Terms and conditions for use of the work”<sup>15</sup>, then those terms may transform a sale of that copy into a license limited by those “conditions.” It would be fair argument that such terms and conditions are “a restriction [that] is plainly at odds with the section 109 right to transfer” *DSC, supra*. In the *Adobe, supra* case the Court enforced the “terms” on a label on the package that identified it for ‘academic’ sale only. 84 F. Supp. 2d at 1093. The copyright owner may have no agreement for distribution, but can create a license by “identifying information” that is “conveyed with” copies of his work. While that is the extreme case, it recalls the “notice” inside the book cover in *Bobbs-Merrill* – what if that page was ripped out, so that the book could be sold for an unauthorized price – would the Supreme Court’s first sale ruling in that case then change? Perhaps not, but this illustrate the conflict between the first sale doctrine and protection for “copyright management information” that, even after the first sale, would have to remain upon each particular copy of the work. The user should be free to remove “copyright management information” such as when opening and discarding packaging material, or when utilizing the program by deleting unwanted utilities in the software.

#### Copyright License or Contractual Covenant.

In assessing the applicability of the copyright law and its remedies, a threshold question is whether the challenged act was a violation of rights protected by copyright or a breach of a contractual limitation. Before a copyright holder “can gain the benefits of copyright

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<sup>15</sup> 17 U.S.C. §1202(6).

enforcement, it must definitively establish that the rights it claims were violated are copyright, not contractual, rights.”<sup>16</sup>

Presume that I wanted to distribute freeware, for example, the LINUX OS. I author an original package that I copyright, in which the diskettes and my copyrighted instruction sheet are placed for distribution. On the outside of the box I affix a sticker, stating the terms and conditions for use: ‘\$10 retail, but free to users of WIN 98’. The stickers get peeled off, and my product becomes widely available for no less than \$10. Compare that to where there is copyrighted software packaged in a plain white box with a label stating ‘UPGRADE - For registered users of Version 3.0.’ The CMI liability is the same, but in the first case, only the box is copyrighted, where the second case involves the copyrighted goods inside the box. My LINUX product may be distributed without any written agreement, while the upgrade case probably would be governed by written terms. No sound reason exists to consider either case or both differently under the first sale doctrine. The present lack of clarity in the Act leaves open how each case would be decided. In application, whether someone can distribute a particular copy of a work upon which “identifying numbers or symbols” have been altered or removed is a preliminary question that may beg for a first-sale answer that is unclear as the present statute is applied.

A worthwhile revision would be an amendment that requires license grants or sale terms to be stated in certain terms, and that the first sale issue to be decided according to a uniform federal standard. Now, by denying a copyright owner the authority to control the terms of a

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<sup>16</sup> *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115, 1121-22 (9<sup>th</sup> Cir. 1999), *on remand*, 2000 WL132711(N.D. Cal. 1/25/2000).

purchaser's subsequent effort "to sell or otherwise dispose of" his particular copy<sup>17</sup>, the first-sale statute creates incentives to craft around its applicability.<sup>18</sup>

If federal rights based on copyright were governed by federal law, then much of the vagaries of the first sale doctrine would be eliminated. The federal rights would be made clear, and the rest would be identifiable as state contract law issues.<sup>19</sup> In a given situation, removal of labels may be prohibited in a distribution agreement, and enforced by contract law, rather than under the Copyright Act.

Does the Copyright Clause enable Congress to extend copyright protection and remedies to "copyright management information"?

We "must remember" that the "principal function" of copyright laws passed under the authority of Article I, Section 8, clause 8<sup>20</sup> "is the protection of original works, rather than ordinary commercial products". *Quality King v. L'Anza* (1998). The bar codes and UPC stickers bearing identifying "numbers or symbols" on copyrighted product material are not copyrightable, nor registerable, nor "original". *Feist Publ., Inc. v. Rural Telep. Svc. Co., Inc.*, 499 U.S. 340, 111 S. Ct. 1282, 113 L.Ed.2d 358 (1991)(affirming that Copyright Act understood to protect original works of authorship and "to prohibit any copyright in information"). In general, a large

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<sup>17</sup> 17 U.S.C. § 109(a).

<sup>18</sup> *Step-Saver Data Sys., Inc. v. Wyse Technol.*, 939 F.2d 91, 95 (3d Cir. 1991)("form licenses were first developed for software ...to avoid the federal copyright law first sale doctrine.")

<sup>19</sup> J.H. Reichman, Jonathan A. Franklin, *PRIVATELY LEGISLATED INTELLECTUAL PROPERTY RIGHTS: RECONCILING FREEDOM OF CONTRACT WITH PUBLIC GOOD USES OF INFORMATION*, 147 UPALR 875, 884 (1999)(noting that adhesion contracts to create use and distribution rights for copies of works amounts to private legislation), "routine validation of mass-market access contracts and of non-negotiable constraints on users would tend to convert standard form licenses of digitized information goods into functional equivalents of privately legislated intellectual property rights. [fn. om.] Firms possessing any degree of market power could thereby control access to, and use of, digitized information by means of adhesion contracts"...

<sup>20</sup> Congress may legislate to "promote the Progress of Science and the useful arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

measure of what the DMCA defines as “copyright management information” cannot be considered “Writings” under the Copyright Clause. *Goldstein v. California*, 412 U.S. 546, 561, 93 S.Ct. 2303, 37 L.Ed.2d 163 (1973)(“[W]ritings ...include any physical rendering of the fruits of creative intellectual or aesthetic labor.”). The argument can be made that the Copyright Clause does not enable Congress to grant exclusive rights to authors for unoriginal, ordinary commercial labels or text that the DMCA defines as “copyright management information.” Some further consideration may be given to whether this unregistrable, uncopyrightable “identifying information” is due protection even for “Limited Times”. *Pennock v. Dialogue*, 27 U.S. (Pet.) 1, 16-17, 7. L.Ed. 327, 333 (1829).<sup>21</sup>

### CONCLUSION

I have taken time away from my practice to prepare these comments because, without the first sale doctrine, the risk of unreasonable expansion of the limited copyright monopoly is presented. While merchants will find new products and new ways to distribute them, the best interests of the market and those who buy copyrighted products should be served by a uniform, federal standards that define and preserve the first sale doctrine.

In closing, I respond to the final question in the Notice.

*(b) Do you believe that hearings would be useful in preparing the required report to*

*Congress? If so, do you wish to participate in any hearings?*

Hearings should be conducted to establish a complete record. I would be willing to participate.

Respectfully submitted,

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<sup>21</sup> The “limited scope of the copyright holder’s statutory monopoly, like the limited duration required by our Constitution, reflects a balance of competing claims upon the public interest.” *Princeton Univ. Press*

Charles Lee Thomason

Attorney at Law

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*v. Michigan Doc. Svc., Inc.*, 99 F.3d 1381, 1395 (6<sup>th</sup> Cir. 1996), *en banc*, quoted by, J. Merritt, dissenting, from *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

## **Future of Music Coalition**





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August 4, 2000

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**Re: The Future of Music Coalition's Comments Regarding the Digital  
Millennium Copyright Act**

Reference is made to the United States Copyright Office's and the National Telecommunications and Information Administration's (NTIA) request for public comments regarding the effects of the amendments made by title 1 of the Digital Millennium Copyright Act, ("DMCA") as contained in the June 5, 2000, Federal Register, pp. 35673-35675.

On behalf of the Future of Music Coalition, we hereby submit our comments. The Future of Music Coalition (<http://www.futureofmusic.org>) ("FMC") serves as a clearinghouse for research on music technology issues and advocates on behalf of musicians and independent

record labels in Washington, D.C. We are composed of leaders from technology and music who came together to confront the issue of how new digital media distribution will impact the creative community. The FMC, among other things, is concentrating on three pressing areas of concern: i.) what is the recording artist's true stake in the ongoing Napster/Gnutella/Scour dispute considering the perceived inevitability of widespread peer to peer file sharing abilities; ii.) the inability of the Recording Industry of America (RIAA) to represent recording artists' interests (particularly in the all important and under reported Digital Performance Rights in Sound Recordings [DPRSRA] debate); and iii.) how secure digital distribution formats (e.g., SDMI [the "Secured Digital Music Initiative"]) could threaten educators' and academics' access to recorded music and, therefore, jeopardize legitimate educational "fair use".

The FMC chooses to answer the second, or more precisely, the "General" question posed in the June 5, 2000, Federal Register. The legislative intent of Title I of the Digital Millennium Copyright Act was twofold: to further harmonize world intellectual property law and to provide greater protection for digital or electronic copyrighted work. The FMC believes that in order to promote the purpose of the DMCA, two important points must be made.

First, the Congress, the United States Copyright Office and the NTIA should coordinate with the European Economic Community (EEC) in its current efforts to monitor the growth of digital music distribution within its jurisdiction. If the United States does not take note of the EEC's findings, the lack of coordination amongst and between WIPO members could easily frustrate the economic growth of the Internet and leave recording artists, the music industry and consumers in the lurch.

Second, it is imperative that the Congress, the United States Copyright Office and the (NTIA) establish a fair and reliable criteria for distributing DPRSRA monies. The FMC cannot emphasize this point enough. Several commentators have suggested that DPRSRA royalties paid to the Copyright Office should be treated in a manner similar to that of AHRA/DART (American Home Recording Act; Digital Audio Recorder and Tape) monies. Although the DMCA and the AHRA both intend to distribute royalties monies to sound recording copyright holders, there is a serious flaw in the law of a fair and accurate methodology to determine what each sound recording copyright holder is actually owed. Under the current AHRA formula, some sound recording copyright holders are treated unfairly because no system has been implemented that accurately calculates with absolute certainty how many CDs have been sold, and, consequently, how much each sound recording copyright holder is owed. This problem is only exacerbated by the fact that unless sound recording copyright holders apply for AHRA money directly, what royalties would have been due them are actually paid to other parties after their money has been put back into the pool and redistributed to those parties that had gone through the requisite filings.

The FMC would argue that, in fact, the AHRA pool is what is known as a "black box," where, through flawed accounting and registration procedures, independent artists are under represented, and the attempt to take the AHRA criteria and apply to DPRSRA monies would only create a larger "digital black box." It is unacceptable to perpetuate an apparently flawed methodology that penalizes less sophisticated and undercapitalized sound recording copyright

holders. There is great evidence to suggest that innovations in data collection technologies would allow for more accurate auditing trails. Furthermore, if legislative intent underlying the solicitation of public comments is to make all information regarding the DMCA transparent, then all of the details, no matter how seemingly minor, regarding AHRA (and any proposed DPRSRA) royalty collection, calculation and distribution should be made completely available to the public.

Finally, the FMC would also like to conclude by briefly mentioning our concerns regarding the Anti-Circumvention provisions of the DMCA. We are troubled by the possibility that the implementation of SDMI type technologies could deprive educators and researchers from their access to music. It has always been a part of our nation's cultural and legal history that academics should have access to music under traditional notions of "fair use." This should apply to institutions as diverse as the MIT Media Labs and the elementary schools where our children first learn about music. The laws that attempt to protect legitimate copyright holders should not penalize our students and the men and women who teach them.

The FMC states categorically that hearings are absolutely necessary in the preparation of your report to Congress. We would be prepared to have our technological, academic and legal experts be at your disposal for such hearings.

We greatly appreciate being allowed to participate in this process and we applaud your efforts.

Best regards.

Very truly yours,

Walter F. McDonough, Esq.  
**Future of Music Coalition**

cc: Michael Bracy, Jenny Toomey, Brian Zisk, the Future of Music Coalition  
Marybeth Peters, Register of Copyrights, United States Copyright Office  
Kathy D. Smith, Chief Counsel, NTIA



**LXNY**



## 1. Sect 109

(a) DVDs are being produced that are deliberately encrypted. The perpetrators of this are attempting to use DMCA to protect their encryption and enforce restrictive licensing terms. Some DVDs are given ``region codes'' that would block playback, even for the original purchaser. This restricts the purchaser to playing the purchased disc only on a licensed DVD-player and in a restricted geographic area.

(b) Privacy concerns demand that anonymity be possible, even if this disables copyright management schemes. When they conflict, human rights are of higher value than profit. It is incumbent on copyright owners to only use copyright management that is compatible with the rights of individuals, of businesses and of organizations, and approaches that violate society's legitimate interests should not be permitted. There should not be carte blanche for copyright management.

(d) If such practices (per answer to (a) above) are permitted, how long will it be before players and discs are restricted to particular hours or rooms or number of plays? Automobiles and domiciles will soon be Internet-enabled. If linkage of copyrighted materials to external conditions is permitted, won't this lead to product tie-ins?

If this is allowed for DVDs, it could be allowed for electronic ``books''; these have already appeared in proprietary formats.

In this context, note the following trends:

1. major U.S. book publishers bought by large corporations.
2. Large-scale mergers and acquisitions are being permitted, even in industries critical to civil society, such as book distribution (e.g., Barnes and Noble with Ingram), telephone carriers, cable television operators, radio and television stations, banking.
3. Databases being accumulated of personal data.
4. Recent legislation: WIPO, DMCA, UCITA, ...

Do these boost special interests at the expense of freedom? Will libraries be weakened?

## 1. Sect 117. Multiple backup copies are needed.

Backup programs backup computer files. These programs have no knowledge of the license status of these files. There is no commonly used file system that stores such status with the files, so that there is no way (within common practice) for backup programs to ascertain that status. Organized backups are made according to schedules, and to enable recovery. For example, backups may be made daily, weekly, monthly, yearly. Each tape (of the ``full backup'' type) would contain a copy. Although tapes are generally recycled, there are often legitimate reasons to preserve tapes.

Example: databases and programs have multiple versions, and tapes allow restoration of files from a given time with the version extant at that time.

There should be no limitation on the number of archive copies.

Archives have at least two purposes: to preserve (generally older) data offline and to fix the data as a quasi-permanent record. It may be necessary to store the programs with the data to insure subsequent retrieval. Later versions (often labeled as ``upgrades'') may be unable to read the older data or may be deficient in features that work in contemporary versions. Contemporary programs may be unavailable when

needed to access the archive ('`out-of-print``'). Archives may be split, e.g., if part of a business is sold, necessitating program replication.

Computer sites maintain their own copies and often contract with off-site warehouses and even duplicate facilities so that flood, fire, hurricane, act of war, etc. will not disrupt an operation.

(d)Technological developments: Continuous backups can be made. Distributed systems spread copies over networks. Online storage costs have fallen so that online storage, optical, magneto-optical and magnetic disks are being used instead of tape by many computer sites. This puts backup online, increasing its capabilities.

2.(a)(1). The DMCA is being used to extend the scope of copyright. In granting a copyright, the United States government grants an `exclusive right' to the copyright owner. This exclusivity constitutes a government-backed monopoly. In ordinary antitrust law, leveraging a monopoly in one place to exert untoward pressure at a different point is prohibited. In addition to the copyrighted work, DMCA protects the technological measures being used by the owner to prevent infringement. This allows copyright owners to try to bundle other, non-copyright products with the copyrighted work, and employ technological measures, ostensibly for the copyrighted work to all bundled ancillary products.

Example: Members of the MPAA are using DMCA to lock the content of DVDs that they are producing. Already having a monopoly, they are then adding other products to the DVD, to wit, commercials. The licensing of DVD-players, also through the DMCA, blocks the development of DVD-players that allow the person viewing the content to control the viewing condition, viz., to have DVD-players that can skip the commercials.

2.(a)(2). In general, DMCA encourages the tying of other products, especially devices, to copyrighted works. A frequent topic of discussion among LXNY members is the potential copyrighting of computing machinery (such as the BIOS) so that manufacturers could create ``DMCA-monopolies'' that would make the use of unlicensed or unauthorized software on purchased equipment a crime.

Example: Computers might then be sold that would not allow the Operating System of your choice to be used.

2.(a)3. Constitution.

The United States Constitution: Article I Sect. 8  
Section 8. The Congress shall have 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;

Congress only has the power to grant copyrights for the purpose of progress. It does not have the constitutional authority to grant copyrights to amplify the profit potential of applicants, typically at others expense.

Exclusive rights, when applied to computer software, if used inappropriately, can easily prevent the `progress of science and useful arts'. These problems, and the unequal weight of the two goals of progress and of business, need to be kept in mind.



Example: Debugging a program may require access to and mutability of the program source.

Example: Programs need to be able to work conjointly.

2.(a)4. General Comments:

DMCA gives one the impression of 1) attempting to use governmental power to prolong the profitability of business models made obsolete by technological progress and changes in society, and 2) giving a higher priority to enforceability (of copyright) than to protecting human rights, constitutional rights and consumer rights (including businesses as consumers).

The problems with proprietary software, some mentioned in these comments, stand in contrast to free software, where copyright is used to ensure unlimited copying, access to all, the ability of different parties to work together for 'progress of science and useful arts,' and for a greater economic benefit.

Reference: For information on the free software movement, [www.gnu.org](http://www.gnu.org) .

2(b). Hearings would be useful. I would be available.



**American Film Marketing Association, Association of American Publishers,  
Business Software Alliance, Motion Picture Association of America, National  
Music Publishers' Association, and Recording Industry Association of  
America**



VIA ELECTRONIC MAIL

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August 4, 2000

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RE: Report to Congress Pursuant to Section 104 of the Digital  
Millennium Copyright Act  
65 Fed. Reg. 35673 (June 5, 2000)

Dear Messrs. Feder and Joyner:

The undersigned copyright industry organizations appreciate the opportunity to comment in response to the above-referenced Federal Register notice.

Each of the undersigned organizations has a strong interest in the issues which Congress, in section 104 of the Digital Millennium Copyright Act (DMCA), instructed the Copyright Office and the NTIA to evaluate. The member companies of each organization are actively involved in electronic commerce, in the development and implementation of new “emergent” technology, and in the distribution of copyrighted materials that are subject to the first sale doctrine codified in section 109 of the Copyright Act (17 USC 109). Several of the copyright industry sectors represented by the undersigned organizations are directly affected by the rental right provisions of section 109, and by the exceptions in section 117 of the Copyright Act, 17 USC 117, to the exclusive reproduction right in computer programs.

In our view, no changes to sections 109 or 117 are needed at this time. We believe these statutory provisions are functioning as intended, to promote the efficient distribution of copyrighted materials (section 109) and the creation, development and distribution of computer programs (section 117) while preserving the legitimate rights of

authors and of users of their works. Specifically, we do not believe that either of these provisions needs to be changed at this time in order to facilitate the continued growth of electronic commerce and the advance of technology for conducting electronic transactions in copyrighted materials. We are, of course, interested in reviewing proposed changes that other submitters of comments may offer, and reserve the right to provide further views, either individually or collectively, in the reply round of this proceeding, and in testimony at a public hearing if the agencies decide to hold one.

#### Background of the Section 104 Study

Some background on the genesis of the section 104 study may provide a useful context for our perspectives.

#### Section 109

The impact on the first sale doctrine of the emergence of digital networks as a medium for the distribution of copyrighted works has been the subject of analysis and discussion for some time. The issue was addressed briefly in the Green Paper prepared by the Administration's Information Infrastructure Task Force in July 1994, and in greater detail in the White Paper issued under the same auspices in September 1995. The White Paper summed up the situation as follows:

The first sale doctrine allows the owner of a particular, lawfully-made copy of a work to dispose of it in any manner, with certain exceptions, without infringing the copyright owner's exclusive right of distribution. It seems clear that the first sale model – in which the copyright owner parts company with a tangible copy – should not apply with respect to distribution by transmission, because transmission by means of current technology involves both the reproduction of the work and the distribution of that reproduction. In the case of transmissions, the owner of a particular copy of a work does not “dispose of the possession of *that* copy or phonorecord.” A copy of the work remains with the first owner and the recipient of the transmission receives another copy of the work.

White Paper at 95 (emphasis in original; footnote omitted). The White Paper reviewed, and ultimately rejected, the arguments of those who asserted that the first sale doctrine, as codified in section 109, should be either expanded or contracted because of the emergence of digital networks over which copyrighted works could be distributed. It recommended no changes to section 109.

The first sale issue was also extensively debated as Congress considered the legislation which ultimately became the DMCA. Representative Boucher prepared amendments on this topic for consideration both by the House Judiciary Committee in April 1998, and by the House Commerce Committee in June of that year. In both versions, the amendment would have created an exception to the exclusive reproduction

right for reproductions made when an owner (or a person authorized by the owner) of a lawfully made digital copy or phonorecord of any work “performs, displays or distributes the work by means of transmission to a single recipient, if that person erases or destroys his or her copy or phonorecord at substantially the same time.” Neither panel adopted such an amendment, and the DMCA ultimately made no change to section 109.

The current study had its genesis in an amendment offered by Representative White and adopted by the House Commerce Committee on July 17, 1998. That amendment, which became section 205 of the DMCA as reported by the Commerce Committee, called for a general review of the copyright law and its relationship with electronic commerce “to ensure that neither copyright law nor electronic commerce inhibits the development of the other.” Sec. 205(a), H.R. 2281 as reported. Before the DMCA reached the House floor on August 4, 1998, this review had been scaled back to focus particularly on sections 109 and 117. In the House Manager’s Report which provides the authoritative explication of the DMCA as it passed the House, Chairman Hyde explained the revised provision (section 105 of the House-passed bill) as follows:

The first sale doctrine does not readily apply in the digital networked environment because the owner of a particular digital copy usually does not sell or otherwise dispose of the possession of that copy. Rather, “disposition” of a digital copy by its owner normally entails reproduction and transmission of that reproduction to another person. The original copy may then be retained or destroyed. The appropriate application of this doctrine to the digital environment merits further evaluation and this section therefore calls for such an evaluation and report.

House Manager’s Report at 24, 46 J. Copyr. Soc. 631, 657 (1999). The conference committee made no substantive changes to this section and it was enacted as section 104 of the DMCA.

#### Section 117

Although the DMCA left section 109 completely unchanged, Title III of the DMCA amended section 117. This amendment originated in the House Judiciary Committee, which stated that it had “the narrow and specific intent of relieving independent service providers ... from liability under the Copyright Act when, solely by virtue of activating the machine in which a computer program resides, they inadvertently cause an unauthorized copy of that program to be made.” H. Rpt. 105-551 (Pt. I), at 27. The House Manager’s Report adds that “[t]he impact of the use of encryption and other technologies on [the] limitations [provided by section 117] also merits further evaluation and this section [section 104 as enacted] therefore calls for such an evaluation and report.” *Id.*, at 24. This appears to be the only relevant legislative history, and neither the Green Paper nor the White Paper discussed section 117 in any detail.

Discussion

The background summarized above makes evident the intended focus of this study. Congress had heard concerns that the codification of the first sale doctrine in section 109 might need to be modified in order to facilitate the growth of electronic commerce in copyrighted materials. It was aware that the comprehensive study culminating in the White Paper had concluded that no such modifications were needed, and it had itself declined at least two invitations to expand section 109 to provide, for the first time, a new exception to the reproduction right to copies made in the course of electronic transmission of copyrighted works. However, while unpersuaded of the need for any change to the first sale doctrine at the time of enactment of the DMCA, Congress was well aware of the rapid and unpredictable course of change in the digital marketplace. Consequently, it built upon the White amendment, which stressed the need for a complementary relationship between electronic commerce and copyright protection, and adapted the study which it called for, to focus it on a limited menu of issues, including first sale.

Congress called for a report on section 109 because, although concerns had been raised, no dispositive evidence was presented of a specific problem that required a legislative fix. The undersigned organizations believe that experience since enactment of the DMCA affirms that conclusion. Indeed, the analysis of the first sale issue contained in the White Paper five years ago remains essentially valid. While, of course, there have been many technological changes in the past half-decade, it remains true throughout the digital networked environment that distribution of copyrighted material virtually never occurs without a prior reproduction of the material. It is the copy, not the original, which is distributed. The first sale doctrine defines the circumstances under which the distribution may take place without the consent of the copyright owner; but it would be inappropriate and unjustified to expand that doctrine to establish a new category of copies which may be made without that consent. Of course, since the copy in question is a perfect copy, as well as a potential master for the production of an unlimited number of additional perfect copies, all of which can conveniently be redistributed over digital networks to a virtually limitless class of recipients, the consequences of an unjustified expansion of the first sale doctrine could easily overwhelm the incentives for production of creative works provided by the copyright law.

In our view, the enactment of the DMCA, and specifically of the anti-circumvention provisions of 17 USC 1201, do not alter the validity of the conclusions reached in the White Paper. Those who argue to the contrary may be failing to distinguish between the physical possession and ownership of a tangible object embodying a copy of a copyrighted work, and the authorization to access or make specified uses of that work. Section 109 governs only the first; restrictions on the second are a central feature of many familiar business models that comfortably coexisted with section 109 before enactment of the DMCA and that continue to do so. To the extent that copyright owners use effective technological measures to implement these restrictions, section 1201 provides a degree of protection against those who create or traffic in the tools to circumvent those measures. None of this affects the first sale



doctrine, which should remain in place for distribution of tangible copies, but which has only a very limited applicability to online distribution, as explained above.

Similarly, we are unaware of any significant impediments to electronic commerce which have arisen as a result of section 117. This provision was first enacted twenty years ago, upon the recommendation of the National Commission on New Technological Uses of Copyrighted Works (CONTU); it remained essentially unchanged until 1998, when it was amended by the DMCA, as described above. Those amendments appear to be functioning as intended. To the extent that misinterpretations of other aspects of section 117 have been employed by some, not as a legitimate defense to infringement, but as an enticement to engage in online piracy, the report under section 104 of the DMCA should be an appropriate vehicle for dispelling this confusion.

Thank you once again for the opportunity to comment on these important matters. We look forward to reviewing the comments of other interested parties on both section 109 and section 117.

Respectfully submitted,

AMERICAN FILM MARKETING ASSOCIATION

ASSOCIATION OF AMERICAN PUBLISHERS

BUSINESS SOFTWARE ALLIANCE

MOTION PICTURE ASSOCIATION OF AMERICA

NATIONAL MUSIC PUBLISHERS' ASSOCIATION

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**National Association of Recording Merchandisers, Inc. and Video Software  
Dealers Association, Inc.**



COPYRIGHT OFFICE  
LIBRARY OF CONGRESS  
AND  
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION  
DEPARTMENT OF COMMERCE

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)  
In Re Request for Public Comment )  
In Preparation for Report to )  
Congress Pursuant to Section 104 )  
of the Digital Millennium Copyright )  
Act )  
)

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Docket No. 000522150-0150-01

**JOINT COMMENTS OF  
NATIONAL ASSOCIATION OF RECORDING MERCHANTISERS  
AND  
VIDEO SOFTWARE DEALERS ASSOCIATION**

National Association of Recording Merchandisers, Inc. (“NARM”)<sup>1</sup> and Video Software Dealers Association, Inc. (“VSDA”),<sup>2</sup> hereby submit Joint Comments pursuant to the Notice of the Copyright Office and the National Telecommunications and Information Administration of the Department of Commerce (“NTIA”) in the above-referenced matter, initiated June 5, 2000, 65 Fed. Reg. 35673.

NARM and VSDA are the two trade associations representing the vast majority of retailers and distributors of home entertainment products to the American consumer. These home

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<sup>1</sup> NARM is the principal trade association representing retailers and distributors of sound recordings in the United States. Its members are engaged in the distribution and retail sale of digital music in pre-recorded format and through digital distribution.

<sup>2</sup> VSDA is the principal trade association representing retailers and distributors of home video entertainment, including both rental and sell-through of motion pictures on cassettes (VHS tape) and Digital Versatile Disc (“DVD”), and video games.

entertainment products, which constitute “copies” or “phonorecords” under the Copyright Act, consist primarily of sound recordings, motion pictures, and video games. Although NARM and VSDA members typically do not own any copyrights in the copies and phonorecords that they sell, rent or otherwise distribute, they are by far the primary sources for delivery of copyrighted home entertainment to consumers. An increasing number of their members are also engaged in the digital transmission of copies of these works in digital form over the Internet through the authorization to manufacture (“download”) them onto tangible media either in stores or consumers’ homes.

NARM and VSDA members are in the unique position of supporting technological measures for some purposes but not others. On one hand, they share the copyright owners’ interest in combating piracy of copyrighted audiovisual works, sound recordings and video games with the most effective technological controls available. On the other hand, they share the consumer interest in enjoying all rights to ownership in lawfully made copies and phonorecords made possible by the exhaustion of the copyright owner’s distribution right under the first sale doctrine and Section 109 of the Copyright Act,<sup>3</sup> and object to the use of technological measures used to circumvent those rights.

### **SUMMARY OF NARM AND VSDA POSITION**

There are two major themes in the Joint Comments. First, NARM and VSDA challenge the false premise that the first sale doctrine does not or may not apply to “digital transmissions” or “works in digital form.” We take strong exception to the premise upon which the questions in the Request for Comment appear to be based, because the questions suggest that there may be some

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<sup>3</sup> All references to section numbers are to the Copyright Act of 1976, as amended, 17 U.S.C. § 101 *et. seq.*, unless otherwise specified.

doubt whether the first sale doctrine applies to digital works, or works distributed in digital form. Congress did not make that assumption, but inquired only into the effects the Digital Millennium Copyright Act (“DMCA”), electronic commerce and associated technology might have on the existing first sale doctrine. Section 109 applies to “copies or phonorecords,” which, by definition, include digital copies or phonorecords without regard to where or how they were created. In sum, the first sale doctrine already applies to digital media, and the appropriate inquiry is whether the DMCA or electronic commerce may have an effect on it, such as to weaken its salutary purposes, and not whether the first sale doctrine applies.

Second, even though the first sale doctrine applies to digital copies and phonorecords by law, NARM and VSDA are concerned by the trend of some major copyright owners to use technological measures to circumvent the operation of the first sale doctrine, thereby preventing the operation of the first sale doctrine despite the law. Although technological measures may lawfully be used to prevent copyright infringement and to effectuate the licensing of copyrights, they should not be used to permanently control the lawful distribution and use of copies or phonorecords once the legal right to do so has been exhausted.

We shall begin in Part I with a brief introduction of the Congressional mandate which gave rise to this Request for Comment and which, we believe, does not support an inference that the first sale doctrine might not apply to digital media. In Part II we will outline the foundations of copyright law applicable here, including the development of the first sale doctrine under common law and its codification in Section 109 of the Copyright Act, and demonstrate that Congress clearly intended for Section 109 to apply to digital media. In Part III we will discuss in greater detail, and from the practical experience of NARM and VSDA, how the first sale doctrine is being eroded by the

restrictive use of electronic commerce technology to circumvent its effect, how such erosion will negatively impact consumers, frustrate the objectives of copyright law, result in the de facto creation of a new exclusive and unrestricted general copyright “right of use,” restrict freedom of speech, and extend the copyright monopoly far beyond the lawful limits of the Copyright Act. Using this background, in Part IV we shall respond to the specific questions raised in the Request for Comment.

### **I. CONGRESSIONAL MANDATE FOR THIS INQUIRY**

Section 104 of the Digital Millennium Copyright Act (“DMCA”), enacted on October 28, 1998, directs the Register of Copyrights and the Assistant Secretary of Communications and Information of the Department of Commerce to submit to Congress, by October 28, 2000, a report evaluating the effects of Title 1 of the DMCA (prohibiting the circumvention of access control technologies) on Section 109 of the Copyright Act (the codification of the “first sale doctrine”).

Specifically, the evaluation shall consider:

- (1) the effects of the amendments made by this title and the development of electronic commerce and associated technology on the operation of sections 109 [the first sale doctrine] and 117 of title 17, United States Code; and
- (2) the relationship between existing and emergent technology and the operation of sections 109 and 117 of title 17, United States Code.

The Copyright Office and NTIA have requested that interested parties comment on such effects so that their views can be considered in preparing the report to Congress. The most troubling aspect of the Request for Comment is that it appears to be premised on the notion that the first sale doctrine does not apply to digital downloads (or perhaps even to compact discs (“CDs”) or digital versatile discs (“DVDs”), even though Congress clearly believes that it does.<sup>4</sup> Of the specific

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<sup>4</sup> In 1990, Congress excepted the rental of certain computer programs from the first sale doctrine rights in Section 109 while preserving the rest, including the right to continue renting video



questions asked in the Request for Comment with respect to the first sale doctrine, the most troubling is the last one, which reads (emphasis added):

(h) Does the absence of a digital first sale doctrine under present law have any measurable effect (positive or negative) on the marketplace for works in digital form?

The basis for this apparent presumption of the “absence of a digital first sale doctrine” is not at all evident, since nothing in current law suggests that the first sale doctrine ceases to apply where the copy or phonorecord of a work happens to be in digital form. In the following two sections we shall describe why such a position is contrary to case law and the constitutional underpinnings of copyright law, and why it is contrary to the plain language and legislative history of the Copyright Act. There can be no doubt that the first sale doctrine applies to all digital media regardless of the tangible medium in which it is embodied.

Perhaps what the Request for Comment intended by “absence of a digital first sale doctrine” was not to suggest that the DMCA has abrogated the first sale doctrine, but that the new technology has enabled copyright owners, contrary to the intent of the Copyright Act, to effectively nullify the legal effects of the first sale doctrine through a technological extension of control over distribution despite the fact that the distribution right in Section 106(3) has been exhausted by law. We shall also discuss the need for legal tools to prevent such technology-based copyright misuse.

## **II. LEGAL FOUNDATIONS OF COPYRIGHT LAW**

At common law, authors enjoyed a limited copyright, which consisted of the “right of first publication.” *Jewelers’ Mercantile Agency v. Jewelers’ Weekly Pub. Co.*, 155 N.Y. 241, 254 (1898).

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games. Computer Software Rental Amendments Act of 1990, Pub. L. 101-650, Title VIII, § 802, Dec. 1, 1990, 104 Stat. 5134. This demonstrates Congress’ belief that the first sale doctrine applies to digital media, since computer programs are, by their very nature, works in digital form.

That common law copyright disappeared upon publication, *id.*, and also upon securing statutory copyright protection. *See id.* at 247 (stating that “No proposition is better settled than that a statutory copyright operates to divest a party of the common-law right.”). Under the common law copyright, the author could only protect the copyright by non-publication or by relying upon contractual restraints in hopes of preventing the effects of publication for, once published, the copyright owner’s “property right in it is gone and every one may make use of it.” *Id.* Obviously, such result created a substantial disincentive to publish or disseminate, to the detriment of the public’s interest in science and the arts, and the Constitution authorizes Congress to remove it.

The Constitution provides that Congress’ authority to enact copyright laws is “[t]o promote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” (U.S. CONST., art. I, cl. 8). The obvious intent was to overcome the common law copyright’s disincentives, and to encourage authors to create and to disseminate their works. To obtain the benefits of the new statutory protections, authors had to give up restraints upon the distribution of authorized copies of their works, for the objective was not to give the force of federal statutory law to the common law copyright, but to encourage authors to give up the common law’s privilege of restricting distribution in exchange for protection against unauthorized duplication or performance of those copies without the burden of having to create and enforce millions of separate contracts (known today as “end user license agreements” (“EULA”)). Nevertheless, the framers of the Constitution were careful to limit the scope of Congress’s authority to enact such copyright protections so that works would be widely disseminated — to grant the monopoly for only the “limited time” reasonably necessary to maintain an incentive for authors to create and publish.

The Constitution’s specific limitations on Congressional authority in this regard, and its ultimate purpose, have been repeatedly emphasized by the United States Supreme Court. In *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 526-27 (1994), the Supreme Court summarized some of these principles as follows:

We have often recognized the monopoly privileges that Congress has authorized, while “intended to motivate the creative activity of authors and inventors by the provision of a special reward,” are limited in nature and must ultimately serve the public good. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984). For example, in *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975), we discussed the policies underlying the 1909 Copyright Act as follows:

“The limited scope of the copyright holder’s statutory monopoly . . . reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an ‘author’s’ creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.” (Footnotes omitted.)

We reiterated this theme in *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 349-50 (1991), where we said:

“The primary objective of copyright is not to reward the labor of authors, but ‘to promote the Progress of Science and useful Arts.’ To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work.” (Citations omitted.)

Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible.

Indeed, so strong is the public interest in preventing the overexertion of copyright claims that the Supreme Court concluded in *Fogerty* that “defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them” because “a successful defense of a 8

copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim by the holder of a copyright.” *Id.* at 527.

Thus, as we explained more fully below, there can be no doubt that the first sale doctrine and its codification in Section 109 further the policies of the Copyright Act. As Congress intended, the first sale doctrine continues to apply to works in digital form – and any other form now known or later developed – to the same extent that such works are protected by copyright.

**A. The First Sale Doctrine and Section 109 of the Copyright Act**

The Copyright Act, as amended, furthers the Constitution’s purposes by giving copyright owners only a limited monopoly for a limited time. Significantly, the Copyright Act specifically extinguishes the copyright owner’s right to control distribution of a copy or phonorecord lawfully made under the Act once the copyright owner has transferred title to another (the so-called “first sale” doctrine).<sup>5</sup> Section 109. Thus, as discussed more fully in Part III, if an access control technology were used to prevent the exhaustion, by law, of the distribution right (such as by requiring library patrons to register, pay a fee, or divulge personal information before being granted access to a copy or phonorecord borrowed from the library, or by requiring a similar procedure to enable a friend to access a copy or phonorecord transferred by gift) then the access control technology would become a tool for circumventing the rule of law rather than protecting any right granted by law.

The existing first sale doctrine as codified in Section 109 applies to “copies or phonorecords,” which, by definition, include digital copies or phonorecords without regard to where

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<sup>5</sup> In the case of sound recordings and computer programs, the exhaustion of the distribution right is not total, as it permits the copyright owner to control whether the owner may rent a copy or phonorecord of a sound recording or of a certain class of computer programs. Section 109(b).

or how they were made. It complies with full force and effect to all media – including digital media – now known or later developed.

*1. Common Law Basis of Judicially Created First Sale Doctrine*

This nation has a long history of opposition to restraints on alienation of property. Prior to the enactment of the Copyright Act of 1909, the courts had already concluded that the right to vend – the distribution right – was exhausted once exercised. Even then, the focus was not on whether a “sale” had been made, but whether someone other than the copyright owner had been vested with ownership, for one of “the ordinary incidents of ownership in personal property” is “the right of alienation” of that property, which is “attached to” the ownership. *Harrison v. Maynard*, 61 F. 689, 691 (2d Cir. 1894).

*2. Codification of First Sale Doctrine*

Congress first codified the first sale doctrine in Section 27 of the Copyright Act of 1909. At the time, the House Committee on Patents stated that this codification was “not intended to change in any way the existing law, but simply to recognize the distinction, long established, between the material object and the right to produce copies thereof.” H.R. REP. NO. 2222, 60<sup>th</sup> Cong., 2d Sess. (1909).<sup>6</sup> The Report went on to note: “Your committee feel [sic] that it would be most unwise to permit the copyright proprietor to exercise any control whatever over the article which is the subject of copyright after said proprietor has made the first sale.” *Id.* (emphasis added).

With the Copyright Act of 1976, Congress continued this line of reasoning, and went further, making clear that it intended to prevent some of the questions being raised in this Request for Comment from ever becoming an issue. Early in the last century, the Supreme Court had wrestled

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<sup>6</sup> Quoted in *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 852 (1963).

with the question of whether musical compositions copied onto the new technology medium of the time – player piano rolls – constituted copies of the sheet music that contained the same composition. Concluding that a “copy” had to physically look like the original, the Supreme Court concluded that player piano rolls were not copies of the sheet music. *See White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1 (1908). With the Copyright Act of 1976, at a time when sound recordings on audio cassette and 8-track tape were already in widespread circulation, Congress was unequivocal in its determination that the law need not specify each and every tangible medium of expression, adding that such medium may be any medium “now known or later developed,” and overturning *White-Smith*. The House Judiciary Committee explanation at the time was as follows:

As a basic condition of copyright protection, the bill perpetuates the existing requirement that a work be fixed in a “tangible medium of expression,” and adds that this medium may be one “now known or later developed,” and that the fixation is sufficient if the work “can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” This broad language is intended to avoid the artificial and largely unjustifiable distinctions, derived from cases such as *White-Smith Publishing Co. v. Apollo Co.*, 209 U.S. 1 (1908), under which statutory copyrightability in certain cases has been made to depend upon the form or medium in which the work is fixed. Under the bill it makes no difference what the form, manner, or medium of fixation may be - whether it is in words, numbers, notes, sounds, pictures, or any other graphic or symbolic indicia, whether embodied in a physical object in written, printed, photographic, sculptural, punched, magnetic, or any other stable form, and whether it is capable of perception directly or by means of any machine or device “now known or later developed.”

H.R. REP. NO. 1476, 94<sup>th</sup> Cong., 2d Sess., at 52 (1976). What Congress wanted to do in 1976 was to make certain that the *White-Smith* mistake would not be repeated.

### 3. *The Digital Millennium Copyright Act (“DMCA”)*

To comply with the demands of Article 18 of the WIPO Performances and Phonograms Treaty, Congress enacted certain provisions of the DMCA to prohibit the circumvention of “a

technological measure that effectively controls access to a work protected under [the Copyright Act].” Section 1201(a)(1)(A).<sup>7</sup> The DMCA did not, however, alter Section 109 or the first sale doctrine in any way. Rather, in Section 104 of the DMCA, Congress simply expressed its concern over the effects that digital technology and the DMCA might have on the operation of Section 109 as a practical matter – not as a legal one.

*4. No “Sale” Is Required.*

Moreover, the Copyright Act also makes clear that the first sale doctrine need not involve sale of the tangible medium. Rather, as indicated in Section 109 itself, the pivotal question is whether the person asserting the first sale doctrine right is the “owner” of a lawfully “made” copy or phonorecord. There is no requirement that the tangible medium of expression has been sold by the copyright owner, but only that the owner of the lawfully made copy or phonorecord be the lawful owner. Thus, a copy discarded by the copyright owner, or acquired by gift or breach of contract by the seller, entitled the owner to the full rights of the first sale doctrine. *See* Part IV(e)(B) below, and nn. 18-21.)

Thus, the “first sale” doctrine is a misnomer, owing its inaccuracy to its common law heritage, having derived from our longstanding public policy disfavoring restrictions on the alienability of property after it has been sold. As currently codified with respect to copyright in Section 109, the first sale doctrine is not dependent upon a sale, but only upon “ownership” of a “copy or phonorecord” that was lawfully made under the Copyright Act.

Notwithstanding the provisions of [the distribution right in] section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person

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<sup>7</sup> It also prohibited the falsification, alteration or removal of copyright management information. Section 1202.

authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord. . . .”

Section 109(a).

**5.** *Copies may be lawfully made at a retail store or home.*

The first sale doctrine also applies to exhaust the copyright owner’s distribution right when a copy is lawfully made by anyone, including a retailer or an individual. Copies can be mass produced at a factory or singularly by the consumer. The owner of a lawfully made copy or phonorecord is the owner regardless whether the copy was purchased or, after the purchase of a blank medium, lawfully “made” by exercising a license to make a copy.

[The law] does not forbid an individual from selling, or otherwise transferring, a copy of a copyrighted work which was lawfully obtained or lawfully manufactured by that individual. If the copyright owner has given up title to a copy of a work, the owner no longer has exclusive rights with respect to that copy.

*United States v. Sachs*, 801 F.2d 839, 842 (6<sup>th</sup> Cir. 1986) (emphasis added). *See also United States v. Cohen*, 946 F.2d 430, 434 (6<sup>th</sup> Cir. 1991) (“This [first sale] doctrine recognizes that copyright law does not forbid an individual from renting or selling a copy of a copyrighted work which was lawfully obtained or lawfully manufactured by that individual”); M. NIMMER AND D. NIMMER, *NIMMER on Copyright* § 8.12[B][3][c]. Clearly, the owner of a copy made by an authorized digital download is vested with full first sale doctrine rights.

The Copyright Act is consistent with this judicial interpretation with respect to its treatment of the term “fixed” also. The definition of “fixed” includes the following explanation: “A work consisting of sounds, images, or both, that are being transmitted, is ‘fixed’ for purposes of this title if a fixation of the work is being made simultaneously with its transmission.” Section 101. The House Judiciary Committee explained that this sentence “makes clear that, in the case of ‘a work



consisting of sounds, images, or both, that are being transmitted,’ the work is regarded as ‘fixed’ if a fixation is being made at the same time as the transmission.” H.R. REP. NO. 1476, 94<sup>th</sup> Cong., 2d Sess. at 53 (1976). *Cf. id.*, discussing Section 115 (compulsory license for phonorecords), explaining that “[t]he term ‘made’ is intended to be broader than ‘manufactured,’ and to include within its scope every possible manufacturing or other process capable of reproducing a sound recording in phonorecords.” With such broad language, there can be no doubt that the compulsory license would apply to phonorecords “made” through digital downloads against the wishes of the copyright owner. It, therefore, stands to reason that the same rule would certainly apply in the case of phonorecords made by digital downloads authorized by the copyright owner.

Conceptually, and given the current state of digital technology, there is no distinction under copyright law between a CD made by the copyright owner and then sold by the copyright owner, a CD made by the copyright owner’s agent (perhaps by digitally transmitting the sound recording to the manufacturing plant) and then sold by or with the authority of the copyright owner, a CD made by a record club under license from the copyright owner and then sold by the record club, a CD made in a retail store on demand from the consumer (again, with digitally distributed content) and then sold by the retailer, or a CD made on an individual’s home computer’s CD-RW drive (also using the same digitally distributed content). Assuming, of course, that in each case the copyright owner had authorized the making of the copy, the resulting CD (phonorecord) in each case would be “lawfully made” under the Copyright Act, and entitle the owner of the CD to all rights associated with Section 109.<sup>8</sup>

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<sup>8</sup> One record company actually authorizes individuals to make three copies: “You may install [*i.e.* “copy”] the Digital Recording on a hard disk for the purposes of (i) playback on the same PC or (ii) recording to a Compact Disc no more than two (2) times.”

To take a forceful example, a person who owns a computer hard drive with hundreds of sound recordings or movies “lawfully made” through digital downloads is free to sell that hard drive without the consent of the copyright owner. All the more so, a person who lawfully makes a CD recording (or, in the future, a DVD recording) at a retail location or at home through a digital download is authorized, under Section 109, to sell it to the highest bidder, loan it, trade it or give it away, and the copyright owner is not authorized – under the Copyright Act – to prevent it. NARM and VSDA members would, also, be free to rent them for profit, just as is the practice today with audiovisual works recorded on videocassettes and DVDs.<sup>9</sup>

Indeed, not only does the first sale doctrine give the lawful owner of a lawfully made copy the “right” to further distribution without interference by the copyright owner, Section 109 imposes a prohibition upon the copyright owner against such interference. *Brode v. Tax Mgmt., Inc.*, No. 88 C 10698, 1990 U.S. Dist. LEXIS 998, at \*12 (E.D. Ill. Jan. 31, 1990) (the sellers of a lawfully made copy “had no duty [at the request of the copyright owner] to require the subscribers to pull the portfolios from their shelves and indeed were prohibited from such action by section 109(a) and (b)”).

### **III. COPYRIGHTS ARE LIMITED – NO EXCLUSIVE “USE” RIGHT**

In this part, we will draw attention to four areas of concern where the copyright monopoly, coupled with modern technology enable copyright owners to control the use of copies of their works beyond the scope of their exclusive rights under Section 106; the use of licensing schemes and

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<sup>9</sup> NARM and VSDA members rent motion pictures on videocassette and DVD, and also rent video games for dedicated entertainment systems. Our members do not rent sound recordings, however, because Congress realized that there was virtually no legitimate rental market for sound recordings once cassette tape recorders were popularized. With NARM’s support, Congress prohibited the rental of sound recordings without consent of the owner.

technological measures to circumvent the operation of the first sale doctrine; the use of technological measures to restrain competition at the retail level of distribution; and the use of technological measures enforced by the courts to restrain First Amendment rights.

**A. Technological Control Over Uses Beyond Reach of Section 106**

The rights protected by copyright are limited to those six rights specified in Section 106. Although the only right directly implicated by Section 109 is the distribution right, it should be noted, at the outset, that there is no general copyright in the “use” of a lawfully made copy or phonorecord as against its lawful owner. Rather, once Section 109 applies to exhaust the distribution right, the only “use” rights granted by copyright that survive are those specific uses set forth in Section 106 – depending upon the type of work, the right to reproduce it, prepare derivative works from it, perform it publicly (and, in the case of sound recordings, by means of a digital audio transmission), and display it.<sup>10</sup>

Congress “has never accorded the copyright owner complete control over all possible uses of his work,” but has instead limited the holder to the enumerated statutory rights in Section 106. *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 432 (1984). The purpose of Congress in creating specific and limited rights under Section 106 of the Copyright Act was in furtherance of the Constitution’s objectives. To use that monopoly power, however limited, for the purpose of gaining control over distribution of a work after the distribution right has been terminated by law is an abuse of that copyright. “A copyright owner may not enforce its copyright to . . . use

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<sup>10</sup> In addition, the author of visual art is granted certain “moral rights” not implicated here by virtue of Section 106A.

it in any manner violative of the public policy embodied in the grant of a copyright.” *Tricom, Inc. v. Electronic Data Systems Corp.*, 902 F. Supp. 741 (E.D. Mich. 1995) (citations omitted).

Even the new World Intellectual Property Organization (“WIPO”) copyright treaties, which the DMCA intended to implement, lend no support for such a use right. The United States is a signatory of two WIPO (World Intellectual Property Organization) treaties that have a direct bearing on the issue of how copyright misuse should limit any rule prohibiting circumvention of access control technologies. First, the WIPO Performances and Phonograms Treaty of December 20, 1996, Article 18, requires parties to provide:

adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by performers or producers of phonograms in connection with the exercise of their rights under this Treaty and that restrict acts, in respect of their performances or phonograms, which are not authorized by the performers or the producers of phonograms concerned or permitted by law.

(Emphasis added.) It is noteworthy that Article 18 only requires adequate legal protection where the technological measures are used “in connection with the exercise of their rights under this Treaty” and used to restrict acts not authorized by the performers or producers of phonograms “or permitted by law.” That is, Article 18 does not require that the United States provide legal protection against circumvention of technological measures used to restrict acts permitted by law.

Second, the WIPO Copyright Treaty of December 20, 1996, Article 12, creates certain obligations concerning rights management information (that is, “information which identifies the work, the author of the work, the owner of any right in the work, or information about the terms and conditions of use of the work, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a work or appears in connection with the

communication of a work to the public” (emphasis added)). There certainly can be no doubt that the current access control technologies that incorporate “digital rights management” systems containing “rules” governing use of a work constitute a form of “rights management information.” However, the agreed statement of the Diplomatic Conference that adopted the treaty states, with reference to Article 12, that “Contracting Parties will not rely on this Article [12] to devise or implement rights management systems that would have the effect of imposing formalities which are not permitted under the Berne Convention or this Treaty, prohibiting the free movement of goods or impeding the enjoyment of rights under this Treaty.” Thus, to the degree that the U.S. Copyright Act is interpreted as restricting a copy or phonorecord owner’s right of alienation of property in the name of technologically requiring adherence to private usage rules – rules imposed in derogation of the first sale doctrine – such interpretation would run afoul of Article 12. Moreover, such interpretation would upset the careful balance of competing social policies which underlay the Copyright Act.

Civil copyright law is a compromise between competing social policies – one favoring the widest possible dissemination of new ideas and new forms of expression, and the other giving writers and artists enough of a monopoly over their works to ensure their receipt of fair material rewards for their efforts. The first policy predominates, which means that the system of rewards is to be no more extensive than is necessary in the long run to elicit a socially optimal amount of creative activity.

*United States v. Bily*, 406 F. Supp. 726, 730 (E.D. Pa. 1975) (footnote omitted). To preserve that balance, Congress made certain that the creation of copyright monopolies would not vest absolute control in the copyright owner. Section 109 is one of the most important of such limitations.<sup>11</sup>

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<sup>11</sup> “One of the most important limitations on copyright owners’ exclusive rights is embodied in section 109 of title 17, United States Code.” H.R. REP. NO. 735, 101<sup>st</sup> Cong., 2d Sess. (1990) (Statement of Legislative History, Title I, pagination unavailable).

**B. Use of Licenses and Technological Controls To Circumvent The First Sale Doctrine**

Because Congress saw fit to exhaust the copyright owner's right to restrict the distribution of a lawfully made copy or phonorecord once it is owned by another, any use of access control technology to circumvent the will of Congress and effectively "revive" a right that the law extinguished must be considered copyright misuse. In the same vein, if a technological control measure effectively renders a sound recording or motion picture unplayable if the owner of the copy or phonorecord transfers title to another, such measure frustrates the Congressional will and technologically prohibits a transfer that the copyright owner has no lawful right to prohibit.

The objective of copyright law is to promote the progress of science and useful arts, and any benefit to be derived by copyright owners is for that purpose. "The sole interest of the United States and the primary object of conferring the [copyright] monopoly lie in the general benefits derived by the public from the labors of authors." *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) (quoted with approval in *Paramount Pictures*, 334 U.S. 131, 158 (1948)). The copyright reward is intended to induce authors to release to the public the products of their creative genius. *Paramount Pictures*, 334 U.S. at 158.

It is not uncommon for intellectual property, including copyrights, to be licensed. Care should be taken, however, to distinguish between the lawful licensing of a copyright, on the one hand, and the purported licensing of "rights" not recognized by copyright, on the other, particularly where the latter are tied to the former or intended to circumvent the first sale doctrine. For example, a copyright owner may lawfully license someone else to make copies or phonorecords of a copyrighted work, because the copyright owner has the exclusive right to copy. The copyright owner

may also set the sales price for copies or phonorecords it owns. But the right to set the sales price is one belonging to the owner of the copy or phonorecord, and not to the copyright owner as such. That is, the right to set the price is not a copyright and, therefore, the copyright owner has no right under the Copyright Act to enforce sales price terms in a license to make copies. “The Supreme Court held that any transfer of title is a first sale, and no copyright remedy is permissible to enforce the breach of contract involved.” *United States v. Atherton*, 561 F.2d 747, 751 (9<sup>th</sup> Cir. 1977) (citing *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908), (holding that copyright law could not be used to enjoin the sale of lawful copies below the cost set by the copyright owner).

Some copyright owners have become even more creative, and have purported to license the making and use of a copy or phonorecord under terms of an “end user license agreement” (“EULA”) or similar artifice intended to control the use of a copy or phonorecord. For example, the “click-wrap” agreement offered by one record company in connection with a license to make several lawful phonorecords from one single digital download purports to control their use as follows:

By purchasing and downloading this digital recording, you agree that (a) the digital recording is for your personal non-commercial use, (b) you will comply with and will not circumvent the Usage Rules or any technology designed to enforce the Usage Rules, and (c) you will not tamper with or modify the digital recording.

Usage Rules: You may install the Digital Recording on a hard disk for the purposes of (i) playback on the same PC or (ii) recording to a Compact Disc no more than two (2) times; and (iii) exporting to a trusted (secure) or insecure portable player device no more than three (3) times. Any use of the digital recording other than as permitted above is a violation of this agreement and the United States Copyright Laws and is prohibited.

The example above combines legitimate terms that pertain to the licensing of copyrights (e.g., copying the sound recording onto a hard disk and onto two CDs – copies to which the first sale doctrine would apply) as well as restrictions upon the Section 109 rights (e.g. limiting the use of the

hard disk copy to playback “on the same PC,” thereby purporting to prohibit the sale of the hard drive separate from the PC, and prohibiting any use “other than as permitted above,” which, if taken literally, would prohibit any use of the two lawfully made CDs, other than making them). Of course, the threat that failure to abide by these arbitrary usage terms is “a violation of . . . the United States Copyright Laws and is prohibited” is completely false as discussed above.

Another record company combines “free” computer software programs with CDs containing sound recordings. It then attempts to control the use of the entire CD through a license agreement pertaining to the “free” software, notwithstanding the fact that the retailer and consumer have each purchased it and are (or were) the lawful owners. The free software license agreement included with “The Writing’s On the Wall,” a CD album by Destiny’s Child, is only viewable when the CD is used in a computer, and it reads, in part, as follows:

#### SONY MUSIC ENTERTAINMENT INC. LICENSE AGREEMENT

This legal agreement between you as end user and Sony Music Entertainment Inc. concerns this product, hereafter referred to as Software. By using and installing this disc, you agree to be bound by the terms of this agreement. If you do not agree with this licensing agreement, please return the CD in its original packaging with register receipt within 7 days from time of purchase to: Sony Music Entertainment Inc., Radio City Station, P.O. Box 844, New York, NY 10101-0844, for a full refund.

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Under Section 109, the lawful owner of the Destiny's Child CD is entitled to sell or give away the CD without Sony's consent. Under the terms of the license agreement, the owner is not even entitled to keep it if it does not agree to be bound by the terms of the free software license.

Such efforts to control the use of lawfully made phonorecords by the lawful owner may seem rather novel or "cutting edge" in the sound recording business, but Congress observed this failed tactic over twenty years ago when it was tried by the computer software industry in attempting to prevent the rental of computer software. In connection with the sale of digital computer programs, one copyright owner used "box top" licenses stating that the consumer was not purchasing the software itself, but only a license to use the program. *Step-Saver Data Sys., Inc. v. Wyse Tech.*, 939 F.2d 91, 96 (3d Cir. 1991). The court explained the practice in light of the Computer Software Rental Amendments Act of 1990, Pub. L. 101-650, 104 Stat. 5134, tit. I (amending Section 109(b) to except the rental of a certain class of computer software from the first sale doctrine):

When these form licenses were first developed for software, it was, in large part, to avoid the federal copyright law first sale doctrine. Under the first sale doctrine, once the copyright holder has sold a copy of the copyrighted work, the owner of the copy could "sell or otherwise dispose of the possession of that copy" without the copyright holder's consent. . . . Because of the ease of copying software, software producers were justifiably concerned that companies would spring up that would purchase copies of various programs and then lease those to consumers. . . . Consumers, instead of purchasing their own copy of the program, would simply rent a copy of the program, and duplicate it. This copying by the individual consumers would presumably infringe the copyright, but usually it would be far too expensive for the copyright holder to identify and sue each individual copier. Thus, software producers wanted to sue the companies that were renting the copies of the program to individual consumers, rather than the individual consumers. The first sale doctrine, though, stood as a substantial barrier to successful suit against these software rental companies, even under a theory of contributory infringement. By characterizing the original transaction between the software producer and the software rental company as a license, rather than a sale, and by making the license personal and non-transferable, software producers hoped to avoid the reach of the first sale doctrine and to establish a basis in state contract law for suing the software rental companies

directly. Questions remained, however, as to whether the use of state contract law to avoid the first sale doctrine would be preempted either by the federal copyright statute (statutory preemption) or by the exclusive constitutional grant of authority over copyright issues to the federal government (constitutional preemption). Congress recognized the problem, and, in 1990, amended the first sale doctrine as it applies to computer programs and phonorecords.

*Id.*, n.7 (emphasis added, citations omitted). In the case of computer software rentals, the case was clear that the only reason for renting the computer programs was to make copies. Even then, the only real solution was a legislative one and, even then, the first sale doctrine was preserved for digital computer programs in its entirety, save for the owner's right to rent a limited class of computer programs (excluding, for example, video game cartridges) without the copyright owner's consent. Section 109(b). *See also, Sebastian Intern. v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1075 (9<sup>th</sup> Cir. 1995) (rejecting use of a collective trademark to control the downstream distribution of products exclusively through authorized dealers). "We reject Sebastian's attempt to circumvent the 'first sale' rule." *Id.* As discussed above, *supra* at Part II(A)(5), even where the copies or phonorecords are not sold by the copyright owner but, instead, are created by the retailer or consumer licensed to make the copy, the first sale doctrine applies. Any other outcome would leave the retailer or consumer in the unenviable position of having received a license to make a copy but being unable to sell or otherwise dispose of it. "This would make little sense." *Bourne v. Walt Disney Co.*, 68 F.3d 621, 632 n.4 (2d Cir. 1995) (referring to a similar situation).

### **C. Use Of Technological Measures To Restrain Competition At the Retail Level Of Competition**

For the first time in history, copyright owners have the power to control mass distribution of their works (at least those in digital form) from the point of manufacture all the way to the end consumer and beyond. They are now able to distribute copies or phonorecords to millions of people

in a matter of a few minutes, simultaneously distributing at the wholesale and the retail level. Moreover, they can use technology to enforce absolute uniformity in the terms and conditions of sale available to all retail consumers, ignoring or supplanting efforts by retailers to offer more competitive pricing, policies and other competitive terms and conditions of sale, such as in the protection of consumer privacy and anonymity.

Ironically, the copyright owner's inability to effectuate such a total system of control over copies of copyrighted works is what prompted lawmakers to establish copyright protections in the first instance, harking back to the Statute of Anne in 1710. Thus, the owners of copyrights in digital works today are able to exercise total control over who can own or even access a copy or phonorecord, when, where, at what price, for how long, and whether the owner will have any meaningful right of alienation of property, and yet still claim the protections of the very same federal civil and criminal copyright law created precisely because they lacked any meaningful controls over their works.

Several authorities have already raised concerns over the current use of so-called "digital rights management" to enable copyright owners to, in effect, have their cake and eat it too. *See, e.g.,* Lawrence Lessig, *Code and Other Laws of Cyberspace*, 122-41 (1999). Of more immediate concern to the members of NARM and VSDA is the rapid erosion of the ability of retailers and distributors to competitively distinguish themselves in any meaningful way. For example, business models have already been unveiled which would force every retailer wishing to offer digital distribution to their customers to have to offer the copy or phonorecord at exactly the same price, under exactly the same terms, requiring exactly the same personal information, and subject to exactly the same privacy

policies or lack thereof. Under this model, retailers serve merely as agents to funnel their customers to the copyright owners, who then establish the uniform prices, policies and terms.

NARM and VSDA members generally do not fear direct retail competition from their suppliers, because they generally feel they are capable marketers and retailers, plus they have the added advantage of being able to aggregate copies and phonorecords from all of the major entertainment companies and myriad of independents at a single shopping location. However, when the copyright owner can remove every significant competitive distinction offered by competing retailers, the benefits of competition for the consumer are lost. Indeed, some copyright owners are refusing to allow retailers to retain a significant advantage of the aggregator – the ability to sell downloads from all sources using a single electronic “shopping cart.” These copyright owners would prefer that the terms, conditions, look and feel, and even customer service that any retailer can offer in a distinctive way will never be available for all products offered by that retailer, for the copyright owner will demand adherence to its own special terms regardless of the wishes of retailers and their customers.

These concerns within the retail community are very real. They are based upon current practices and trends. Similar concerns occupied the mind of Congress in the pre-digital era upon consideration of the Copyright Act of 1909:

In enacting a copyright law Congress must consider, as has been already stated, two questions: First, how much will the legislation stimulate the producer and so benefit the public; and second, how much will the monopoly granted be detrimental to the public. The granting of such exclusive rights, under the proper terms and conditions, confers a benefit upon the public that outweighs the evils of the temporary monopoly.

It was at first thought by the committee that the copyright proprietors of musical compositions should be given the exclusive right to do what they pleased

with the rights it was proposed to give them to control and dispose of all rights of mechanical reproduction, but the hearings disclosed that the probable effect of this would be the establishment of a mechanical-music trust. It became evident that there would be serious danger that if the grant of right was made too broad, the progress of science and useful arts would not be promoted, but rather hindered, and that powerful and dangerous monopolies might be fostered which would be prejudicial to the public interests. This danger lies in the possibility that some one company might secure, by purchase or otherwise, a large number of copyrights of the most popular music, and by controlling these copyrights monopolize the business of manufacturing the selling music producing machines, otherwise free to the world.

The main object to be desired in expanding copyright protection accorded to music has been to give to the composer an adequate return for the value of his composition, and it has been a serious and difficult task to combine the protection of the composer with the protection of the public, and to so frame an act that it would accomplish the double purpose of securing to the composer an adequate return for all use make of his composition and at the same time prevent the formation of oppressive monopolies, which might be founded upon the very rights granted to the composer for the purpose of protecting his interests.

H.R. REP. NO. 2222, 60<sup>th</sup> Cong., 2d Sess. At 7 (1909). Over fifty years later, the Register of Copyrights was not yet faced with the competitive issues raised by absolute control over digital distribution, but nevertheless recognized similar dangers.

Copyright has sometimes been said to be a monopoly. This is true in the sense that the copyright owner is given exclusive control over the market for his work. And if his control were unlimited, it could become an undue restraint on the dissemination of the work.

On the other hand, any one work will ordinarily be competing in the market with many others. And copyright, by preventing mere duplication, tends to encourage the independent creation of competitive works. The real danger of monopoly might arise when many works of the same kind are pooled and controlled together.

Register's Report on the General Revision of the U.S. Copyright Law, at 5 (1961).

Today, in both the music and the motion picture industries, we are faced with a market in which many works of the same kind are pooled and controlled together by a few companies that

dominate the industry. The first sale doctrine has been an invaluable tool in ensuring that consumers would continue to enjoy many options for purchasing, renting or otherwise enjoying copies and phonorecords on competitive terms, at least at the retail level. The use of technology to effectively lock out all options save those endorsed by a few powerful copyright owners demands legislative, regulatory and judicial attention to protect retail competition and consumer choice.

**D. Principles Affecting Operation Of The First Sale Doctrine With Respect To Works Protected By the First Amendment**

Although most copyrighted works may also be entitled to First Amendment protection in their enjoyment, the First Amendment right attaches without regard to whether the work is copyrightable, and protects copies and phonorecords regardless of whether the first sale doctrine applies. VSDA and NARM have long defended the rights of their respective members to sell, rent or display motion pictures, sound recordings and video games threatened by government censorship, and need not own any copyright in order to have standing to do so.

The First Amendment prohibits the government from restricting the distribution of copies or phonorecords, and practically mandates recognition of the first sale doctrine when the matter at issue is expressive material. A retailer's right to sell a CD is protected to the same extent as the artist's right to record it. But are private actors free to impose technological or licensing restraints on distribution without regard to the First Amendment? We believe that the answer is "no". While they may be free to impose the restriction by agreement, such agreement would be unenforceable. Once the first sale doctrine attaches to exhaust the distribution right, the owner of the copyright should not be permitted to obtain the aid of the government in abridging the freedom to disseminate lawfully made copies or phonorecords of constitutionally protected works.

At least one court seems to agree, noting that a copyright owner’s effort to do so implicates First Amendment rights. *See United States v. Bily*, 406 F. Supp. at 735, n.15 (observing that First Amendment values were implicated in a criminal copyright infringement action involving the first sale doctrine).

Thus, where the copyrighted work has a significant expressive component, which is the case for books, music, motion pictures and even video games, the exhaustion of the distribution right is required by an even more fundamental principle – the principle that federal copyright law should not come to the aid of one who seeks to abridge the freedom of speech of another. The First Amendment demands that any person who is the lawful owner of a lawfully made copy be free to further distribute that work without restriction. To be sure, private parties may privately contract to limit one party’s ability to speak, but neither Congress nor the courts should come to the aid of a copyright owner who seeks to impose restrictions upon the dissemination or use of a copy or phonorecord of a constitutionally protected work where such restriction would exceed the constitutionally - based, congressionally granted copyright.<sup>12</sup>

In sum, the Copyright Act grants no “use” right. The copyright owner has no right to tell the owner of a lawfully made copy of a book how many times it may be read, whether the corners of the pages may be turned down, whether passages may be underlined, or whether marginal notes may be

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<sup>12</sup> *See, e.g., Shelley v. Kraemer*, 334 U.S. 1 (1948) (holding that the action of state courts and judicial officers in enforcing a private agreement constituted “state action” for purposes of the Fourteenth Amendment and that, therefore, courts in equity would not enforce a private agreement to accomplish objectives prohibited by the Constitution even if the private agreement itself was not unlawful); *Barrows v. Jackson*, 346 U.S. 249 (1953) (refusing to allow action for damages for breach of lawful private agreement which would violate constitutional rights if the same terms were imposed by the government). *See, also*, Mark A. Lemley and Eugene Volokh, Freedom of Speech And Injunctions in Intellectual Property Cases, 48 Duke L.J. 147 (November 1998) (arguing for the application of First Amendment prior restraint principles in copyright actions).

made. By the same token, the copyright owner has no right under copyright to dictate any limit on how many times or for how many days a song may be listened to or a movie watched, or to limit the number of people to whom it may be lent or to whom it may be given. Because the use of such expressive materials is protected by the First Amendment, because the Copyright Act provides no such right over use, and because the Constitution limits the purposes for which Congress may provide copyright protection – which purposes would not be served by any general right over use by owners of copies or phonorecords – Congress should take care that measures ostensibly intended to protect against unauthorized copying not be used as a means of gaining, through technology, a de facto right to control the use of a work. Where private parties seek to expand the scope of their copyrights to control how owners of copies or phonorecords “use” their works, such efforts must fail under the First Amendment constraint against laws abridging the freedom of speech.

#### **IV. RESPONSES TO SPECIFIC QUESTIONS**

*(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of the first sale doctrine?*

In the response to question (c), below, we explain some of the direct effects new technology has had on the operation of first sale doctrine. The effect of the prohibition on circumvention of technological protection measures is felt where the technological protection measure does more than just protect the copyright from infringement, but, in addition, furthers objectives unrelated to copyrights. Because those technological protection measures cannot be circumvented so as to limit their effect to only the lawful objectives, the effect is to strengthen the hand of the copyright owner at the expense of the owners of the copies and phonorecords. For example, a lawful objective of a copyright owner offering a digital download may be to insure that no matter through what channels



the license (or sublicense) to make a copy is conveyed, the licensee will have to make some proof of payment before access to the work is granted, and even then, access to make unauthorized copies might be denied. If, however, those lawful objectives are achieved using means that require the licensee to disclose his or her identity to third parties, or to technologically bundle the desired product with other unwanted products, the owner of the lawfully made copy is unable to lawfully circumvent the technological protection measures for the sole purpose of protecting the owner's (or the owner's customers') privacy, or to unbundle the unwanted product and discard it.

For example, in *United States v. Paramount Pictures, Inc.*, 334 U.S. 131 (1948), the Supreme Court explained the limitations on copyright power in the context of “block booking” – “the practice of licensing, or offering for license, one feature or group of features on condition that the exhibitor will also license another feature or group of features released by the distributors during a given period.” 334 U.S. at 156. The Supreme Court approved of the lower court's restriction against such practice as well as the lower court's reasoning, which was based not only on the illegality of the restraint itself, but also for reasons based squarely upon the Constitution and the Copyright Act.

The District Court held it illegal for that reason and for the reason that it “adds to the monopoly of a single copyrighted picture that of another copyrighted picture which must be taken and exhibited in order to secure the first.” That enlargement of the monopoly of the copyright was condemned below in reliance on the principle which forbids the owner of a patent to condition its use on the purchase or use of patented or unpatented materials.

*Id.* at 157 (quoting the lower court, citations omitted). The Supreme Court noted that, like patent law, the exclusive right granted under the Copyright Act does not include any privilege to “add to the monopoly of the copyright in violation of the principle of the patent cases involving tying clauses.” *Id.* at 158. Here, Congress should be mindful to the limitation on using the copyright

monopoly as leverage to enlarge the copyright owner's limited monopoly through use of technology which cannot lawfully be circumvented by the victim.

*(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of the first sale doctrine?*

Neither VSDA nor NARM are aware of any effect that the enactment of prohibitions on falsification, alteration or removal of copyright management information has had on the operation of the first sale doctrine. We note, however, that some state laws require the disclosure of the manufacturer of a copy or phonorecord (or "transferor" of the content).<sup>13</sup> Where a person lawfully manufactures a copy or phonorecord and wishes to exercise the Section 109 rights associated with ownership, the inclusion of that person's own name and address on the copy or phonorecord should not be construed to be a violation of this provision.

*(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale doctrine?*

Technology can now be used to circumvent constitutional and legislative limitations on the distribution right to the point of constituting copyright misuse and/or violation of antitrust laws. Already, NARM has been forced to file suit against a record company which is using digital technology to force retailers to include promotions of and hyperlinks to the record company's own competing Internet-based retail site with each CD sold. Such links are not included in CDs distributed in markets where the record company does not own the distribution right, and clearly

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<sup>13</sup> See, e.g., Mass. Ann. Laws ch. 266, § 143C ("Whoever for commercial advantage or private financial gain knowingly manufactures, rents, sells, transports, or causes to be manufactured, rented, sold or transported, or possesses for purposes of sale, rental or transport, any recorded device the outside packaging of which does not clearly and conspicuously bear the true name and address of the transferor of the sounds or images contained thereon shall be punished as provided in section one hundred and forty-three D.").

have no function relating to the protection of the copyright. They only serve to promote the record company's direct sales to the retailers' customers. Such technology, currently used on CDs, is equally available for misuse in connection with digital downloads, where every time a retailer makes a sale, the retailer must share the customer with the copyright owner/competitor. Under such circumstances, Congress should consider creating a statutory license alternative to give competing merchants access to unadulterated works, subject of course to appropriate copy protection measures.

*(d) What is the relationship between existing and emergent technology, on one hand, and the first sale doctrine, on the other?*

From the standpoint of the first sale doctrine, there is no relationship in that the first sale doctrine does not depend upon any particular technology used to make the copy or phonorecord. However, the new and emergent technology is increasingly being used to circumvent the effect of the first sale doctrine and to impose upon owners certain usage rules that are not among the Section 106 rights under the Copyright Act. Thus, it is copyright misuse by tying the copyright monopoly to the ability to extract compliance (either technologically or through forced "click-wrap" non-negotiable agreements) with conditions or terms to which the copyright owner is not entitled under copyright law.

*(e) To what extent, if any, is the first sale doctrine related to, or premised on, particular media or methods of distribution?*

Nothing in the first sale doctrine itself, or Section 109 in particular, limits its application to particular media or methods of distribution.

**A. The First Sale Doctrine Applies To All Media Including Digital Media**

It is clear from the definition of the terms "copy" and "phonorecord" that both terms encompass digital media embodied in a tangible medium of expression:

“Copies” are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. . . .

Section 101 (emphasis added).

“Phonorecords” are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. . . .

*Id.* (emphasis added). Thus, existing law makes it crystal clear that a copy or phonorecord can be made out of any tangible object. The distribution right is exhausted with respect to copies or phonorecords, not only with respect to the listed material objects in the definitions of “sound recordings”<sup>14</sup> and “audiovisual works,”<sup>15</sup> but also flash memory cards, microchips, recordable (and home recorded) CDs or DVDs, and even computer hard drives. Of course, this does not mean that the owner of the material object can make copies without the copyright owner’s consent. Rather, it means that if a copy or phonorecord was “lawfully made,” the holder of the distribution right cannot lawfully prevent the owner of the material object from selling the material object, loaning it to a friend (or a library patron), or giving it away.

All that is required for the first sale doctrine and Section 109 to apply is that the media be tangible – that it be a “copy” or “phonorecord” as defined in Section 101. Congress intentionally

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<sup>14</sup> “Sound recordings’ are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied.” Section 101 (emphasis added).

<sup>15</sup> “Audiovisual works’ are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied. *Id.* (emphasis added).

made these definitions and the scope of the Copyright Act applicable to all media, even if not yet in existence. Section 101.

The intent of Congress is clear from the statutory language itself. Nevertheless, the House Judiciary Committee explained that this was precisely its intent, and that it also intended to legislatively overrule a court holding to the contrary. See H.R. REP. NO. 1476, 94<sup>th</sup> Cong., 2d Sess., at 52 (quoted *supra* at 10).

Like Congress, state legislatures also saw the need to be forward-looking by insuring that their statutes would remain applicable to new technology without the need for continuous amendments. NARM and VSDA worked closely with the Recording Industry Association of America (“RIAA”) and Motion Picture Association of America (“MPAA”) during the early 1990s to persuade several state legislatures to update their “truth in labeling” laws applicable to audiovisual works and sound recordings to include compact discs and other media “now known or later developed.”<sup>16</sup> Such laws were first developed when analog tape was the recording media of the day, and digital recordings on tape, CDs or other media were not even on the horizon. With the advent of digital media, however, these state legislatures that considered the applicability of their laws to the digital era realized that by inclusion of the qualifier “now known or later developed” it would be unnecessary to amend the laws with each new technological innovation because the principle was clear: The media was not to be confused with the message. The need for proper identification was a lasting principle applicable to existing media and to any other tangible medium of expression “now known or later developed.” The more recent legislation in the few states enacting the Uniform

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<sup>16</sup> See, e.g., Code of Ala. § 13A-8-80; Ariz. Rev. Stat. § 13-3705; Ark. Stat. Ann. § 5-37-510; D.C. Code §§ 22-3814 and 22-3814.1; Fla. Stat. § 540.11; K.S.A. § 21-3750; K.R.S. § 434.445; Mass. Ann. Laws ch. 266, § 143; Va. Code Ann. § 59.1-41.4.

Computer Information Transactions Act (“UCITA”) – two years after enactment of the DMCA and with digital distribution in full swing – continues to use this forward-looking media agnostic formulation.<sup>17</sup>

**B. The First Sale Doctrine Applies To All Owners Of Lawfully Made Copies Regardless of Distribution Method.**

As for methods of distribution, all that is required for the first sale doctrine and Section 109 to apply is that the “owner” be a lawful owner of a lawfully made copy or phonorecord. As noted above, the first sale doctrine has never required that ownership be established through normal sale. Ownership may also be obtained through sale in breach of contractual restrictions,<sup>18</sup> gift,<sup>19</sup> manufacturing under license,<sup>20</sup> salvage or even waste paper.<sup>21</sup> The critical focus is on whether the person asserting the first sale doctrine right is the lawful owner of a lawfully made copy.<sup>22</sup> This

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<sup>17</sup> See, e.g., Va. Code Ann. § 59.1-503.7(f)(1) (“A grant of ‘all possible rights and for all media’ or ‘all rights and for all media now known or later developed,’ or a grant in similar terms, includes all rights then existing or later created by law and all uses, media, and methods of distribution or exhibition, whether then existing or developed in the future and whether or not anticipated at the time of the grant.”).

<sup>18</sup> See *United States v. Atherton*, 561 F.2d 747 (9<sup>th</sup> Cir. 1977).

<sup>19</sup> See, e.g., *Walt Disney Productions v. Basmajian*, 600 F. Supp. 439 (1984).

<sup>20</sup> See, e.g., *United States v. Sachs*, 801 F.2d at 842.

<sup>21</sup> See, e.g., *United States v. Wise*, 550 F.2d 1180 (9<sup>th</sup> Cir. 1977).

<sup>22</sup> Given that unambiguous statutory formulation, it is questionable how much guidance is even needed from the legislative history . . . [and] on balance, it would seem that the literal text of Section 109(a) should be followed, so that immunity may be claimed by any “owner of a particular copy or phonorecord lawfully made,” and not just by those who acquired such ownership via a prior transfer from the copyright owner.

Nimmer, § 8.12[B][3][c].

analysis may involve a determination of whether there was a first sale by the copyright owner, but at bottom the question is whether the copyright owner exercised its distribution right -- its right to vend -- by placing that copy or phonorecord in commerce or otherwise giving up title to it.

*(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?*

At the outset, it warrants noting once again that the Copyright Act has been carefully crafted to apply to new technologies without modification. (See discussion at Part II(2), *supra.*, concerning the 1976 Act's inclusion of the phrase "now known or later developed" in reference to the definition of certain works and the tangible media of expression in which they are fixed, and the discussion in response to question (e), *supra.*.) Thus, the first sale doctrine applies to "copies" and "phonorecords" which have been defined to encompass copies and phonorecords in any conceivable form, so long as they are embodied in a tangible medium.

On the other hand, in crafting a forward-looking Copyright Act, Congress appears not to have envisioned the situation facing us now, in which the very digital technology used to create new forms of copies and phonorecords is also used to circumvent the first sale doctrine, such that copyright owners are able to gain all of the protections of the Copyright Act without having to abide by the requisite constitutionally-based limitations imposed by law. Thus, while the premises of the first sale doctrine have not substantively been altered in any way by new technology, one fundamental premise of the first sale doctrine was that the law could be given its intended effect. That is, it was premised on the notion that the owner of a lawfully made copy or phonorecord would have certain rights as against the copyright owner with respect to the copies he or she owned, and that the law would be sufficient to protect those rights. Today, however, the law's ability to protect the Section

109 right is being threatened, as technology enables the copyright owner to effectively control the use and further distribution of a copy or phonorecord notwithstanding the copy or phonorecord owner's right to use or dispose of it freely. In effect, copyright owners are able to use new technologies to thumb their noses at the constitutionally-mandated restrictions on copyright. They can tell the owner of a copy or phonorecord: "Certainly you may loan your sound recording on CD to a friend, but your friend cannot listen to it without paying for my key to unlock it." "Certainly you may sell your movie on DVD, but the new owner will not be able to watch it without paying another fee." "Certainly you may rent it, but you will have to pay extra for me to turn off the limited play feature." In other words, today's technology can already be used to prevent the Section 109 rights from being used in any meaningful way.

*(g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?*

For the reasons discussed above, it is the contention of VSDA and NARM that the first sale doctrine need not be expanded to "apply" to digital transmissions because the first sale doctrine clearly already applies to the results of those transmissions. That is, the transmission itself, during the course of transmission, is not a "copy" or "phonorecord" because the work is not fixed in a tangible medium of expression, and therefore Section 109 does not apply. However, once the digital transmission is complete and the audiovisual work or sound recording is fixed in a tangible medium of expression (such as a computer hard drive, CD, DVD, or flash memory) Section 109 clearly applies. The owner of the tangible medium becomes the owner of a lawfully made copy or phonorecord, and may dispose of the copy or phonorecord without the copyright owner's consent. The owner "may use or dispose of that copy as he [or she] wishes, unrestricted by the copyright law."



*Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F. Supp. 881, 882 (E.D. Pa. 1964) (citations omitted).

Notwithstanding the above, NARM and VSDA do believe that the reach of the first sale doctrine should be “expanded” to insure its effectiveness and continued viability.

**C. Doctrine of Copyright Misuse Should Be Applied Where Technology Is Used To Circumvent The Operation Of The First Sale Doctrine**

There is an increasing trend on the part of the owners of large collections of copyrighted works to attempt to control the retailing operations by relying upon retailers to make the “sale” – to solicit the consumer and enter into a transaction authorizing the consumer to download (manufacture) a work – while preventing the retailer from controlling other communications or transmissions separate from the copyrighted work. For example, the copyright owner might allow the retailer to make the sale, but insist upon transmitting the content directly to the consumer and, in the process, solicit personally identifiable information from the consumer and perhaps impose so-called “click wrap” conditions upon the consumer.

For this reason, and the reasons noted in response to question (f), VSDA and NARM believe that the copyright misuse doctrine should be applied by the courts to keep in check those who would abuse the new access control technologies to extend the copyright beyond its term or to interfere with the Section 109 rights of owners of lawfully made copies of phonorecords. The Copyright Office should assign works to which such restrictive technologies have been applied to a class to which the Section 1201 prohibition on circumvention should not apply. Finally, there should be enacted an anti-circumvention measure to protect the first sale doctrine from being trampled by arbitrary

technological means. For example, a new subsection to Section 1201 could be added, stating something along these lines:

This section shall not apply to access control technologies which prevent access to copyrighted works beyond the term of the copyright, give the copyright owner greater rights than those granted in Section 106, or impair the rights of the owner of a copy or phonorecord lawfully made under this title as set forth in Section 109.

**D. The First Sale Doctrine Should Be Expanded To Apply To Use of Technology To “Move” Digital Content From One Medium To Another**

New technology has emerged to effectively mimic the intent of the first sale doctrine without requiring the transfer of ownership of the tangible medium itself. So-called “move” technology can be used to enable the owner of a copy or phonorecord to, in effect, “move” the copy without transferring ownership of the tangible medium – which could prove difficult or undesirable if the tangible medium happened to be a computer hard drive – but by actually making a copy using technology that effectively deletes or “locks out” access to the copy from which it is made. In other words, there may literally be two copies, but only the second copy can be accessed.

Use of “move” technology, a variation of which is sometimes referred to as a “check-in/check-out” process, could be very useful in increasing market efficiencies. For example, in a retailing environment, a retailer could purchase multiple “copies” for inventory, but the technology could allow all such “copies” to reside in one real copy, with technological controls to insure that only the number of copies paid for can be technologically “moved” to a different medium for transfer to the consumer. Each time a copy is so “moved,” a counter associated with the retailer’s virtual inventory of copies reduces the number of copies available for moving by a factor of one. The net effect is that the copyright owner will have been compensated for each copy that makes its way to

the ultimate consumer, but intermediaries will save valuable storage space. *See, e.g., Lantern Press, Inc. v. American Publishers Co.*, 419 F. Supp. 1267 (1976) (use of chemicals to “lift” art work off of paper and move it onto resin film was protected by the first sale doctrine).

A similar result could be obtained by authorizing the retailer to license consumers to make copies, but recognition of “move” and “check-in/check-out” technology as the equivalent of transfer of the tangible medium would continue to preserve the consumer’s right to alienation of property without forcing a transfer of the tangible medium. This would be particularly desirable where incompatible media render the physical transfer of ownership ineffective. The owner of a copy on a computer hard drive could, for example, “sell” the copy or phonorecord without transferring the hard drive but, instead, transfer the content to new media while at the same time disabling access to the hard drive copy. Such technology is already available and sometimes used to control “use” of a copy or phonorecord in ways that exceed the copyright owner’s authority. The technology could just as well be used for the benefit of science and the useful arts by allowing greater transfer of copies for which the copyright owner has already been fully compensated.

*(h) Does the absence of a digital first sale doctrine under present law have any measurable effect (positive or negative) on the marketplace for works in digital form?*

Again, VSDA and NARM vehemently deny the “absence of a digital first sale doctrine under present law” for the reasons discussed above. Assuming, *arguendo*, that the first sale doctrine does not apply to digital media we would be faced with the immediate prospects of copyright owners controlling forever what people do with and how (or whether) they can dispose of the motion pictures and sound recordings that they buy.

Curiously, this question inquires about “the marketplace for works in digital form” without explanation. If by this phrase is meant works recorded in digital form onto a tangible medium of expression, then there is certainly no “absence” of the first sale doctrine which, as discussed above, applies regardless of the medium used or the method (e.g. analog or digital) used. If the phrase intends to apply only to digital transmissions without copying onto a tangible medium, then the fact that the first sale doctrine does not apply where the work is not embodied in a tangible medium of expression – regardless whether analog or digital – means *a fortiori* that digital media would be treated the same as analog media and, just as the first sale doctrine does not apply to an analog radio or television broadcast of a song or audiovisual work, so, too, it does not apply to a digital broadcast (or digital “streaming” over the Internet) of a song or audiovisual work. Naturally, since neither analog or digital broadcasts can be “owned” (as there is nothing that can be owned), the absence of a first sale doctrine applicable to the broadcast or transmission itself – without any copying or recording onto a tangible medium of expression – would have no effect on such non-existent marketplace.

To put it another way, “works in digital form” have no marketplace save when they are embodied in a tangible medium of expression. Once they are so embodied, the owner of that copy or phonorecord may, under present law, sell or otherwise dispose of such copy without the authority of the copyright owner in accordance with the first sale doctrine and Section 109. The only remaining policy question is whether, and how, technological measures used to circumvent the first sale doctrine can be kept in check.

Respectfully submitted,

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Video Software Dealers Association, Inc.

August 4, 2000



**Interactive Digital Software Association**





VIA ELECTRONIC MAIL

mailto: [104study@loc.gov](mailto:104study@loc.gov) and mailto: [104study@ntia.doc.gov](mailto:104study@ntia.doc.gov)

August 4, 2000

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RE: Report to Congress Pursuant to Section 104 of the Digital  
Millennium Copyright Act  
65 Fed. Reg. 35673 (June 5, 2000)

Dear Messrs. Feder and Joyner:

The Interactive Digital Software Association (IDSA) appreciates the opportunity to offer the following comments in response to the above-referenced Federal Register notice.

1. About the IDSA

Formed in April 1994, the IDSA is the only U.S. association exclusively dedicated to serving the business and public affairs interests of companies that publish video and computer games for video game consoles, personal computers, and the Internet. IDSA member companies collectively account for more than 90 percent of the \$6.1 billion in entertainment software sold in the U.S. in 1999, and billions more in export sales of U.S.-made entertainment software. IDSA member companies depend upon strong copyright protection and enforcement for their works of authorship and conduct active enforcement campaigns against the worldwide scourge of entertainment software piracy. The IDSA was an active participant in the public policy debate that culminated in enactment of the Digital Millennium Copyright Act (DMCA) in 1998.

2. The Section 104 Study

Section 104 of the DMCA (codified as a note to 17 USC 109) calls for the Copyright Office and NTIA to carry out a joint evaluation and report on the impact of three kinds of legal and technological developments on the operation of two specified sections of the Copyright Act. The sections in question are sections 109 and 117 (17 U.S.C. 109 and 117). The developments to be taken into account in the evaluation and report include (1) the amendments made by Title I of the DMCA; (2) “the development of electronic commerce and associated technology”; and (3) “existing and emergent technology.”

The IDSA’s comments at this stage of the proceeding will focus primarily on the impact of existing and emergent technology on section 117 of the Copyright Act. Of course, we reserve the right to address additional areas covered by the Section 104 study in any reply comments we may choose to submit, and to seek to testify at any public hearings that may be held.

3. Section 117: Background

The basic provisions of Section 117 were added to the Copyright Act in 1980. They provide a limited exception to the exclusive right of reproduction of a computer program. The exception to allow so-called archival or back-up copying of a computer program, without the permission of the copyright owner, is set forth in section 117(a)(2), which provides in relevant part –

“Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of a computer program provided ---

...

(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.”

In enacting the new section 117, Congress hewed closely to the recommendations of the National Commission on New Technological Uses of Copyrighted Works (CONTU), which had been created by the Copyright Act of 1976 and which reported to Congress on July 31, 1978.<sup>1</sup> The CONTU Report succinctly explained the purpose of section 117(a)(2) and how it fit with the other main provision of section 117 as recommended by CONTU:

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<sup>1</sup> The House Judiciary Committee report on the 1980 amendments noted that section 117 “embodies the recommendations of [CONTU] with respect to clarifying the law of copyright of computer software.” H. Rpt. 96-1307, pt. I, at 23 (1980). Courts have generally treated the CONTU Report as an authoritative reflection of Congressional intent in enacting section 117. See, e.g., *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1252 (3<sup>rd</sup> Cir. 1983); *Midway Mfg. Co. v. Strohon*, 564 F.Supp. 741, 750 (N.D. Ill. 1983).

“One who rightfully possesses a copy of a program, therefore, should be provided with a legal right to copy it to that extent which will permit its use by that possessor. This would include the right to load it into a computer and to prepare archival copies of it to guard against destruction or damage by mechanical or electrical failure.” CONTU Final Report at 13, emphasis added.

It is clear that the intention of CONTU in proposing what became section 117(a)(2), and the intention of Congress in enacting it into law two years later, were greatly influenced by the state of computer technology at that time. In the late 1970’s, the personal computer was in its infancy. Computer programs were embodied in media such as punched cards, open reel magnetic tape, and increasingly in the innovative magnetic disk format called a floppy disk. Computer memory capacities were miniscule by today’s standards, and it would often be necessary to load a program onto the computer each time the program was intended to be used. Larger programs required many floppy disks for storage, making reloading a program a tedious and time-consuming task. Furthermore, computer systems themselves were much more vulnerable to malfunctions than they are today, and the accidental erasure of a program was a real danger, especially when the computer was being operated by an inexperienced user (and in many businesses and institutions, all users were inexperienced). Just as computer programs needed to be copied in order to be run in the first place (the situation addressed by section 117(a)(1)), so sound information technology practices called for the preparation of a back-up copy in case the original was damaged or destroyed. Hence the need for section 117(a)(2), which enabled the owner of a copy of a program to make an archival copy of his original without having to seek the permission of the copyright owner.

The technology-specific reasons underlying section 117(a)(2) also account for the narrow scope of the exception it creates. Section 117(b) provides that archival copies made pursuant to section 117(a)(2) may only be transferred along with the master copy, and “only as part of the lease, sale or other transfer of all rights in the program.” Section 117(a)(2) itself requires that all archival copies be destroyed whenever “continued possession of the [original] computer program should cease to be rightful.” Put another way, the existence of a secondary market in so-called “back-up copies,” or in equipment or services purportedly intended to be used to make or to use such copies, is completely antithetical to the specific language of section 117(a)(2), and totally alien to the technological assumptions which underpinned its enactment.

#### 4. Section 117: The Current Landscape

If we fast-forward twenty years, however, we encounter a much different reality, with three salient features. First, the technological environment within which section 117(a)(2) was originally enacted has largely disappeared. Second, the courts have generally respected the narrow scope of the provision. Despite these developments, however, section 117(a)(2) is being widely claimed as a shield for copyright piracy, as well as for violations of the new anti-circumvention provisions of the DMCA, especially

in a medium for the dissemination of copyrighted material (in both legitimate and pirate versions) which the drafters of section 117(a)(2) could not have anticipated: the Internet.

a. Technological developments. Technological changes have made section 117(a)(2) largely unnecessary for the purposes for which it was originally enacted. Computer programs for the mass personal computer market (which barely existed in the late 1970's) are commonly distributed in formats such as CD-ROM which are themselves intended to serve as archival copies. The working copy, which is loaded onto the hard drive of the user's PC, does not need to be refreshed or re-created each time the user wishes to run the program. When it is necessary to re-install the program, the CD-ROM or similar copy which the user acquired in the first place remains conveniently available to him or her. Furthermore, while the type of "mechanical or electrical failure" which concerned CONTU in the late 1970's – or its 21<sup>st</sup> century equivalent, the system crash – still occurs, the user does not need to make an archival copy in order to be ready to recover from it; the originally acquired copy serves that purpose.

Of course, computer programs related to entertainment software are employed today on a wide variety of platforms other than the PC, notably on the console systems that currently support the lion's share of the videogame market, and increasingly over the Internet. In the former case, back-up copies are not needed both because the "mechanical or electrical failure" that would rob the user of access to the program he or she has acquired is a rare occurrence, and because the full program generally does not need to be loaded onto the platform in order to carry out the use intended. (To give a specific example, the Basic Input Output System (BIOS) for console platforms, unlike the operating system for a PC, never needs to be reloaded due to a system failure.) In the case of game playing over the Internet, the technology often does not require that the end-user ever come into possession of a complete copy of the computer program in order to play the game. Thus, since the section 117(a)(2) exception can only validly be exercised by (or at the direction of) the owner of a copy of a computer program, the essential factual predicate for its use is missing, and the exception may never apply at all.<sup>2</sup>

Legal precedents. By and large the courts have interpreted the boundaries of the section 117(a)(2) exception rather strictly. As one commentator has summarized the cases, "courts have generally construed this exemption narrowly and in light of the concern that occasioned its adoption – specifically, 'to guard against destruction or damage by mechanical or electrical failure.'" Goldstein, Copyright (2d ed. 2000) sec. 5.2.1 at page 5:35. Although at least one court has taken a somewhat broader view of the range of risks against which the making of an archival copy may legitimately provide

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<sup>2</sup> Of course, even a user who acquires lawful possession of a copy of a computer program may not be the owner of that copy. More and more commonly, the user acquires the copy by license, not sale, and accordingly is a licensee, not an owner. Regardless of how the status of the lawful possessor is characterized, our point is that technological developments and business models increasingly deliver the benefits of use of a computer program – including those embodied in entertainment software products -- to parties who never come into physical possession of a copy of it. These models have also gained currency outside the entertainment software sector.

protection,<sup>3</sup> none seems to have countenanced trafficking in so-called “archival copies” or in the tools for making them.

The “back-up copy” epidemic. Despite the diminishing need for an archival copy exception to protect any legitimate interest of users of computer programs, and the lack of any judicial precedent for expanding the scope of section 117(a)(2), the World Wide Web is replete with sites purporting to offer “back-up copies” of videogames containing computer programs, or of the means for making them. Many of these sites specifically refer to section 117 as providing a legal basis for their operations. One site, for example, reassures users that “under the copyright laws of the U.S., you are entitled to own a backup of any software you have paid for,”<sup>4</sup> while another proclaims:

“All the games, music cd's, and computer software that you will find on this page for sale are copied. It is perfectly legal by Section 117 of the US Copyright Law, to own these cd's and use them as long as you have the original program, game, or music cd. It is illegal though to own these backups if you do not own the original. I don't care whether you own the original or not, but I am not responsible [sic] for what you do with what I sell you.”<sup>5</sup>

Of course, the operators of these sites are not offering copies of which they are the rightful owners, nor are they offering to distribute the “back-up copies” along with the originals in an all-rights transaction, as section 117(b) requires for any transfer of a copy made pursuant to section 117(a)(2). Nor do these sites restrict themselves to the distribution of copies of computer programs, which are the only kind of copyrighted work affected by section 117(a)(2); their inventory extends, for example, to audio-visual works embodied in videogames, to which the archival copying exception clearly has never applied. What these sites are offering, simply, is pirate copies of entertainment software and other products containing copyrighted computer programs. They refer to section 117(a)(2) only to provide a patina of legitimacy to their operations, and to foster a false sense among users that a patently illicit transaction – a download of pirate product -- might in fact somehow be lawful. They exploit the statute, in other words, not as a legitimate defense to infringement, but as an enticement to engage in piracy.<sup>6</sup>

Even more disturbingly, many web sites are making available tools and services for circumventing protective technologies employed by the owners of copyright in entertainment software products, in order to enable the playing of pirate or unauthorized copies of these games. Although trafficking in such tools is a clear violation of the new anti-circumvention provisions enacted in Title I of the DMCA, 17 USC 1201 et seq.,<sup>7</sup> the

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<sup>3</sup> See *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 267 (5<sup>th</sup> Cir. 1988).

<sup>4</sup> <http://www.roms2000.com/disclaimer.htm> (visited August 4, 2000)

<sup>5</sup> <http://www.angelfire.com/on/cdrbackups/index.html> (visited August 4, 2000).

<sup>6</sup> Pirates could also use their misrepresentations about section 117(a)(2) to complicate the task of criminal enforcement against their activities. Criminal copyright liability requires proof of “willfulness,” 17 USC 506(a) and evidence that the operator of a pirate site subjectively believed that her activities fell within the scope of the archival copying exception would tend to undermine such a finding.

<sup>7</sup> See, e.g., *Sony Computer Entertainment America Inc. v. Gamemasters*, 87 F. Supp. 2d 976 (N.D. Cal. 1999); *Nintendo of America Inc. v. Bung Enterprises Ltd.*, No. 97-8511-GAF (VAPx) (C.D. Cal. Nov. 8,

operators of these sites frequently tout the use of these tools to “play back-up copies,” thus seeking to obscure their illegality. This is akin to the argument sometimes made, but uniformly rejected by the courts, that the provision of such tools enables back-up copying under section 117(a)(2), and thus qualifies as a “substantial non-infringing use” that rescues the operator from liability for contributory copyright infringement.<sup>8</sup>

5. Recommendations for the Section 104 study

These developments make it clear that the impact of emergent and existing technology justifies narrowing the language of section 117(a)(2), such as by making it clear that the provision does not allow a free-standing market in so-called “back-up copies,” and that it only covers the copying of computer programs to the extent required to prevent loss of use of the program when the original is damaged or destroyed due to electrical or mechanical failures. Such a statutory adjustment would not only accurately reflect the changes wrought by two decades of technological advancement, but would also promote legitimate electronic commerce. Perhaps most importantly, it would eliminate much of the confusion created in the minds of some users by those who justify their piratical activities by reference to a supposed “right” to make “back up copies” of entertainment software products.

This public education objective is of critical and immediate importance. During whatever time period is needed for the appropriate amendatory language to be crafted, considered, and enacted by Congress, the current statute remains in effect. Pirates will continue to sow public confusion about what the copyright law says concerning “back-up” or archival copies of computer programs; and with the burgeoning growth of the Internet, their sowing will continue to find fertile ground. Many members of the public are understandably ignorant of their responsibilities to respect intellectual property online; and undoubtedly the persistent references by some site operators to a “back-up copies” exception have blurred the line between right and wrong in the minds of some Internet users.

Even as changes to the law are considered, the Copyright Office and the NTIA should take immediate steps to promote public respect for the law by dispelling the pirate-generated fog around section 117(a)(2). The report required by section 104 of the DMCA provides an excellent opportunity to do so. It is already apparent that the activities undertaken by these two agencies to discharge the tasks assigned to them by Congress in the DMCA have attracted an almost unprecedented level of public attention. The Section 104 study will doubtless enjoy the same degree of public exposure.

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1999); *Sony Computer Entertainment America Inc. v. Digital Stuff, Inc.*, No. C-99-710-VRW (N.D. Cal. June 9, 2000).

<sup>8</sup> See Goldstein, *op cit.*, at p. 5:36, describing cases in which this “substantial non-infringing use” argument was rejected. Of course, even if section 117(a)(2) were applicable to these circumstances, which it is not, that would not provide any defense to a claimed violation of 17 USC 1201. See *Universal City Studios v. Reimerdes*, 82 F. Supp. 2d 211 (S.D.N.Y. 2000) (copyright infringement defenses inapplicable to section 1201).

Accordingly, the IDSA recommends that the Copyright Office and the NTIA use the occasion of the report to Congress required by section 104 of the DMCA to spell out clearly and forcefully the proper boundaries of the exception to protection provided by 17 USC 117 (a)(2).<sup>9</sup> Specifically, these agencies should take this opportunity to stress to the American public that:

- The archival copying exception in section 117(a)(2) is a narrow exception, and applies only to the extent that it is necessary to make a back-up copy in order to protect the original copy against damage or destruction by mechanical or electrical failure. Thus it generally does not apply to contemporary PC, videogame console, or online gaming environments, where these threats are minimal and archival copying is not needed to prepare for them.
- Only the legitimate owner of a copy of a computer program can make or authorize the making of an archival copy under section 117(a)(2), and only from a legitimate copy that he or she owns. A web site or other source offering “back-up copies” for distribution to the public falls outside the exception and is committing copyright infringement. If you have a “back-up copy” that was not made from an original that you obtained by purchase or in some other lawful way, the law requires you to destroy that copy.
- The law forbids the transfer of an archival copy except in conjunction with the transfer of an original and the transfer of all rights in that original. Anyone offering to transfer “back up copies” in any other context is in violation of the law.
- The “archival copying” exception applies only to computer programs. There is no exception to copyright protection to allow the creation of “back-up copies” of any other kind of work, including sound recordings, music, audio-visual works, or databases, except by libraries, archives, broadcasters, and other specifically identified institutions under circumstances defined by law. Anyone offering unauthorized copies of works other than computer programs as “back up copies” is in violation of the law.

Incorporating such material into the report would be a valuable and constructive use of the “bully pulpit” Congress has provided to the Copyright Office and the NTIA in section 104 of the DMCA. The IDSA would be pleased to assist these agencies in any way possible.

## 6. Section 109

While the IDSA does not wish to offer detailed comments regarding section 109 at this point, we continue to believe that the statute contains a significant anomaly that is harmful to the interests of the owners of copyright in works embodied in videogames.

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<sup>9</sup> A clear and widely publicized official explication of the statute could also help to negate the claim of lack of willfulness that pirates may now raise to avoid criminal liability. See fn. 4, *supra*.

Section 109(b) gives copyright owners an exclusive right to control the commercial rental of computer programs, but section 109(b)(1)(B)(ii) specifically withholds this right from the owners of copyright in “a computer program embodied in or used in conjunction with a limited purpose computer that is designed for playing video games and may be designed for other purposes.” This discriminatory treatment, in our view, was unjustified when it was enacted into law in 1990, and neither the technological changes of the ensuing decade, nor the development of electronic commerce and its related technologies, have made it any more acceptable.

7. Conclusion

The IDSA appreciates this opportunity to provide its perspectives on the subject matter of the section 104 study. We look forward to reviewing the comments received, and stand ready to assist the agencies involved in any way that we can.

Respectfully submitted,

INTERACTIVE DIGITAL SOFTWARE ASSOCIATION



**Time Warner Inc.**



Time Warner welcomes the opportunity to respond to the inquiry by the Copyright Office and the National Telecommunications and Information Administration regarding the possible effects of Title I of the DMCA on the first sale doctrine as codified in Section 109 of the Copyright Law.

In order to deal adequately with the issues raised by the Request for Comment, it is necessary to understand the basis for and the limitations of the first sale doctrine. The first sale doctrine, in its origin and in its current statutory existence, has as its underlying purpose the prevention of using the Copyright Law to impose price or other conditions on the ability of the owner of a copy of a work to dispose of that copy. The first sale doctrine does so in very simple and clear terms: it provides an exception to the right of distribution granted in Section 106(3). It provides no other exception to the rights granted by Section 106. In particular, it does not provide any exception to the exclusive right of reproduction. Moreover, the exception with respect to the right of distribution is limited to copies "lawfully made under this title".

Since under the first sale doctrine the copy owner has only the right to transfer possession of the copy and no right to make or distribute additional copies, the first sale doctrine is properly applied only when a particular copy of a work changes hands. Two persons cannot have simultaneous possession of a copy. Transferring possession of a copy means giving up possession. If the giver and receiver both have copies, then the scope of the first sale doctrine has been exceeded.

Thus properly understood, the first sale doctrine applies not only to traditional media in which works are fixed, but also to tangible digital media, the most prominent being optical disks containing software, sound recordings and motion pictures. The purchaser of a DVD copy of a movie or a CD copy of a music album owns the chattel involved and may, under the first sale doctrine, transfer possession of it freely. The purchaser may not, however, make additional copies by virtue of the first sale doctrine. In short, the fact that the tangible medium contains works embodied in digital form does not affect the application of the first sale doctrine. It applies in the same manner digital to DVD and analog, i.e., non-digital VHS copies of a movie.

It is clear that Section 109 does not apply to works distributed by transmission because application of Section 109 to such works would involve both the reproduction of the work (as to which no exception is provided and, accordingly, the copy being transferred is not "lawfully made") as well as its distribution. Secondly, the owner of a copy of the work would not be disposing of the possession of that copy.

Some argue that the first sale doctrine must be expanded to apply to works purveyed by online transmission. They advocate a "digital first sale doctrine". But as discussed above, the first sale doctrine is not a digital or non-digital doctrine. It is a doctrine that distinguishes possessory personal property rights from copyrights. When phrases like "digital first sale doctrine" are used, at least by some, the intent is not an application of the first sale doctrine to digital works, but a wholesale expansion of the first sale doctrine in derogation of the rights of copyright owners. To take a newsworthy example, when the owner of a lawful copy of a CD "rips" a song into a digital MP3 file and then transmits that file to one or more friends, the first sale doctrine cannot be invoked to provide legal justification for the reproduction involved and the multiple resulting copies. And the first sale doctrine is hardly applicable when, in the Napster-type context, an individual makes copies available to the world, thus engaging in public distribution of the works involved.

By keeping the first sale doctrine grounded in the transfer of possession of tangible objects, we keep the first sale doctrine true to its purpose: permitting a single copy of a work to change hands. As noted by William F. Patry in his *Copyright Law and Practice*, Volume II, footnote 37, in discussing what the Europeans call the "exhaustion" doctrine: "The rationale behind the exhaustion of authorized material copies - the expectations of consumers or other possessors of the copies that they be able to dispose of those copies as they wish - does not apply to immaterial distributions by television broadcasts or cable and satellite transmissions." That rationale applies with equal, indeed, greater force to digital transmissions. If not grounded in transfer of tangible objects, the first sale doctrine would no longer be a practical, contained limitation on the distribution right with respect to "a particular copy or phonorecord lawfully made under this title"; it would instead open the door to elimination of the reproduction right as well as of the distribution right by permitting creation and distribution of a potentially unlimited number copies.

The first sale doctrine should not be distorted into a vehicle for permitting unauthorized copying and distribution. As stated above, the first sale doctrine, whether in an analog or a digital world has a particular function, i.e., to prevent restraints of alienation of particular "lawfully made" copies by the owners thereof. That policy can continue in the digital world (see, for example, footnote 1 below). There is no social or economic rationale for altering that policy to permit unlimited reproduction and distribution of protected works by owners of a single copy. Indeed, any such alteration would deal a fatal blow to copyright protection.

Turning to the questions posed in the Request For Public Comment:

- (a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of the first sale doctrine?

None. Technical protection measures do not stand in the way of a user becoming "the owner of a particular copy or phonorecord lawfully made under this title." Once having acquired such a "copy or phonorecord", the user may "dispose" of it pursuant to Section 109.

- (b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of the first sale doctrine?

No effect has been discerned by us or brought to our attention.

- (c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale doctrine?

As set forth above, application of the first sale doctrine in electronic commerce and/or digital transmissions generally is potentially of huge danger to content owners. Examination of the purpose of the first sale doctrine reveals, as set forth above, that the doctrine is limited to avoiding restraints on alienation of tangible copies "lawfully made".

- (d) What is the relationship between existing and emergent technology, on one hand, and the first sale doctrine, on the other?

The first sale doctrine was developed with respect and applied to tangible copies which are, of course, the carriers of much of the copyrighted works to which we have become accustomed under the existing technology. That doctrine will continue to be applicable to tangible copies made under authority of the copyright owners whatever the nature of the technology such as CDs and DVDs. To the extent, however, that emerging technology deals not with tangible copies but with streaming and/or downloading of digitized programming, the first sale doctrine neither can nor should have any application.<sup>1</sup>

(e) To what extent, if any, is the first sale doctrine related to, or premised on, particular media or methods of distribution?

The first sale doctrine is related to, premised on and requires for its application tangible copies lawfully made and distributed by authority of the copyright owner.

(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?

For the reasons set forth above, the emergence of new technology does not and should not alter the premises upon which the first sale doctrine is established.

(g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?

For the reasons set forth above, definitely not. Expansion beyond transfer of possession of a particular copy in a tangible medium will seriously threaten the reproduction right and the distribution right. The first sale doctrine should be kept true to its purpose. Exemptions from copyright must not be obtained through distortion of the first sale doctrine.

(h) Does the absence of a digital first sale doctrine under present law have any measurable effect (positive or negative) on the marketplace for works in digital form?

The absence of a "digital first sale doctrine" has the positive effect of encouraging the growth of markets for works in digital form. Because content owners are not faced with the dangers that would result from application (in our view, misapplication) of the first sale doctrine to digital transmissions (as described above), content owners are encouraged to make their works available in digital form. They can make those works available for downloading, for streaming and for whatever other new technology develops in a variety of pricing and other arrangements so as to meet diverse consumer needs and desires. Misapplying the first sale doctrine to these businesses would quickly discourage them.

Time Warner will not, at this time, respond to the issues raised with respect to Section 117 but respectfully asks to reserve the right to submit Reply Comments with respect to both Section 117 and Section 109 if it believes that it is necessary to do so.

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<sup>1</sup> We note that the initial downloading of a copy, from an authorized source to a purchaser's computer, can result in lawful ownership of a copy stored in a tangible medium. If the purchaser does not make and retain a second copy, further transfer of that particular copy on such medium would fall within the scope of the first sale doctrine.

Time Warner does not believe that hearings are necessary with respect to the issues regarding Section 109. With regard to the issues raised concerning Section 117, Time Warner respectfully asks to respond to the question about the usefulness of hearings after it has had an opportunity to review the comments and Reply Comments. As to both Sections, Time Warner respectfully asks for an opportunity to participate if hearings are held.

These Comments are submitted by:

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To whom it may concern:

#### SPECIFIC QUESTIONS

##### 1. Section 109

ÊÊÊÊÊ(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of the first sale doctrine?

So far, the effects are minimal, since a lot of the current publishing methods do not yet have such protection measures. However, it is quite clear, that as such methods are adopted, practices that are today standard and accepted, will no longer be possible. Increasingly stringent protection schemes will tie content not only to a particular user, but also to a particular device. e.g. an electronic book might be tied to the serial number of a particular reading device. Copying and perusing the book to a personal computer may be impossible. Also, the idea to put one's books on a personal web site, such as to overcome the limitation of physical books, and allow one to access the personal library from home, work, travel, etc. may not only be prohibited by licensing clauses, but also impossible due to protection schemes. All such uses however merely would be using the new media capabilities for what they are meant for, and have nothing to do with copyright infringement. Yet protection schemes may make such use impossible, and the illegality of circumvention of such schemes will severely limit what is possible under circumstances that would clearly be considered fair use today.

ÊÊÊÊÊ(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of the first sale doctrine?

The answer here is pretty much the same as the answer to the question above. Ultimately, in order to ensure the ability to work with content that has protection schemes in place in a way that is possible under current fair use definitions, will require to render ineffective the protection schemes that try to undermine such fair use. If that is done by means of circumvention, alteration, removal, etc. does not matter. The end result is the same, and it's just a matter of what strategy works best with any particular protection scheme.

ÊÊÊÊÊ(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale

doctrine?

Electronic commerce and associated technology has the effect of drastically lowering the costs of publishing and thus increasing the profit margins. Barely any of these benefits were shared with the consumers or artists. In other words, the limited monopoly granted to publishers by means of the copyright laws has benefitted the publishers in a rather lopsided way.

When the discrepancy between distribution costs and content prices grows too large to be ethically justifiable, then the temptation to pirate content rises. Instead of bringing prices in line with distribution, media and other costs, the publishing industry pushed for more stringent laws.

In other words, there is no interest in letting go of the stranglehold and in sharing the benefits of new technology in an equitable way with content creators and consumers. The interests of the public at large have taken second place to special interests of the publishing industry.

ÊÊÊÊÊ(d) What is the relationship between existing and emergent technology, on one hand, and the first sale doctrine, on the other?

The existing technologies are far from exploiting what is technologically possible. As such the publishing industry has an interest in getting the laws passed first, tested and upheld in court second, before they introduce new technologies that will take full advantage of the new rules.

The rude awakening as to the consequences of the new legislation will come later, when it's too late.

They do this by e.g. going after services like Napster, which essentially only allow people to access each other's files, and which can be equally well used for legal purposes as for piracy, or by suing the people who wrote the DeCSS code, which was written not to pirate DVD content, but to make it possible to view DVD content on non-proprietary devices and software systems.

The two cases mentioned above are conceptually equivalent to trying to outlaw cars, because cars can be used to transport stolen goods or bodies of murder victims, or to sue people who find a way to use cheap unleaded gas instead of expensive lantern fuel in some Coleman gas lantern.

More than that however, these cases also shows how unacceptably vague the law is when it forbids technology that's

"primarily designed or produced to circumvent a technological measure that effectively controls access to or unauthorized copying of a work protected by copyright, has only a limited commercially significant purpose or use other than circumvention of such measures, or is marketed for use in circumventing such measures."

Such phrasing leaves way too much room for interpretation.

ÊÊÊÊÊ(e) To what extent, if any, is the first sale doctrine related to, or premised on, particular media or methods of distribution?

The first sale doctrine is based on the common sense assumption that intellectual property should be treated like physical goods: it should be legal for the purchaser to use the property anyhow they please, as long as it is used like a physical item, i.e. not at more than one location or by more than one person at once.

Few people would accept a law that prohibits them from lending a CD to a friend, yet for new media the publishing industry tries to exactly establish practices that would be equivalent to that.

As such, the publishers try to convince the public that the new media and distribution channels are "fundamentally different", while in fact, they are not.

The only thing that is fundamentally different, is the increased possibility to tighten the control over content by the publishers and the possibility of increasing profit margins by achieving distribution costs that asymptotically approach zero.

ÊÊÊÊÊ(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?

see answer above.

ÊÊÊÊÊ(g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?

Yes, because just because content is transmitted in digital form does not alter anything about the basic nature.

In other words, fair use practices should apply the same for digital transmissions as for physical media.

There is ethically no difference between making a tape of a record for listening in the car and creating an MP3 file to listen to the same record on the computer at work.

ÊÊÊÊÊ(h) Does the absence of a digital first sale doctrine under present law have any measurable effect (positive or negative) on the marketplace for works in digital form?

Yes, it puts the consumer in a considerable disadvantage, while giving an excessive amount of power to the publishing industry. A typical example is people who buy DVDs either in the US or Europe and then move to another continent. They cannot legally bring and enjoy their belongings, since operating a non-zone conformant device is clearly an intent to bypass and circumvent the region coding built into the DVD distribution scheme.

Further, such region coding (and other protection schemes) can be successfully used to censor information. e.g. China can prevent "poisonous" western thought from entering the minds of the people, by making sure that none of the DVD players sold there can play DVDs from a western zone.

Bypassing and circumventing the various protection schemes is a critical element in the achievement of free speech and

world wide competition of ideas, both of cultural and political nature.

Current legislation and increasing technological sophistication will put a severe strain on our free speech rights.

Publishers should either rely on the law for protection against unauthorized copying, and enforce their rights like the owner of any other sort of property, or they should rely on trade secrets. If they do the latter, it should however remain their own task to keep them secret, and if they divulge information to the public, the public should be able to disseminate it without fear of legal repercussion.

1. Section 117

ÊÊÊÊÊ(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of section 117?

It renders that section essentially ineffective. A well working copy protection scheme will make archival and back-up copies equally impossible as piracy.

ÊÊÊÊÊ(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of section 117?

Same as answer to the question above. It just depends on the protection scheme if circumvention, alteration, removal, etc. is the most appropriate form of disabling the effects of such protective scheme.

ÊÊÊÊÊ(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of section 117?

Between the difficulty of making copies and the lack of physical evidence of ownership, it is very difficult to regain access to lost information without paying multiple times. The record keeping in electronic distribution is inadequate. The burden of the risk of loss rests almost entirely with the consumer.

ÊÊÊÊÊ(d) What is the relationship between existing and emergent technology, on one hand, and section 117, on the other?

The position of the consumer is getting more and more disadvantaged. The only help in the fight for fair use rights is the ability to bypass protection methods if they go too far. This however has been made illegal.

ÊÊÊÊÊ(e) To what extent, if any, is section 117 related to, or premised on, any particular technology?

Section 117 is too narrow in specifying only computer programs. A classic example is the case of so called CD rot: A bunch of CDs for example have problems where the ink corrodes the

data layer. The only way to preserve the investment in a legally purchased CD is to make a CD-R copy of such disks before the so called CD-rot makes the data layer unreadable.

DVDs are a very similar technology, with very similar issues. Some DVDs are limited issues, due to licensing rights, and are already now out of print, going for as much as several hundred dollars each in the collectors market. It is quite clear that such disks will sooner or later have the potential to develop defects akin to the CD problems mentioned above. In such case, the investment can only be salvaged by copying the DVD to a different medium, which currently entails the need to break the CSS encryption.

ÊÊÊÊÊ(f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which section 117 is established?

The section 117 is too narrow in its definition. It is effectively useless, because its execution will in many cases require the outlawed circumvention, removal, etc. of protection schemes.

## 2. General

ÊÊÊÊÊ(a) Are there any additional issues that should be considered? If so, what are they and what are your views on them?

There are some global considerations, overall trends in the political, cultural and legal environment that need to be viewed together, to see the true danger we are facing. Each little legal change by itself may seem innocuous, but put together, the outlook is not very bright.

Publishing used to be a very risky and immensely resource intensive business. As such copyright privileges were granted to the publishing industry. At that time it was clearly understood that these rights granted were revokable privileges, that were solely granted to prevent copycat publishers from going after the profitable items after the competition with potentially huge losses made a particular work successful. In other words, the economics of publishing were at the time such that competition would become ruinous and in the end the public would suffer because of a lack of publishers.

The second purpose, and the only one that can be argued to be founded in natural law, is to protect the creator of the original work, and to ensure he gets properly compensated for his creativity and work.

Times have changed however, and the near-risk free, low-cost publishing methods, including print on demand, CD-R, DVD-R, internet distribution, etc. have largely eliminated the original purpose of protecting publishers.

On the other hand, technological advances have also created technologies that e.g. by means of cryptographic methods, allow ever more stringent control of information, something

functionally akin to books that can only be read with special glasses that fit only one particular person's head.

Anything conceptually comparable to lending a book to a friend, borrowing books from a public library, etc. is starting to become technologically impossible. Similarly fair use has been ever more narrowed under the lobbying influence of the publishing industry who can easily outspend and out-organize the public and who have all the tools at their disposal to influence public opinion by manufacturing consent.

Things that were considered fair use, like e.g. making a tape of a record to be able to listen to the music in the car, are not only becoming illegal, due to the necessity to overcome copy protection schemes, but also technically ever more challenging, due to ever more sophisticated hardware and software encryption methods.

By thus getting an increased amount of power, both in terms of legal and technological instruments, the publishing industry is now in a position to have a stranglehold on the public. Within a few years it will be able to dictate to the public technologies that are the equivalent of a book where you pay each time you read a word or a sentence, regardless of how often you have already read and paid for the same word or sentence before.

But the consequences go further: Our western civilization has been able to develop because of the free sharing of information. The age of enlightenment, that brought scientific advance, would not have been possible with today's copyright laws. A large body of classical music typically called "Variations on a theme by..." would have been impossible in today's legal structure. Art forms like collages, be they visual, audio visual, etc. are in danger due to copyright laws. This goes to the core of freedom of expression: you will be prevented from making a political statement by cutting and pasting together excerpts from a particular person's work to show their contradictions or inconsistencies, because the works you copy and paste from are under copyright.

One shocking example of this tendency is the case where a former Scientology sect "priest" who left the cult tried to expose the cult as the religious fraud it is, and quoted from the "secret scriptures" to make his point.

He was sued, his privacy breached, all in the context of violating "trade secrets".

(While this case happened in Finland, these sort of things will happen here, too, given the legal climate currently in place.)

On a similar issue, patent, trademark and service mark protection is similarly expanding in an uncontrolled way under the influence of the monied interests.

In addition, the new technologies produce a social injustice, since information that used to be available for free in public libraries is now only available on a pay-per-view basis, with pricing oriented at the most wealthy clients. e.g. try to get access to historical financial records. These things used to be available for free in

libraries. Today they are available in expensive databases that one has to subscribe to for several thousand dollars per year. Similar examples can be found in the legal and medical field, etc. The information is being monopolized by the few who can afford it, putting the rest of the population at a disadvantage.

Meanwhile, the strawman put up by the publishing industry, the artist and creative talent worth protecting, is equally harmed by the new laws: artistic work is now considered work for hire, and thus again decreases the protection of the artist and increases the power of the publishers.

Further, with the increasing pressure for campaign financing reform, the publishers become ever more critical as "king makers" in the political process, for they have an arsenal to control the dissemination of information that by far surpasses everything known to history so far.

If we add to this the concept that companies can get intellectual property protection on nature, i.e. on human, animal and plant genes, that they are allowed to collect personal information and copyright the information, etc. then a man will soon be in a position where it has to pay royalties just to be himself.

All these developments together create a rather disturbing image of the future. It is time to stop the reckless expansion of intellectual property rights, to reexamine their original motivation, and to test what's in the public's interest. We have to be aware of the fact that the economy exists for the people, and not vice versa. All the wealth created is useless, if it comes at the price of creating indentured servants.

Short term greed is using the fruits of our culture's history to undermine the very principles that made it possible for us to arrive where we are at today. It is a clear case of biting the hand that feeds...

As subversive as it may sound, speaking in economic terms, piracy is a market force. People are willing to pay a premium for original cover art, convenience, the knowledge to support their artist of choice, etc.

However, they are not willing to pay prices that are the result of unfair monopoly pricing.

The Robin Hood's that pirate such works create a market force that makes publishers think about profit maximization in different terms. In an increasingly more enforceable monopoly, thanks to modern cryptography, prices can skyrocket almost without limit. This will eventually benefit a few large publishers and extremely popular artists that with large marketing efforts can sway the public to allocate their limited resources towards the purchase of their works.

At the same time however, this limits the availability of resources for lesser known artists and small publishers. It raises the barriers of entry for those, and thus decreases the cultural diversity.

Piracy forces prices down to that level where the vast

majority of people is willing to pay the premium for a legal copy over pirated works. The lower prices result in more works being bought, and thus it broadens the reach of individual works, and increases cultural diversity, while at the same time lowering the barriers of entrance of smaller players into the market.

ÊÊÊÊÊ(b) Do you believe that hearings would be useful in preparing the required report to Congress? If so, do you wish to participate in any hearings?

Yes, on both accounts.

ÊÊÊÊÊInformation collected from responses to this Federal Register Notice will be considered when preparing the required report for Congress.



## Appendix 7



## Appendix 7

### Reply Comments Filed in Response to 65 FR 35673

1	Michael A. Rolenz
2	Digital Commerce Coalition
3	Time Warner, Inc.
4	Walter Charles Becketl
5	Reed Elsevier, Inc.
6	American Film Marketing Association, Association of American Publishers, Business Software Alliance, Interactive Digital Software Association, Motion Picture Association of America, National Music Publishers' Association, and Recording Industry Association of America
7	Paul Fenimore
8	American Library Association American Association of Law Libraries Association of Research Libraries Medical Library Association Special Libraries Association
9	Software & Information Industry Association
10	Michael (Mickey) McGown
11	American Society of Composers, Authors and Publishers (ASCAP)
12	Bryan Taylor
13	Broadcast Music, Inc. (BMI)
14	Arnold G. Reinhold
15	National Music Publishers' Association
16	Digital Media Association



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The following are a reply to the comments on the DMCA previously submitted. As a private citizen, I would like to thank the Copyright Office and the National Telecommunications and Information Administration for giving the public the chance to submit comments electronically and their posting of those comments so that they may reach the broadest audience.

The first comment to which I would like to reply is that of Time Warner Inc. The blending of factual or correct statements with what the writer desires others to believe has been done with superb rhetorical skill but does not provide justification for them. In particular, after one and half pages of discussion of the first sale doctrine, Time Warner Inc. makes the statement that the exhaustion doctrine "...applies with equal, indeed, greater force to digital transmissions" without any justification. As I will discuss below, this is not the case. Digital transmissions are in no way different than high quality analog transmissions and have several drawbacks I assume that Time Warner Inc. is unaware.

In the second paragraph on page 2, Time Warner Inc. states "The first sale doctrine should not be distorted into a vehicle for permitting unauthorized copying and distribution." This is a curious statement to make in a commentary on a law. Laws discuss legality and illegality, not what is authorized and what is unauthorized. As I will discuss below, control of what is "authorized" and "unauthorized" has been a major factor in the Motion Picture industry since its inception. In preparing this reply, I read the U.S. Supreme Court decision "Motion Picture Patents Co. v. Universal Film Mfg. Co. , 243, U.S.S 502 (1917). The parallels between that case decided 83yrs ago and the actions of the DVD industry are striking<sup>1</sup>. The primary difference is that the technology is different. The approach is slightly different but the intention is the same. The issue is not preventing illegal copying. It is having control. This can be seen time and again in the content providers. This was never the intention of the DMCA but without explicit statement of what accesses or protects are permissible, the DMCA allows media providers to decide what is authorized or

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<sup>1</sup> As the first lawsuit brought under the DMCA, I heartily recommend that all who wrote or administer the DMCA should make themselves aware of the facts of that case and ask how the interest of the public is being served? Is it really in the interest of the public in the long term to allow access controls that only enrich the wealthy corporations? One chilling aspect of that case is the disregard of the first amendment. Another is the traditional role of reverse engineering to create new products. The courts have routinely ruled that reverse engineering ultimately benefits society. Yet in the DeCSS case, seemingly the first amendment, reverse engineering, or even a lack of any provable or significant damages is sufficient. While making his ruling according to the law, the judge seemed aware that the impact of the DMCA in that case was well beyond the intention of that law.

unauthorized. Any circumvention that is done is illegal under the DMCA and provides the media content provider an insidious control into the home and means of public discourse.

Later in that paragraph Time Warner Inc. states " There is no social or economic rationale for altering that policy to permit unlimited reproduction and distribution of protected works by owners of a single copy." This is fallacious a priori. Access controls prevent even a single copy or from being made and there are reasons for doing so that are "fair use"<sup>2</sup>. As discussed below, digital media cannot be protected by any access control mechanism from reproduction. Ironically, only media pirates would need to make unlimited copies and can do so despite ANY measures allowed under the DMCA. As I will elaborate below, the DMCA does not prevent piracy of any sort. The content providers lobbied for the DMCA as a means to provide control over the public and private use.

Turning now to the Time Warner Inc responses to the questions posed in the Request For Public Comment:

(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of the first sale doctrine?

None. Technical protection measures do not stand in the way of a user becoming "the owner of a particular copy or phonorecord lawfully made under this title." Once having acquired such a "copy or phonorecord", the user may "dispose" of it pursuant to Section 109.

*It is obvious that the owner of the particular copy owns the physical media but this reply begs the question. To what "technical protection measures" does Time Warner refer? Surely, they have no seer able to know all that can be conceived or even a technical staff able to substantiate this claim. The fact is that technical protection measures CAN be devised that can prevent the user to "dispose of it". Consider the regional coding of the DVD. Purchasers of DVDs are not free to dispose of them outside their region or to persons inside their regions who do not a regional player. This is not a hypothetical but an actual fact. Furthermore, if the devices needed to access the copy are not manufactured any longer what the owner of a copy has is questionable. Under the DVD attempts to make a player would be classified as circumventing access controls even after the industry has abandoned the media<sup>3</sup>.*

Time Warners Inc. comment is thought provoking. Previous to the 20<sup>th</sup> Century, all media was "self contained". The owner of a book, a picture, a newspaper, sheet music, or a photograph required no addition technology to use it. With the advent of sound and motion picture recording, that has changed. Some additional device is required. The media have changed considerably from the wax cylinders of the gramophone to the compact disk of today. Changes in technology DO prevent owners of copies from using them once the playback device is no longer manufactured and repairable. This has been to the financial enrichment of Time Warner Inc among other but the benefit to the public is doubtful.

When I was growing up in the 1960s there were books, film, records, and reel-to-reel magnetic or videotapes. While books are still used, Consumers have not been as fortunate with the media for audio or visual. For audio media, consumers have seen the demise of the reel-to-reel tape and LP recording, the rise and fall of the 8-track and the 4 track, the rise and decline of the cassette tape, the rise of the Compact Disk and now DVD audio awaits. The visual media has changed similarly; from the Beta vs. VHS war won by VHS, to the rise and decline of the laser disk and now the DVD. Other than Beta, laser disk, and DVD, I have had recordings in ALL of these formats at one time or the other. Over the years I have noticed that the copyright holders do not always release from master tapes the same recordings as new media is introduced.

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<sup>2</sup> Consider the DVD. The DVD Trust comprised of DVD manufacturer and content provider, Time Warner Inc. , DVD-CCA, MPAA, and the DVD manufacturers have created a system where even a single copy cannot be made.

<sup>3</sup> While our laws cover abandoned real or personal property, they do not cover abandoned "intellectual property" or abandoned media formats. As I consider the types of media or computer file formats that are used or have been used, I am reminded of the Biblical Tower of Babel.



There are specific performances I have on phonograph records<sup>4</sup> that I would gladly pay the full list price of a CD to have but these are not available. The media providers do not release recordings with any speed and prices are kept artificially high. They release inferior recordings not from original master tapes or release edited films that are butchery of a film released in the theaters or on television<sup>5</sup>. They do not release many recordings at all<sup>6</sup>. Also, the makers of the electronics are quick to produce players of the new media and cease production of the equipment needed to play old media. The 1400 records I purchased between 1970 and 1990 may be usable for my entire life but I cannot play them often because of the difficulty of purchasing replacement stylus or phonograph cartridges. Between the producers of recordings and the makers of electronics, the consumer has been repurchasing the same material in different media for over several decades and media players<sup>7</sup>. Almost by necessity has the consumer been recording records onto tapes or CDs. The concept of media shifting has even entered into our legal system. The courts recognized this in the BetaMax case. Congress enacted the Home Recording Act. Now, the use of access controls on digital media and the DMCA would effectively negate both of these, placing the consumer in the position of having to repurchase recordings each time the copyright holders and electronics manufacturers decide on a new and improved media format<sup>8</sup>.

The more I consider the DMCA and several of the responses (e.g., Time Warner Inc. Software & Information Industry Association) , I become more convinced that the Digital Millennium Copyright Act (DMCA) is not about protecting copyright owners from immediate piracy of their works. As such the first question is what are the reasons for enacting the DMCA? Existing law is sufficiently clear on what is permissible copying and what is not. One industry group has lobbied heavily that the DMCA is required to prevent widespread piracy of digital works - in no way can the DMCA accomplish this. The "piracy industry" has no need to bypass access controls<sup>9</sup>. *A bit for bit copy of a digital media is indistinguishable from the original.* Statements to the contrary are made in ignorance or with the intent to deceive. Since the DMCA cannot prevent commercial "pirates", to whom is this law directed at primarily? Other than the providers of unlicensed cable box descramblers, the access control provided by the DMCA is directed at consumers. In recent court cases, such as the DeCSS case in New York, it has become quite obvious from the testimony that the intent of several groups who lobbied for this act was to implement *access controls that overturn the BetaMax decision, obviate the Home Recording Act, and create a perpetual monopoly on copyright material.* Since the nature of digital media is understood by few, there are aspects of this media

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<sup>4</sup> For example, one of my favorite records is Leonard Bernstein's 1973 recording of Roy Harris Symphony #3. It is studio recording made at the heights of a great conductor of a work he championed in his youth. The only recording available of that work by that conductor is from an inferior live performance made late in the conductor's life.

<sup>5</sup> How is one to know if there is a butchery of a film or other work until the consumer has paid for and viewed the work. Shrink wrap licenses, caveat emptor and legal complicity exacerbates this situation.

<sup>6</sup> It is ironic that in many states, ownership rights of real property must be exercised at least once a year or the property becomes forfeit. With the current copyright laws, a copyright owner need never exercise that right.

<sup>7</sup> One must ask the question that the media have been changing and the consumer electronics industry has benefited so has the copyright holders through sales of the same material in yet another media and the consumer continues to have to buy new players, new media, and dispose of the old.

<sup>8</sup> The compact disk has been on the market for 15 years. Not only have the prices never come down but now the industry is preparing the DVD Audio to replace it and it is not clear to me what the benefits over a digital compact disk are. As a professional who works with digital signal processing, I know there is little in audio fidelity to be gained by increasing the sample rate over what it is on a compact disk. The "Achilles heel" of any sound system is always the speakers. Improved fidelity of the media will have little impact. DVDs may promise longer playing times but my CD player can play up to 5 CDs in succession. Others can play hundreds. Other than having access control for the benefit of the content provider, there is little rationale behind the introduction of the DVD audio except for those who routinely believe "new and improved" advertising campaigns.

<sup>9</sup> Nor would they care if they did. Piracy is already a crime but since they have no need to circumvent access controls, at least they cannot also be charged with violating the DMCA.

that are unique and have not been considered when the DMCA was enacted. These aspects and the DMCA undermine the base of copyright law.

Reading the comments #18 by American Library Association, American Association of Law Libraries, Association of Research Libraries, Medical Library Association, and Special Libraries Association, I can see that the American library system has legitimate concerns regarding the long term archiving and access to material that has technological access controls. The technology does exist to keep digital material from being used by the general public in libraries and it is not certain that without explicit prohibition in the DMCA that it will not be used. Furthermore, as a professional with some knowledge of digital technology and encryption, there are aspects of this technology that they are probably not aware and ultimately must be addressed during the discussion of the best way to handle digital media and transmission. Some of these concerns were addressed by others (e.g., Robert S. Thau & Bryan Taylor). Rather than provide a point by point affirmation or commentary, the remainder of my comments are general and amplify points made by several comments.

While the Digital Millennium Copyright Act (DCMA) addresses some of aspects of "fair use" of digital media, there is one aspect "fair use" for the previous generation of analog media that it does not address-"partial" use when the media is damaged or aged. Previously, the media for communications has always been an analog nature-books, film, phonograph records, video or audiotapes. One aspect of these media has always been that if it is physically damaged, one can still get some use out of it. A book that is waterlogged can be dried out. Torn pages can be mended or replaced with photocopies. Bindings can be replaced. Scratched or warped records may still be played. Magnetic tapes can be spliced. The videotape that is crinkled by my VCR can be pressed flat and rewound into the cassette. Even though compact disks are digital media, they are not encrypted. In each of these cases, damage done to one part of the media only degrades the quality of the media and does not destroy the information on it.

This has always been the case for all media used to this time and it has become so implicit in the definition of "fair use" that is taken for granted. This is not the case for digital media that uses encryption as part of its access control method. The intolerance of encryption systems to even minor damage is not a weakness but is inherent. This has never been an issue before; which is one reason it has not been considered in the creation of the DCMA. One claim for the reason for the DCMA has been that digital format can be copied without degradation from copy to copy. This is actually not true since bit errors will always occur in copying albeit with small probability. What has not been addressed in the DCMA is the fact that encryption techniques used for effective access controls can magnify the effects of a single error into hundreds or thousands.

As Claude Shannon proved in 1949<sup>10</sup>, cipher systems which do not produces widely different output for small differences in either the key or "plaintext" are more easily "cracked" than those that do. If even one bit is different in either the key or the text, then a strong cryptosystem should produce scrambled output until the system resynchronizes. This creates some difficulties when the encrypted "cipertext" is transmitted over some communications channel such as radio, cable, Compact Disk (CD) or a Digital VideoDisk (DVD). There is always some chance that bit errors will occur. When this happens, a strong cryptosystem produces what appears to be random data. If the errors occur often enough, the cryptosystem produces a scrambled output stream. The stronger the encryption scheme, the more likely this will happen. In addition, access control systems using encryption are likely to prevent any access in the event of damage.

For storage of digital media, the current choices are the Compact Disk (CD) or the Digital Versatile Disk (DVD). While these media are reputed to have long lives, it is doubtful that they will exceed that of

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<sup>10</sup> C. Shannon, "Communications Theory of Secrecy Systems", Bell Systems Technical Journal (1949), pp.,656--715. Shannon applied the "theory of information" he had create to all known ciphers up to that date. He proved that the only theoretically unbreakable cryptosystem was the so-called one-time-pad of random numbers. He introduced the criteria used to evaluate cryptosystems. One criteria is the measure of randomness of the "cipertext" as a function of small changes in the cipher key.

parchment, paper, or possibly even a 78-rpm record. As they degrade or are damaged, the encryption used in access control is likely to render them completely unusable<sup>11</sup>. For these reasons, librarians, archivists, and consumers have reasons for concern because what the *DMCA does not require is time limits on the access control*.

How then are the copyright materials on digital media to pass into the public domain at the expiration of copyright? Media purchased during the copyright period still have access control protection but the DMCA would make it illegal to bypass this access control since the means to do so has been made illegal. Is the creator of the media required to lift the access protection? Are they required to produce copies without access protection after that point AND have an exchange program exchanging older copies? Will the copyright holders merely keep producing new versions with extra footage, sound, effects, digitally enhanced special effects etc., that allow them to copyright new versions and claim that anyone who circumvents the new copyright version to access public domain material violates the DMCA so that NOTHING can enter the public domain? Would they even be in business? If the method of access control is kept secret, could anyone determine what it was? *The use of access controls of digital media has the ability create a perpetual monopoly on copyright material. This is counter to the basis of copyright law.*

Time Warner Inc. in several places uses the phrase "unauthorized". Exactly what "unauthorized" copying or access is not defined. But then, One other aspect of the DMCA that is of concern is that it discusses devices used for access control but *at no time does it explicitly define what accesses to copyright material can be legally controlled or what are appropriate for what material*. Does the copyright holder have the right to determine where or when copyright material can be accessed? Does the copyright holder have the right to control what copyright material is accessed or in what order?<sup>12</sup> The technology exists to do this today to do this. Unless defined, the DMCA allows the copyright holder the new ability to create arbitrary definitions of access and then provides a legal means to prevent make circumventing these bizarre access controls<sup>13</sup> illegal or allow media provider to devise new "authorizations."

Another aspect of the DMCA that borders on the bizarre, are the provisions allowing "researchers" to study systems with permissions from the creators. The creators of any access control system are hardly likely to grant it. Furthermore, if the access control is so weak that it can be cracked without knowledge of the algorithms, why should it be given any legal protection or make criminal the activities of persons more skilled than the creators? Seemingly in the recent DeCSS case, the amateurs possess greater skill than the "professionals." Why a corporation would give permission to have their expensive access control systems tested by the truly gifted rather than their paid experts when the DMCA provided protection from professional incompetence is considerably bizarre.

For the above reasons, I believe that the whole reasons for the DMCA need to be reconsidered. Since in no way it can eliminate illegal piracy, the lobbyists for this seem more intent upon creating a technologically monopoly. At a minimum, the deficiencies and ambiguities in its current version that do not address even the existing technology should be repaired.

Sincerely,

Michael A. Rolenz

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<sup>11</sup> The end result would be nothing but random bits and not even be recoverable as 78-rpm recordings can be.

<sup>12</sup> While controlling access to parts of a copyrighted database would be reasonable, is allowing the maker of a DVD audio to control the order in which the songs are played reasonable?.

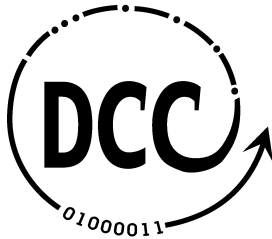
<sup>13</sup> The concept of disabling the fast forward on a DVD video seems ridiculous but is required by the DVD association. So too is disabling scenes or other features on a DVD. The notion of having DVDs that can only be played on machines purchased in certain regions is also bizarre.



## **Digital Commerce Coalition**



# DIGITAL COMMERCE COALITION



August 30, 2000

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**Re: DCC Reply Comments Relating to the Joint Study by the Copyright Office  
and NTIA on Sections 109 and 117 of the Copyright Act**

Dear Messrs. Feder and Joyner:

Pursuant to the *Federal Register* notice of June 5, 2000 entitled "Report to Congress Pursuant to Section 104 of the Digital Millennium Copyright Act," the Digital Commerce Coalition ("DCC") submits the following comments with the Copyright Office and the National Telecommunications and Information Administration ("NTIA"). This response is directed particularly to the comments filed on August 4<sup>th</sup> by the Digital Future Coalition ("DFC"); jointly by the American Library Association, the American Association of Law Libraries, the Association of Research Libraries, the Medical Library Association, and the Special Libraries Association (the "Libraries"); and Patrice Lyons.

## **Digital Commerce Coalition**

The Digital Commerce Coalition (“DCC”)<sup>1</sup> was formed in March 2000 by business entities whose primary focus is to establish workable rules for transactions involving the production, provision and use of computer information – digital information and software products and services. DCC members include companies and trade associations representing the leading U.S. producers of online information and Internet services, computer software, and computer hardware. Together we represent many of the firms that have led the way to the creation of new jobs and new economic opportunities that are at the heart of the new electronic commerce.

Our common goal is to facilitate the growth of electronic commerce. We believe that the enactment of the Uniform Computer Information Transactions Act (“UCITA”) in every state best advances that goal. UCITA is a well-considered statute that balances the interests of all parties in forming workable contracts and licenses for computer information. By adapting and modernizing traditional tenets of U.S. commercial law for the digital age, UCITA will bring uniformity, certainty and clarity to electronic commerce across the 50 states.

## **General Observations**

As a general matter, DCC feels it important to emphasize the traditional and necessary distinctions under U.S. law between the federal system of copyright protection and the state role in determining agreements among private parties, including contracts and licenses. For over 50 years, the Uniform Commercial Code (“UCC”) has governed the relationships between sellers or lessors of hard goods – on the one hand – and buyers or lessees of those goods – on the other – including in many instances hard copies of informational products and services. The various Articles of the UCC have worked well in fostering commerce across the various states, which have in turn adopted the Articles largely in a uniform manner.

UCITA is a new model commercial law developed and approved by the same body that wrote the UCC, the National Conference of Commissioners on Uniform State Laws (“NCCUSL”). As with the Uniform Commercial Code, UCITA has been thoroughly debated and carefully crafted over a multi-year process and is intended to help facilitate the new electronic commerce. UCITA is intentionally broad in scope. The intent is to cover all materials and information that may be the subject of electronic commerce. Thus, the Act covers “computer information,” and covers transaction for software, electronic information – including copyrighted works – and internet access. As has been traditionally the case with uniform laws in this area, UCITA sets rules governing agreements between private parties in the licensing of computer information. It does not create or alter the property interests that persons may enjoy in

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<sup>1</sup> DCC members include: America Online, inc.; American Electronics Association; Adobe Systems; Autodesk, Inc.; Business Software Alliance; Intel; Information Technology Association of America; Lotus/IBM; Microsoft; National Association of Securities Dealers; Novell; Reed Elsevier Inc.; SilverPlatter, Inc.; Software & Information Industry Association; and Symantec.



respect to these products. Those property interests are determined by relevant state and federal laws, including the federal Copyright Act. This careful balance is one upheld by the courts as necessary to the effective and efficient provision and use of information,<sup>2</sup> and one that both the federal and state governments must strive to maintain.

In this context, DCC is concerned that the comments submitted by DFC, the Libraries and Ms. Lyons as a part of this proceeding go to issues far beyond the scope of the study mandated by Congress. In so doing, they confuse the distinctions between federal copyright law and state contract and licensing statutes. Given the importance of licensing to the information industries and their customers, as well as their reliance upon contracts for flexibility and product variety, this concern is of no small moment.

The original study proposal adopted by the House Commerce Committee in 1998 as an amendment to the *Digital Millennium Copyright Act* (“DMCA”) would have required a sweeping review of the relationship between copyright law and electronic commerce generally. However, that proposal was altered significantly before passage of DMCA by the full House later that year. As finally enacted, the scope of the study was limited to apply only to sections 109 and 117 of the Copyright Act. Congress neither desired nor mandated that other issues be studied.

Section 104 of DMCA requires the Register of Copyrights and the Assistant Secretary for Communications and Information of the Department of Commerce to jointly evaluate solely:

- (1) the effects of the amendments made by this title and the development of electronic commerce and associated technology on the operation of sections 109 and 117 of title 17, United States Code, and
- (2) the relationship between existing and emerging technology and the operation of sections 109 and 117 of title 17, United States Code.

Despite the fact that the ongoing study is clearly limited to this two-pronged inquiry involving federal copyright protections – and limited exceptions thereto – DFC, the Libraries and Ms. Lyons raise issues and make recommendations related to section 301 of the Copyright Act, as well as comments directed at UCITA and the general licensing practices of computer information providers. Again, there is no mandate from Congress for the study to become a boundless discussion on or inquiry into the licensing of copyrighted software and information products and services.

The comments submitted by the three commentators mentioned above clearly do not fall within the scope of the section 104 study, and DCC maintains that this is not the proper venue in which to raise these comments. For this reason, DCC respectfully requests that the Copyright Office and NTIA disregard these comments.

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<sup>2</sup> See: *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996), rev'g 90 F. Supp. 640 (W.D. Wis.)

## Statements Regarding Validity of Licensing Agreements and UCITA

Both DFC and the Libraries request that the study recommend amendment to 17 U.S.C. 301 that would interfere with states' rights to govern agreements between private parties. It is a long accepted principle of American jurisprudence that parties should be free to form contracts as they see fit. Provided such contracts are not unconscionable, or illegal, UCITA – consistent with long established practice and jurisprudence – sets up rules as to when a contract is formed and lays out the respective parties rights and obligations.

With this in mind, we believe that the requests made in the submissions are based on anecdotal evidence and unattributed terms from contracts presumably negotiated between licensors and licensees. More disturbing, the requests rest on a false presumption and a mischaracterization of UCITA.

UCITA is a new, uniform state commercial code developed over almost a decade and approved by the same body – the National Conference of Commissioners on Uniform State Laws (“NCCUSL”) – that wrote the Uniform Commercial Code. UCC Article 2 contains uniform contract rules for sales of goods. It has been the only uniform body of state contract law for over 50 years. NCCUSL wrote UCC Article 2 to accommodate the shift from an agrarian economy to a manufactured goods economy, since the contract laws written for the former did not work for the latter.

NCCUSL wrote UCITA for the same reason – the economy has shifted from a manufactured goods economy to an information economy. The existing legal infrastructure provided by UCC Article 2, which was written for goods, does not work well in facilitating electronic commerce; therefore, NCCUSL drafted and approved UCITA as a new model law for the states to adopt.

UCITA is intended to help facilitate the new electronic commerce that is dependent on licensing of computer information – including software, electronic information and internet access. As has been traditionally the case under U.S. law, UCITA is designed to complement the provisions of federal law – in this instance generally the copyright, patent and trademark laws.

That contract law and intellectual property laws can peacefully co-exist has long been the case.<sup>3</sup> Although the availability of computer information and its importance is increasing, there is no need for changes in the Copyright Act of the kind proposed by the DFC and the Libraries. There is, however, a need for a uniform contract rules that apply to information. UCITA meets that need.

DFC's comments would lead an uninformed reader to the conclusion that UCITA ignores the supremacy of federal law.<sup>4</sup> The Libraries' comments would lead one to a similar

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<sup>3</sup> See e.g.: Raymond Nimmer, *Breaking Barriers: The Relation Between Contract and Intellectual Property Law*, 13 BERKLEY TECH. L. J. 827 (1998) (explaining the long standing symbiotic relationship between contract and property law).

conclusion.<sup>5</sup> To set the record straight, UCITA does contain specific reference to the supremacy of federal law and does so in the context appropriate to a state-created statute governing contracts and licenses. Section 105 of UCITA reads as follows:

(a) A provision of this [Act] which is preempted by federal law is unenforceable to the extent of the preemption.

(b) If a term of a contract violates a fundamental public policy, the court may refuse to enforce the contract, enforce the remainder of the contract without the impermissible term, or limit the application of the impermissible term so as to avoid a result contrary to public policy, in each case to the extent that the interest in enforcement is clearly outweighed by a public policy against enforcement of the term.<sup>6</sup>

The Reporter's Notes accompanying this section – similar to congressional legislative history – make clear that “fair use” is an important part of the considerations a court should weigh in determining the validity of a contract:

The offsetting public policies most likely to apply to transactions within this Act are those relating to innovation, competition, fair comment and fair use. Innovation policy recognizes the need for a balance between protecting property interests in information to encourage its creation and the importance of a rich public domain upon which most innovation ultimately depends. Competition policy prevents unreasonable restraints on publicly available information in order to protect competition. Rights of free expression may include the right of persons to comment, whether positively or negatively, on the character or quality of information in the marketplace. Free expression and the public interest in supporting public domain use of published information also underlie fair use as a restraint on information property rights. Fair use doctrine is established by Congress in

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<sup>4</sup> “. . . we hope that the report will recommend new legislation, perhaps in the form of amendments to 17 U.S.C. Sec. 301, that would provide a clear statement as to the supremacy of federal law providing for consumer privileges under copyright over state contract rules which might be employed to enforce overriding terms in "shrink-wrap" and "click-through" licenses.” *Comments of the Digital Future Coalition*, p. 3.

<sup>5</sup> “However, as the debate over the proposed Uniform Computer Information Transactions Act (“UCITA”) has demonstrated, unless an express federal digital policy preempts state laws, content owners will continue to turn to local laws and restrictive licensing agreements as a way of forcing members of the public to waive the very federal rights that Congress reserved for the public – including those rights that flow from the first sale doctrine on which so many library practices depend. *Comments of the Library Associations before the Library of Congress, the United States Copyright Office and the Department of Commerce, National Telecommunications and Information Administration, Inquiry Regarding Sections 109 and 117* ) Docket No. 000522150-0150-01, p. 25.

<sup>6</sup> See: [Draft Approved at Annual Conference, July 23-30, 1999](#)

the Copyright Act. Its application and the policy of fair use is one for consideration and determination there. However, to the extent that Congress has established policies on fair use, those can taken into consideration under this section.<sup>7</sup>

The Reporter's Notes also make specific reference to 17 U.S.C. 1201(f) and (j), those provisions of DMCA that govern the limited circumstances under which reverse engineering is permissible where it is needed to obtain interoperability of computer programs.<sup>8</sup>

In short, UCITA does not say *whether* a contract can be made under federal law, but *how* it may be made *if* it can be made. Subsection 105(b) in particular emphasizes that fundamental public policies regarding fair use, reverse engineering, free speech may not be blindly trumped by contract: courts are directed to weigh all the competing policies, including freedom to contract.

While these UCITA provisions may not meet the over zealous demands of DFC and the Libraries for new statutory creation of rights for users of computer information, it is clear that this state-based law properly defers to the supremacy of federal law on issues involving fundamental public policies – including the applicability of the Copyright Act's fair use exceptions and the latest provisions of DMCA. To do otherwise would have risked disturbing, or even destroying, the delicate but deliberate balance that U.S. law has always maintained between the federal system of copyright protection and the state role in determining agreements among private parties, including contracts and licenses.

Ms. Lyon's comments regarding UCITA likewise demonstrate a misunderstanding of the relationship of copyright law and state contract law. For example, she questions whether the UCITA definition of copy includes a digital fixation and how that relates to the Copyright Act. The answers are simple and already explained in the Reporter's Notes. The UCITA definition does include digital fixations and it does not relate to the Copyright Act:

"Copy." This term refers to the medium containing the information. The medium can be tangible or electronic. The time when information is fixed on the medium can be temporary if this fulfills the required performance. **The copyright law question of when a copy occurs within computer memory or in a transient image does not relate to contract law issues and is not dealt with in this Act.** *Stenograph v. Bossard*, 46 U.S.P.Q.2d 1936 (D.C. Cir. 1998); *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993).<sup>9</sup>

State contract law has its own need and use for the concept of "copy," e.g., a licensor has a duty to tender a copy and licensee has a duty to pay upon tender. Unless there is a definition of copy commensurate with the purposes of contract law, contract law fails.

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<sup>7</sup> See: [March 2000 Comments](#) § 105, cmt. 3

<sup>8</sup> *Ibid.*

<sup>9</sup> See: [March 2000 Comments](#), § 102, cmt. 17, emphasis added.

Ms. Lyon's comments regarding the UCITA definition of "computer program" are similarly resolved. The first sentence of the definition used in UCITA is exactly the same as that in the Copyright Act, and therefore should not pose a problem. The second sentence in the definition is intended to make a state law distinction important for purposes of contract law. Again, the Copyright Act is not affected and the Reporter's Notes explains this point clearly:

"Computer program." The first sentence parallels copyright law. 17 U.S.C. § 101 (1998). The second sentence distinguishes between computer programs as operating instructions communicated to a computer and "informational content" communicated to human beings. . . . **The definition pertains solely to contract law issues. It does not relate to the copyright law issue of distinguishing between a process and copyrightable expression.** . . . In this Act, the distinction relates to contract law issues such as liability risk and performance obligations.<sup>10</sup>

Rather than treat each additional comment offered by Ms. Lyons, we summarize by noting again that intellectual property laws and contract laws serve different but vital purposes. State contract law must bow to federal law and UCITA does that. Nevertheless, UCITA fulfills a vital purpose in facilitating electronic commerce, and that purpose should not be confused with the one accomplished by intellectual property laws.

## Conclusion

The Digital Commerce Coalition has as its primary purpose and goal the enactment of UCITA in the 50 states in order to facilitate effective electronic commerce. Nevertheless, DCC and its members are also concerned that other activities, including this current study at the federal level, not go forward without a clear understanding of the nature of UCITA and its intended effects. Unfortunately, comments submitted by DFC, the Libraries and Ms. Lyons in the course of this study are far outside the scope of the congressional mandate given to the Copyright Office and NTIA. For that reason alone, DCC would urge that they be ignored.

Equally important, DCC feels it necessary to correct the mischaracterization and misunderstanding of UCITA, particularly its provisions governing the supremacy of federal law – including the Copyright Act. UCITA fully anticipates and preserves the traditional and necessary distinctions under U.S. law between the federal system of copyright protection and the

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<sup>10</sup> *Ibid.* at cmt. 10, emphasis added.

states' role in determining agreements among private parties, including contracts and licenses. It does nothing to undermine the Copyright Act or the rights and exceptions to rights established thereunder. DCC urges the Copyright Office and NTIA to give similar cognizance to the importance of maintaining that delicate balance at the federal level, as they prepare the mandated report to Congress.

Respectfully submitted,

Daniel C. Duncan  
Executive Director  
Digital Commerce Coalition

**Time Warner, Inc.**





## Reply Comments

Time Warner Inc. appreciates the opportunity to submit these Reply Comments in Docket No. 000522150-0150-01 with respect to Sections 109 and 110(7) in an effort to extirpate the baseless conjectures on which much of the Comments rely. What is fundamentally involved in this inquiry is, on the one hand, a chimera made up of suppositions and predictions about future behavior of content owners and, on the other hand, real and soundly based apprehensions concerning what would happen to digitized works in the absence of adequate technological protection.

This clash between imagination and reality becomes particularly significant in the context of suggestions that the first sale doctrine be expanded to apply to digital transmissions. It is worth noting that, as Time Warner Inc. said in footnote 1 to its comments, a digitized work that is sold in a tangible medium could well be the subject of a first sale. The problem presented by some of the Comments is that they would extend the first sale doctrine to digitally transmitted works. In those situations, retransmission of the work (as is sought in those Comments) would require reproducing it and could, in many if not all cases, lead to distribution of the work to a multitude of recipients. This is because (as Time Warner pointed out in its Comments) the first recipient of the work retains, after the (or many) retransmission(s), the “copy” that was received. This, of course, is precisely the opposite of what the first sale doctrine contemplates and, indeed, requires for its proper functioning.

This possibility of distribution of the work to an unlimited number of recipients is a very real one. When that certainty or near certainty is weighed against the unsupported concerns expressed by some of the Comments, it is clear that any decision must come down on the side of keeping the first sale doctrine to its present office. **A CONTRARY RESULT WOULD MEAN THAT CONTENT OWNERS WOULD NOT DARE TO MAKE THEIR WORKS AVAILABLE FOR TRANSMISSION ON THE INTERNET. THIS WOULD BE A GREAT LOSS TO THE PUBLIC INCLUDING THE ENTITIES AND INDIVIDUALS WHO HAVE SUBMITTED COMMENTS.**

Many of the Comments make the assertion that content owners will encrypt digital works and refuse to allow decryption in order to prevent fair use and/or to impose unreasonable terms on those wanting to make authorized use of the copyrighted work. Quite apart from the irrelevance of that contention to this inquiry, it is without basis. Certainly today, when a work is made available in digital format (and assuming for purposes of discussion that the work is not available in analog format), the distributor of that work is not only willing but eager to have the work decrypted by consumers for viewing and/or listening. To

do otherwise – to refuse to allow decryption or to charge an unreasonable fee – would be a suicidal business practice.

Some of the Comments devote significant time and space to the assertion that the motion picture studios insist on controlling not only the physical embodiment of their copyrighted information, but the player used to transform it into intelligible video and audio information as well. Although it is not clear that this assertion has any relevance to the issue at hand, it might be well to say a few words about it. It is true that the technological protection created, for example, for DVD requires for access to the copyrighted work that it be played on a licensed player. This is a function of the state of today's technology. We are not yet at the point where a "unilateral" technical protection can be inserted in, for example, a DVD that would permit access only with the authority of the copyright owner. For the time being, it is necessary to achieve protection somewhat indirectly by including the technology in both the player and the medium carrying the work. In no way does this disadvantage consumers or any other public interest. The fact is that, because implementation of this technology requires the active agreed participation of manufacturers of consumer electronic devices and personal computers, the interests of consumers, the customers of those manufacturers, are fully taken into account. Furthermore, the studios have no interest in selling players or in what players are used (indeed, there is no restriction on the availability of licenses to manufacture them) as long as the players will not allow reproduction or retransmission without authorization of the copyright owner.

Perhaps the groundlessness and dangers of the arguments seeking expansion of the first sale doctrine is best crystallized on page 3 of the Comments of the Stanford Linear Accelerator Center:

Like owners of "old technology works" (such as printed books), owners of works in digital forms should be included in the first sale doctrine. It has long been recognized that a consumer that buys a product also has a right to resell that product. Although digital works are easily reproduced, this is not a reason to not extend the first sale doctrine to owners of digital works. The principles of the first sale doctrine must apply equally to all products. The first sale doctrine should not be limited to certain works only because some works are easier to reproduce than others. Other methods must be developed to control reproduction rather than changing the fundamental principles of the first sale doctrine.

The reference to ". . . some works [being] easier to reproduce than others" is a monumental understatement. It is, perhaps, this lack of appreciation of the huge danger faced by content owners if digitized works are not adequately protected that leads to the proposition that digitized transmissions should be

subject to the first sale doctrine just as are tangible copies. The fact is that digitized works and particularly transmissions thereof are not merely a step or two away from tangible copies along some spectrum of change. They are different in kind in dramatic ways that make them subject to easy and inexpensive reproduction, distribution, and modification. It is that difference that was recognized by the international community and led to the enactment of the two WIPO Treaties and of DMCA in implementation thereof. It would be a betrayal of those achievements and a violation of this country's international obligations if it cloaked digital transmissions with the first sale doctrine, thereby weakening if not eliminating copyright protection for them. At bottom, moreover, "ease of reproduction" is not the issue here. The first sale doctrine should not be expanded to allow any reproduction at all.

Also groundless is the argument (Comment number 16) to the effect that the prohibitions on circumvention alter the intended effect of the first sale doctrine by allowing the copyright holder to insist that each subsequent "owner" obtain a new authorization. This argument seems to assume that there is something invidious or at least unusual in requiring separate payments for separate uses. Distributors of pay-per-view programming, operators of movie theaters, and trolley car conductors, among others, would be startled by that notion. What one can anticipate is that the market, driven by the respective interests of content owners and consumers, will produce a variety of pricing choices. More fundamentally, this Comment ignores the requirements of Section 109 that the first sale doctrine applies to "a particular copy . . . lawfully made under this title." [This limitation, its rationale and its significance were discussed in Time Warner's Comments.]

The argument (see, for example, Comment number 17) that the DMCA is being interpreted to create a "dangerous tying arrangement" between the right to vend copies and the right to authorize access is not only groundless but, very importantly, it ignores the critical necessity as described above for the technological protections and for not extending the first sale doctrine to digital transmissions. As to the groundlessness of the argument, there is no requirement that one right be "bought" in order to be able to "buy" the other. Using DVD as an example, a consumer can "buy" access and view the picture. To speak of a "right to vend copies", however, begs the fundamental question of whether one who receives a digital transmission may "vend copies" thereof. Clearly, "vending copies" would infringe the reproduction right and involve distribution of a large number of reproductions, all while leaving the "vendor of the copies" with the "original" – something neither contemplated by the first sale doctrine nor consistent with its goal but, rather, destructive of copyright protection.

Comment Number 18 encouragingly recognizes that the first sale doctrine distinguishes between ownership of a copyright and ownership of a copy and speaks of a “copy” as “the tangible material in which a work is fixed.” It also appears (see p. 6 particularly) that, at least to a large degree, the concerns of the libraries are to a significant degree focused on developments that they believe to create inconveniences or budgetary problems; none of these complaints justifies making the disruptive change suggested for the first sale doctrine. Moreover, some of the complaints appear to have little if anything to do with the first sale doctrine, for example, a complaint that many databases are available on only one computer in a library, so that only one user can dial in at any given time. This appears to be more a complaint about the inclusion of a number of works on one medium rather than anything having to do with first sale.

The Comments assert that licensing terms routinely affect uses that were traditionally lawful under the first sale doctrine. I am not aware of any such restrictions imposed by Time Warner but, be that as it may, we are once again faced with an assertion that is irrelevant to the issue in this inquiry. Contractual restrictions may be imposed whether or not the first sale doctrine is involved.

Comment Number 18 does at one point (p. 20) touch on the issue involved here. The paper expresses disagreement with the view that, because the first sale doctrine limits only the distribution right and not the reproduction right, it may not be applied to digital transmissions. According to the Comment, a proper application of Section 109 takes into account necessary activities incidental to application of the doctrine, such as reproduction. “Reproduction,” of course, has never been a “necessary activity incidental to application of the doctrine.” Quite the contrary. Both in its common law origin and its current statutory formulation, the first sale doctrine dealt and deals with only “a particular copy . . . lawfully made under this title.” **THE CENTRAL POINT THAT MUST BE RECOGNIZED IN THIS INQUIRY IS THAT IMPORTING A LIMITATION ON THE RIGHT OF REPRODUCTION AS A NEW AND ADDITIONAL ELEMENT OF THE FIRST SALE DOCTRINE WILL DESTROY COPYRIGHT PROTECTION FOR DIGITALLY TRANSMITTED WORKS.** The only authority the paper cites for its assertion is Section 117, “Confirming that an owner of a copy of a computer program does not infringe the reproduction right by copying that program as an essential step in use.” That statutory limitation intended to meet the particular needs of computer program owners provides no support for applying such a limitation to digitally transmitted works generally.

A number of the Comments express approval of the approach taken by proposed legislation (H. R. 3048) introduced in 1997, which would have amended the first sale doctrine to include digitally-acquired media. That proposal was not

accepted by the Congress apparently because it appreciated the grave dangers to copyright that it would engender. In Time Warner's view, until such time as one can feel comfortable that technology has been developed and widely deployed that can provide the security necessary to protect against the making of more than one "copy" and the retention of the original "copy" by the transmitter, it would be premature to give that approach serious consideration. In the current state of technology, extension of the first sale doctrine to digitally transmitted works would destroy copyright protection for such works and cause content owners to have serious second thoughts about making their works available on the Internet.

One of the Commenters, The Digital Media Association (No.21), raises an "additional issue," the suggestion that Section 110(7) should be amended to provide that (i) "online record sites are the equivalent of 'physical establishments' and that the transmission between the e-tailer and the consumer is equivalent to the 'immediate area where the sale is occurring' and (ii) the 'retailer exemption' should be extended to digital public performances of sound recordings in both physical and ecommerce record retail establishments."

The limitation of the "retailer exemption" in Section 110(7) to performances that are not transmitted "beyond the place where the establishment is located and [are] within the immediate area where the sale is occurring" was included for an obvious and good reason. Without such a limitation, the performance at a "vending establishment" would be widespread and constrained only by the technical limitations of the performing equipment. That is what would happen if this proposal were adopted. Online performances would be worldwide and be destructive of rather than, as the Comments suggest, helpful to sales of copyrighted music. Indeed, the proposal, if enacted, would result in doing for music retailing exactly what the Comments decry, "slowing the growth of ecommerce, diminishing consumer welfare and potentially stifling the online consumer market."

Time Warner respectfully asks for an opportunity to present its views with respect to Sections 109, 110(7), and 117 if there should be hearings and/or if further Comments should be called for by the Copyright Office or the National Telecommunications and Information Administration.

These Reply Comments are submitted by:

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**Walter Charles Becketl**





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Saturday, September 02, 2000  
03:49:16 PM

REPLY COMMENT

Dear Sirs,

Please allow this "reply comment" including the following **errata** with **addendum** to the respondent's original **COMMENT** of 8/2/000 listed below in the concern of the request for comments dated 6/5/000 on Title 1 of the Digital Millenium Copyright Act - comments for the **sections 109, 117, and General** comments either directly related; or as in the case of the respondent, indirectly related, but pertaining to **Title 17 USC Copyrights** per the "**specific questions**" section, **question #2** - "General", (a) "Are there any additional issues...?".

Original text will be in *italic*, and the errata and addendum texts will be in regular, **underlined** type. The existance of **bold** or otherwise has nothing to do with the errata or/and addendum information. Deleted text will be set off by asterisks at the begining and the end of the deletion (\* \*), any new text to be entered between the asterisks and likewise underlined

=====

**ERRATA COPY, WITH ADDENDUM**

=====

Walter Charles Becketl  
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**8/2/000**

COMMENT

Dears Sirs,

*Per the DMCA of 1998, and your request for comments dated 6/5/000 on title 1 of the Act, I would like to add the following:*

*It firstly seems dubious to me, that no definition(s) have ever been added for "author" in Title 17 USC Section 101. Possibly this doesn't SEEM to have anything to DO with any such "Digital Millenium" bologna, but in LIGHT of the fact that recent awareness has revealed that several of the so-called "authors" of these same "works" that you all keep ARGUING about, are in fact recipients of stolen lyrics either through eavsdropping, "careful observance", or unwelcomed transcription/tape recordings; it would seem to me MORE than appropriate at THIS time to at least come up with some sort of a tentative DEFINITION of the word - because as it stands now, the general vagueness of the Statute seems to be causing MOST people to believe that, "if I just hurry on UP over there to the Copyright Office, and get that copyright on these WORDS that I wrote down, then I don't HAVE to give any credit, ON the copyright form or otherwise, to the person(s) I stole the recital(s) FROM...he he he". Scenerio #4: Lets say your Stenographer pipes off with \*one of your\* dictations, runs on over to the copyright office, copyrights the*

dictation, and then says SHE is the sole author of the dictation - get the point? \*Any\* person who "overhears" another person's recitals, especially if he is another artist, and goes and copyrights those same transcriptions WITHOUT mentioning the name(s) of the persons whom he or she "borrowed" them from, is just as much a thief as that STENOGRAPHER is. And apparently, we've been having quite a BIT of this sort of theft going on lately; and I think that it is all DUE to the fact that there isn't any solid definition of the word "author" per se.

So please DO allow me the following proposal, and possibly also for a couple of OTHER words; 'cause, how can any of you go ON with this "copyright" business, when you guys haven't even "gotten off the ground" about WHO the AUTHOR is?

The following is per the "Specific Questions" section of the "Request for public comment", question #2 - "General"; (a) "Are there any additional issues...?"

***Proposed Title 17 USC Section 101 additions:***

***"AUTHOR"***, is he who either dictates for a recorder, or puts the words down himself into the "tangible medium". The RECORDER (secretary, scribe, stenographer, etc.) is NOT the author except where that person's individual contribution can be ascertained, AND with the permission of the author - and then at best is only a CO-AUTHOR as in the case of a professor and his understudy. One does NOT need to hold any title or office to qualify as being "author" per se; "author" is not a legal designation, but only a condition of fact. It is not a condition of poverty or wealth, of education or retardation, mental, physical, sexual, or spiritual fitness; and any such person alienating one such author for any of the aforesaid reasons, or any OTHER reason, is liable to the prosecution of which under Federal, State, or Local Laws either through civil litigation or/AND criminal prosecution.

***"TALKER"***, is a modern day lay term for an oracle, prophet, seer, sooth sayer, or the like. For the purposes of this section, said "talker" is also an author. When one takes dictation from one such "talker", he acts as nothing more than a scribe, secretary, or stenographer, unless additional co-authorship can be ascertained. Although he CAN be, for the purposes of this section (and for the most part), a "talker" is NOT a Tarot Card reader or/and any such person who normally would be associated as to delving into the COMMERCIALY SUPERNATURAL; although those who are "into" such things tend to freely violate a "talker's" privacy. Generally, "talkers" are REAL PEOPLE; but although the violation of their civil rights is CUSTOMARY, it is not legal under federal law to proceed against ANY person in or WITH a custom which violates his civil rights. Doesn't matter for how many CENTURIES they've been doing IT! In the United States it's, "don't mess with MY prophet, and I won't mess with YOUR seer". The penalties for such a violation are prosecuted in both the civil and criminal courts.

***"INVESTIGATION"***. The investigation for any serious violation of said Title 17 USC Copyright Law where the implications are extreme, - DESPITE the fact that maybe only one or two persons are victims - is to take place AUTOMATICALLY by the United States Attorney General's office. It would be sufficient for said investigation to initiate through the United States Copyright Office or/and any appropriate policing agency including, but NOT limited to State, Local, and/or Federal. The RIAA, ASCAP, SESAC and other similar groups would

ALSO be required to initiate an investigation of such, and demurrer and/or devulge any and all informations to the United States Attorney General concerning any such authorship, plagerism, or/and piracy violations. The era of robbing the poor man of his lyrics must STOP - be they poor Whites, Hispanics, Blacks, Orientals, American Indians or from any OTHER group; and initiating the ensuing lawsuit should NOT be up to individuals who cannot afford a qualified lawyer.

*"PLAGERISM", among other commonly known definitions, is the condition of THEFT whereby by a secretary, scribe, recorder, stenographer, or other similar transcriber ascribes to HIMSELF as sole authorship those words, ideas, compositions, or other works which dictating author has entrusted, through the law (common or otherwise), into the hands of the recorder for his safe keeping. Said plagerism of said dictation does NOT constitute any such "fair usage" for the plagerist and/or his assigns, and neither is said dictation within the "public domain". Prosecution for said plagerism would be either within the jurisdiction of the civil or/and criminal court.*

*If the foregoing "definitions" are elsewhere described, I appologize; but DO believe that it would be wise to include them within Section 101, due to the apparent confusion that has ensued.*

*Please reply to the foregoing and allow me to know what you think - I'm sure YOU wouldn't want YOUR words "eaten up" by one of these "Little Gremlins".*

*Sincerely,  
Walter C. Becktel  
a\_987654321@hotmail.com*

=====  
**END OF DOCUMENT**  
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**Reed Elsevier, Inc.**



VIA ELECTRONIC MAIL

September 5, 2000

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Dear Messrs. Joyner and Feder:

Reed Elsevier Inc. (REI) appreciates the opportunity to offer the following reply comment in response to the Federal Register Notice of 5 June 2000.<sup>1</sup>

## **I. Introduction and General Comments**

Section 104 of the Digital Millennium Copyright Act (DMCA) directs the Register of Copyright, in conjunction with the Assistant Secretary for Communications and Information of the Department of Commerce, to submit a report on two issues: (1) the effects of the amendments made by chapter 12 of the DMCA and the development of electronic commerce and associated technology on the operation of sections 109 and 117 of the Copyright Act, and (2) the relationship between existing and emerging technology on sections 109 and 117 of the Copyright Act. As a publishing and an e-commerce company, the operation of both of these provisions is critically important to our business. REI joins the comments of certain other organizations in saying that no amendment to either section is necessary.<sup>2</sup>

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<sup>1</sup> 65 Fed. Reg. 35673 (June 5, 2000).

<sup>2</sup> These commentators include the Software and Information Industry Association, the American Film Marketing Association, et. al., and Time Warner Inc. As the library associations mentioned (and mischaracterized) our business practices specifically, REI believes it necessary to present its views in further detail.

Reed Elsevier is a world-leading publisher and information provider whose goal is to become an indispensable partner to our customers for information-driven services and solutions in our three areas of focus: Legal, Scientific, and Business Information. Our products include LEXIS-NEXIS, *Variety, Broadcasting and Cable, The Lancet*, and many other print and electronic products in numerous fields of endeavor. REI's Science Direct is the largest web-based service of its kind, containing over 800,000 scientific research articles. In order to continue competing successfully in the marketplace, REI recognizes that it must successfully capitalize on the potential of the Internet.

This year, Reed Elsevier commenced the first phase of a massive strategic investment program. Over the next three years, REI will spend over one billion dollars on a major upgrade of our products and services, the majority of which will be invested in improving the use of Internet technology. E-commerce, and the transmission of copyrighted works over digital networks, forms the core of our business plan for the foreseeable future. Indeed, the advent of the Internet has delivered an ultimatum to many publishers: go online, or go out of business.

Before embarking on this kind of expenditure, REI reviewed the risks of online distribution on such a large scale. Certainly, the DMCA has helped to make computer networks safer—but by no means risk-free—places to distribute copyrighted works.<sup>3</sup> Online piracy of copyrighted works of all stripes still runs rampant. Central to the decision to risk the offering of so many products and services online, however, are what we believe are relatively settled interpretations of sections 109 and 117, ones that have generated reasonable commercial expectations for publishers and consumers alike. Nonetheless, members of the library community and certain other commercial interests argue that both of these sections (and others) require wholesale revision.<sup>4</sup>

In our view, these commentators offer a solution in search of a problem, for several reasons. First, no need for amendment to the law has surfaced. It seems elementary to us that those who would seek a revision to the Copyright Act ought to bear the burden of demonstrating the need for a change to existing law.<sup>5</sup>

The explosive growth in e-commerce and the sale of copyrighted works supports the view that the current versions of sections 109 and 117 have served and are serving the

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<sup>3</sup> The recent public hearings on the effect of section 1201(a)(1)(A), as well as the DeCSS litigation in New York, underscore this point. Nonetheless, as the Copyright Office itself has noted, Congress's work is not yet done, as the copyright law's protection extends only to "original" elements of a work, and leaves labor-intensive works open to wholesale acts of theft. Hearing on H.R. 354, The Collections of Information Antipiracy Act, before the House Subcomm. on Courts and Intellectual Property, March 18, 1999 (statement of Mary Beth Peters) *available online*, [www.house.gov/judiciary/106-pete.htm](http://www.house.gov/judiciary/106-pete.htm). Action still is needed on legislation to protect databases from misappropriation.

<sup>4</sup> See, e.g., Peter Jaszi, Comments of the Digital Future Coalition (Comment 9), at 1, 4.

<sup>5</sup> See S. Rep. No. 101-735, at 7 (1990) (discussing the Computer Software Rental Amendments of 1990 and stating: "Congress has, in the past, resisted proposals to alter the balance achieved in section 109, requiring those seeking amendment to make a compelling case for change."); Michael Remington and Robert Kastenmeier, *The Semiconductor Chip Protection Act of 1984: A Swamp or Firm Ground?*, 71 Minn. L. Rev. 421, 444 (1985) ("If it ain't broke, don't fix it," is a familiar statement in the halls of Congress.).



public admirably. The Commerce Department estimates that this year, over 304 million people will use the Internet, and that North America will account for less than half of that usage.<sup>6</sup> Confidence in e-commerce has increased among both the technical *cognoscenti* and the general public.<sup>7</sup> With respect to commerce in copyrighted works, one report estimates that the core copyright industries accounted for over 4.3% of gross domestic product in 1997, and preliminary estimates for 1998 indicate that foreign exports of copyrighted works contributed over \$71 billion to our balance of trade.<sup>8</sup> REI therefore views hyperbolic assertions such as "[w]ithout a digital first sale privilege, consumers will not buy in to electronic commerce"<sup>9</sup> as both remarkable and utterly unsustainable.

Second, many of the comments—in particular those of the library groups—brought forth arguments simply irrelevant to the task before the Copyright Office and the NTIA. Unlike the rulemaking process in section 1201(a)(1)(C) of the Digital Millennium Copyright Act, which allows the Librarian some discretion in determining adverse effects caused by the statute, the text of the study provision in section 104 of the DMCA directs the examination of two specific provisions and gives no comparable discretion. Moreover, as others have noted, Congress narrowed the scope of section 104 during the DMCA enactment process. The libraries' laundry list of complaints about pricing, use restrictions, site restrictions, the inability of staff to interpret contract terms, internet addresses, passwords, and archiving and preservation simply falls beyond the scope of the study.<sup>10</sup>

Other library comments, in addition to being irrelevant, can only be politely characterized as incomplete. The library associations assert that, in an unattributed quote:

Elsevier has granted electronic access to their journals, but tells us they will only provide access for a 9 month period, so we will lose access to those electronic issues that we once had. We cannot afford their Science Direct product at the moment, which would give us more comprehensive, stable access to their journals.<sup>11</sup>

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<sup>6</sup> Economics and Statistics Administration, U.S. Department of Commerce, Digital Economy 2000 (June 2000) (opening statement of William M. Daley, Secretary of Commerce), *available online*, [www.esa.doc.gov/de2k.htm](http://www.esa.doc.gov/de2k.htm) (visited August 26, 2000).

<sup>7</sup> *See id.*

<sup>8</sup> Hearing on the Costs of Internet Piracy for the Music and Software Industries, before the Subcomm. on Int'l Econ. Policy and Trade of the House Comm. on Int'l Relations, 106<sup>th</sup> Cong. (July 12, 2000) (statement of Q. Todd Dickinson, Director, United States Patent and Trademark Office), *available online*, <http://www.ogc.doc.gov/ogc/legreg/testimon/106s/dickinson0719.htm> (visited August 26, 2000).

<sup>9</sup> Comment of the Digital Media Association (DiMA) (Comment 22), at 13.

<sup>10</sup> See Comment of the American Library Association et al. (Comment 18), at 6-7 [hereinafter Library Comments]. The libraries are not alone in this, however. *See, e.g.*, Comment of the Digital Future Coalition (Comment 9), at 4 (urging revision of section 301); Comment of the Future of Music Coalition (Comment 24), at 1-2 (discussing the section 114 "webcasting" license); Comments of the Digital Media Association (Comment 21), at 21 (discussing extension of § 110(7) to online retailers).

<sup>11</sup> Library Comments, at 16. Other inaccuracies too numerous to mention appear in the library comments, including a characterization of what the Uniform Computer Information Transactions Act does and does not do.

Missing from this discussion is the fact that Reed Elsevier DOES NOT CHARGE for access to the electronic versions of the most recent nine months of these publications, if the library has purchased a subscription to the print version.<sup>12</sup> REI also permits libraries perpetual access to electronic versions of the journals acquired during the course of the print subscription, but the expense of so doing requires a charge for this service.<sup>13</sup> In short, the libraries' description of REI's business practices, and the "harm" flowing therefrom, is both inaccurate and misleading.

The balance of this reply discusses sections 109 and 117 separately, but follows the same basic format for each discussion. First, it will examine the status of existing law, and the historical impetus underlying each provision. In light of that purpose, it will then examine the main arguments advanced by those who seek the section's amendment. This reply concludes that an amendment to either section is both unnecessary and ill-advised.

## II. Section 109

### A. Background of the First Sale Doctrine

Section 109's predecessor in the Copyright Act of 1909 was intended to codify the result in *Bobbs-Merrill v. Strauss*.<sup>14</sup> In *Bobbs-Merrill*, the Supreme Court rejected the publisher's argument that the Copyright Law gave the copyright owner power to control the prices of subsequent sales of its books.<sup>15</sup> Because the function of the copyright statute centered around securing the right to *multiply* copies of a work, the Court flatly rejected the publisher's proffered construction as beyond the copyright law's intended purview.<sup>16</sup>

In 1909, Congress codified the result in *Bobbs-Merrill*, and although some debate occurred during the 1976 revision over the precise wording of the legislation, the principle embodied in the decision was not challenged.<sup>17</sup> Section 109 of the current law provides that "notwithstanding the provisions of section 106(3), the owner of a particular

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<sup>12</sup> The libraries are, of course, free to dispose of the printed versions as they wish pursuant to 17 U.S.C. § 109.

<sup>13</sup> Reed Elsevier has also undertaken extensive efforts to ensure that archival copies of these materials are kept. In addition, REI allows libraries to maintain their own archives of acquired material, and will deposit copies of REI publications into appropriate public repositories if our own facilities are dismantled. For more information on our business practices, see Comments of Reed Elsevier Inc. in the rulemaking on the Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies (March 31, 2000) [hereinafter REI 1201 Comment]. REI is working with libraries every day to develop and improve models of publisher and library co-operation.

<sup>14</sup> 210 U.S. 339 (1908).

<sup>15</sup> *Id.* at 351. The contract from which the dispute arose also contained this term, but a state court voided it as an unlawful restraint of trade. See *Arguments on Common Law Rights as Applied to Copyright, Before the Copyright Subcomm. of the House Comm. on Patents*, 62 Cong., 2d Sess. (1909), reprinted in E. Fulton Brylawski and Abe Goldman, 5 Legislative History of the 1909 Copyright Act, at 36.

<sup>16</sup> 210 U.S. at 350.

<sup>17</sup> See generally Stephen W. Feingold, Note, *Parallel Importing Under the Copyright Act of 1976*, 17 N.Y.U J. Int'l L. @ Pol. 113, 128-32 (1984) (describing the enactments of § 109 in detail).

copy or phonorecord lawfully made under this title ... is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."<sup>18</sup> The legislative history states that "Section 109(a) *restates and confirms* the principle that, where the copyright owner has transferred ownership of a particular copy, the person to whom the copy is transferred is entitled to dispose of it by sale, rental or any other means."<sup>19</sup>

As Nimmer on Copyright explains, "the policy favoring a copyright monopoly for an author gives way to the policy opposing restraints of trade and alienation."<sup>20</sup> The policy favoring restraints of trade, however, is not unlimited. The first sale of a particular copy does not exhaust the copyright owner's right to control performance, display, the production of derivative works, and reproduction. Moreover, when the exhaustion of the distribution right implicates a threat of substantial unauthorized reproduction, Congress has decided that the policy on free alienation gives way to the policies favoring the encouragement of creativity.<sup>21</sup> This precise policy goal motivated amendments to the Copyright Act prohibiting the unauthorized commercial lease or lending of copies of computer software and sound recordings.<sup>22</sup> In other words, once the reproduction right becomes significantly implicated, the policy against restraints on alienation yields to the goal of protecting against the evisceration of the copyright owner's exclusive rights.

## **B. Digital Transmissions Implicate Reproduction, Not Alienation**

Section 109 has little discernible application to most transactions in the digital world, as digital transmission of a copyrighted work requires the making of a copy on the receiving computer, and therefore involves a reproduction.<sup>23</sup> Some in the library and

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<sup>18</sup> 17 U.S.C. § 109(a) (emphasis added). In 1983 and 1990, Congress limited the first sale doctrine right with respect to sound recordings and computer programs. Record Rental Amendment of 1984, Pub. L. No. 98-450, 98 Stat. 1727 (Oct. 4 1984); Computer Software Rental Amendments Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089 (Dec. 1, 1990).

<sup>19</sup> H.R. Rep. No. 1476, at 79 (1976) (emphasis added).

<sup>20</sup> M. Nimmer and D. Nimmer, *Nimmer on Copyright* § 8.12[A].

<sup>21</sup> *Cf.* S. Rep. No. 98-162, at 5 (1983) ("Commercial record rentals, to the extent they displace sales, offend the precepts of the Constitution because they deny creators a fair return for the exploitation of their works.").

<sup>22</sup> *See, e.g.*, H.R. Rep. No. 101-735, at 9 (1990) ("Rental of software will, most likely, encourage *unauthorized copying*, deprive copyright owners of a return on investment, and thereby discourage creation of new products."). 17 U.S.C. § 109(b)(1)(A).

<sup>23</sup> The construction urged by the Video Software Dealers Association and the National Association of Recording Merchandisers in pages 13-16 of their comment flies in the face of the plain language of the statute and the overwhelming weight of existing authority. *See, e.g., MAI Sys. Corp. v. Peak Systems, Inc.*, 911 F.2d 511 (9<sup>th</sup> Cir. 1993) (finding that a copy in RAM is sufficiently fixed to be a reproduction for purposes of the Copyright Act); Report of the Working Group on Intellectual Property Rights, Intellectual Property and the National Information Infrastructure 90-95 (1995) ("NII Report") (detailing the application of section 109 to a digital transmission). House Judiciary Comm., Section by Section Analysis of H.R. 2281 as Passed by the House of Representatives on August 4, 1998 (Comm. Print) (Ser. No. 6), at 24 ("The first sale doctrine does not readily apply in the digital networked environment because the owner of a particular digital copy usually does not sell or dispose of the possession of that copy."). Moreover, reliance on the cases referenced by VSDA and NARM misses the point. For example, in *United States v. Sachs*, 801 F.2d 839 (6<sup>th</sup> Cir. 1986), and *United States v. Cohen*, 946 F.2d 430 (6<sup>th</sup> Cir. 1991), the court upheld the defendant's conviction for criminal copyright infringement based on the fact that they had repeatedly

academic community, as well as certain commercial interests, have argued in this and other fora that the first sale doctrine needs to be altered for the digital age. This argument reared its head when President Clinton formed the Information Infrastructure Task force in 1993, and was resoundingly rejected by that task force two years later:

Some argue that the first sale doctrine should also apply to transmissions, as long as the transmitter deletes from his or her computer the original copy from which the reproduction in the receiving computer is made. ... This zero sum gaming analysis misses the point. ... To apply the first sale doctrine in such a case would vitiate the reproduction right.<sup>24</sup>

Similarly, the 105<sup>th</sup> Congress took no action on the "simultaneous destruction" proposal contained in H.R. 3048, and the 106<sup>th</sup> has yet to introduce legislation continuing it.<sup>25</sup> The Task Force's statement remains as true today as it was five years ago, and any such amendment to section 109 would be equally unwise.

First, as discussed above, the existing state of the law serves both publishers and users admirably, and no need for any such amendment has been demonstrated. The enactment of the DMCA represented an important step towards making online networks safe places to distribute copyrighted works. To the extent that chapter 12's effects have been examined by third parties, the parade of horrors predicted by some members of the library and user communities remains pure, unsubstantiated and implausible speculation. Others in the academic community, for example, feared that the DMCA would have a severe effect on encryption research, and as a result Congress required the Copyright Office and the National Information Technology Administration to study the effects of section 1201(g). After the required comment period, the report found that:

Of the 13 comments received in response to the Copyright Office's and NTIA's solicitation, not one identified a current, discernable impact on encryption research and the development of encryption technology; the adequacy and effectiveness of technological protection for copyrighted

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violated the copyright owner's reproduction rights *with lawful copies that they had already acquired*. In short, the acquisition of a lawful copy under section 109 does not give the transferee the right to make additional reproductions, although fair use and other defenses will excuse certain acts.

<sup>24</sup> See NII Report, at 94.

<sup>25</sup> The text of that proposal states:

The authorization for use set forth in subsection (a) applies where the owner of a particular copy or phonorecord in a digital format lawfully made under this title, or any person authorized by such owner, performs, displays or distributes the work by means of transmission to a single recipient, if that person erases or destroys his or her copy or phonorecord at substantially the same time. The reproduction of the work, to the extent necessary for such performance, display, distribution, [sic] is not an infringement.

H.R. 3048, 105th Cong. (1997).

works; or protection of copyright owners against the unauthorized access to their encrypted copyrighted works, engendered by Section 1201(g).<sup>26</sup>

Similarly, the recent rulemaking on section 1201 did not reveal any adverse effects flowing or likely to flow from the section's application.<sup>27</sup> It seems incumbent on those seeking to amend section 109 to present more than undifferentiated fears and hyperbolic predictions.<sup>28</sup>

Second, the simultaneous destruction proposal advanced by the Digital Future Coalition renders the copyright owner's right to control reproduction a virtual nullity in practice. Even the willful pirate may escape liability by deleting the originating material from its hard drive, and claiming the benefit of the "simultaneous destruction defense" during litigation. Moreover, it would be impossible for the copyright owner to verify that the transmitting party had actually destroyed the original copy. The problems of proof posed by this language make its adoption ill-advised.

Third, although U.S. law has made significant strides in securing copyrights in digitally distributed works, many countries have not.<sup>29</sup> Further pursuit of a simultaneous destruction proposal may well have adverse international implications. As of 1 January 2000, all members of the World Trade Organization must have domestic laws that structurally comply with the Trade Related Agreement on Intellectual Property Rights (TRIPS). Specifically, article 13 requires each member country to confine its exceptions and limitations on the exercise of enumerated rights to certain special cases which do not conflict with the normal exploitation of the work and do not unreasonably prejudice the rights of the copyright owner. By substantially eviscerating the reproduction right, the "simultaneous destruction" proposal arguably violates both of these provisions. The United States' ability to foster respect for copyright law abroad will be vastly undercut by eviscerating the copyright owner's ability to control reproduction under domestic law.<sup>30</sup>

Fourth, the adoption of an absolute "digital first sale" in combination with a broad preemption of license terms, as envisioned by the Digital Future Coalition, the libraries,

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<sup>26</sup> United States Copyright Office and National Telecommunications and Information Administration, Joint Study of Section 1201(g) of the Copyright Act, part VI, *available online*, [http://www.loc.gov/copyright/reports/studies/dmca\\_report.html](http://www.loc.gov/copyright/reports/studies/dmca_report.html).

<sup>27</sup> Indeed, the record amassed by the Copyright Office in the 1201 hearings suggests that the increased protection will greatly benefit the market for copyrighted works. *E.g.*, 3 May 2000 Transcript of Anticircumvention Rulemaking, at 17 (noting that the compromise of the content scrambling system (CSS) prevented the launch of sound recordings in the DVD audio format). Similarly, to REI's knowledge, the enactment of the prohibition against falsification, alteration, or removal of copyright management information has had no effect on the first sale doctrine. *See* 17 U.S.C. § 1202 (prohibiting alteration, falsification, or removal of CMI with the *intent* to infringe or aid or facilitate infringement).

<sup>28</sup> Indeed, it seems incumbent on these groups to explain why existing defenses to infringement, such as fair use, do not apply to these transmissions. REI has no opinion in this respect.

<sup>29</sup> *See* Dickinson statement, *supra*. More detailed information on the failure of certain countries such as Brazil, Uruguay, and the Russian Federation to meet international standards can be found at [http://www.iipa.com/2000\\_AUGUST\\_GSP\\_PRESS.PDF](http://www.iipa.com/2000_AUGUST_GSP_PRESS.PDF).

<sup>30</sup> *See generally* Dickinson Statement, *supra* (describing the efforts of the PTO to garner international respect for copyright law).

and others undermines the ability of copyright owners to lawfully account for the differing situations of their licenses. Loss of the ability to prevent unauthorized reproduction would cause pricing structures to flatten, hurting most those institutions that rely on inexpensive access to copyrighted works. For example, many libraries and universities acquire inexpensive access to LEXIS NEXIS and Reed Elsevier's Academic Universe at a flat rate or, in the alternative, at cost subject to certain restrictions.<sup>31</sup> REI can offer this service because its contracts ensure that public institutions do not become de facto competitors in the for profit market. If, as the Digital Future Coalition and the libraries seem to envision, this new "digital first sale" would preempt a license term preventing this from occurring, then the small nonprofit library would pay the same price for access to REI's service as a Fortune 50 corporation. REI urges that the NTIA and the Copyright Office consider the benefits of lawful price discrimination<sup>32</sup> when evaluating whatever proposals this process may yield.

Finally, we note that some groups have heralded the emergence of so-called "move" technologies,<sup>33</sup> which permit deletion of a copyrighted work simultaneously with its transmission, as the basis justifying adoption of a "simultaneous destruction" statutory amendment. This is analogous to arguing that the potential of anti-lock brakes to make vehicles stop faster justifies abolition of the speed limit. Unauthorized reproduction of all kinds of copyrighted works still runs rampant on the Internet, and it is an open question whether section 1201(a) would prevent circumvention of such technologies in the United States.<sup>34</sup> Though intriguing, these technologies are still in a period of relative infancy; are not in widespread use by copyright owners or users in the U.S., much less abroad; and an open standard for such technologies has yet to surface. Rather than drastically amend section 109 in a manner that requires the copyright owner to rely on a legally untested technologically nascent protection, REI urges the Copyright Office and NTIA to recommend that the market decide whether and how such technologies will be used.

### **III. Section 117**

#### **A. Background**

Section 117 emerged from the Report of the National Commission on New Technological Uses of Copyrighted Works (CONTU). After examining the purposes of copyright and finding its application to both the source and object code of computer programs consistent with the act's purposes, it recommended that Congress amend the then-existing copyright law on three fronts. First, it recommended that the Act be amended to include a definition of computer program.<sup>35</sup> Second, it recommended that the

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<sup>31</sup> See, e.g., REI 1201 comment, *supra* (describing the terms and conditions of access to Academic Universe).

<sup>32</sup> Cf. *USM Corp. v. SBS Technologies*, 816 F.2d 1191 (7<sup>th</sup> Cir. 1987).

<sup>33</sup> See, e.g., Comment of the Home Recording Rights Coalition (Comment 22), at 5; Comment of the Digital Media Association (Comment 21), at 10.

<sup>34</sup> REI has no opinion as to whether these technologies fall subject to § 1201(a) or 1201(b).

<sup>35</sup> Final Report of the National Commission of New Technological Uses of Copyrighted Works 13 (1978) [hereinafter CONTU Report].

possessor of a copy have the right to make an additional copy as an essential step in the utilization of the program in conjunction with a machine and in no other manner.<sup>36</sup>

Third, in order to "guard against destruction or damage by mechanical or electrical failure,"<sup>37</sup> it recommended that the possessor have the right to make a backup copy, and destroy it when possession of the original ceases to be rightful.<sup>38</sup> Congress adopted section 117 almost verbatim from the CONTU report; the sole change involved striking the phrase "rightful possessor" and requiring the privilege to be used by an "owner."<sup>39</sup> At the time section 117 became law, this exception was of much greater importance. Most computers of the day ran on 5 1/4" floppy disks, which are extremely fragile and degrade quickly. If those disks became damaged, the computer would cease to function. Modern digital media lasts much longer, with minimum risk of degradation if properly stored.

### **B. Section 117 Applies to Computer Programs Only**

Much misunderstanding about section 117 seems to exist, in particular with respect to the right to make a backup copy. First, the exemption extends only to the owners of copies of computer programs. It does not apply to every kind of work fixed in digital media. REI is aware of no "trend" (much less a case) supporting this proposition, the statements of the Digital Media Association notwithstanding. The Digital Media Association cites *DSC Communications v. Pulse Communications, Inc.*, 976 F. Supp. 359 (E.D. Va. 1997), for the assertion that the trend is to read section 117 broadly.<sup>40</sup> In that case, the District court dismissed several claims of infringement against the defendant based on the unauthorized reproduction of software. What the Digital Media Association neglects to point out, however, is that *the District Court was reversed on every claim relating to copyright infringement, including its construction of 117. See DSC Communications v. Pulse Communications, Inc.*, 170 F.3d 1354,1362, 1364 (5<sup>th</sup> Cir. 1999).<sup>41</sup>

In light of the lack of any support for this proposition in current law, REI opposes the blanket extension of section 117 beyond computer programs to temporary copies of any work. First, such a provision is unnecessary if the reproduction of the work is authorized, the infringement is de minimis, or the infringement may be excused as fair use as in the case of a lawfully made CD, DVD, or digital download of copyrighted

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<sup>36</sup> *Id.* at 12.

<sup>37</sup> *Id.* at 13.

<sup>38</sup> *See id.* at 12.

<sup>39</sup> *Compare id.* at 12 with 17 U.S.C. § 117(a).

<sup>40</sup> Comment of the Digital Media Association (Comment 21), at 15 n.18.

<sup>41</sup> The confusion does not stop there, however. The Computer and Communications Industry Association believes that 117 can require software to be maintained by the copyright owner's service organization. Comment of the Computer and Communications Industry Association (Comment 19), at 2. As amended in 1998, the text of 117 provides exactly the opposite. *See* 17 U.S.C. 117(b). Moreover, attempts to improperly extend the copyright monopoly beyond the scope of the rights in § 106 fall subject to claims of misuse. *See, e.g., Lasercomb, supra. See, e.g., Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4<sup>th</sup> Cir. 1990). Of course the circumstances under which a misuse claim may arise have nothing whatsoever to do with section 117, and are beyond the scope of the study.

material. As the library associations, Digital Media Association, the Home Recording Rights Coalition, and the Digital Future Coalition support the addition of this amendment, REI believes that they should compellingly demonstrate to the Copyright Office and the NTIA why (1) existing defenses, including fair use, would not apply in these contexts; and (2) that leaving § 117 in its current form would seriously inhibit important uses of these works.<sup>42</sup>

Second, many (though certainly not all) of the works published by Reed Elsevier are factual compilations, containing only thin copyright protection. Copyright does not protect the massive investment required to create these works in the labor required to ensure their thoroughness, accuracy, currency and ease of use; and this leaves these works vulnerable to acts of piracy. Any blanket exemption of temporary copying would enable a would-be "competitor" to strip valuable material out of the underlying database, and offer a competing product at a fraction of the cost of the original. This is particularly so in the Internet environment, which lends itself to costless and immediate manipulation.. One district court has already (REI believes erroneously) found this kind of activity non-infringing under existing law.<sup>43</sup> Statutorily exempting this kind of copying renders an anorexic copyright nonexistent.

## V. Conclusion

The long series of events leading up to the DMCA's enactment relied on certain settled interpretations of existing law. REI, along with many of the other groups that have submitted comments on this provision and in the 1201(a)(1) rulemaking, believes that the statute and the compromises reflected in its provisions should be given a chance to work as intended—in conjunction with existing rights, remedies, and defenses. Changes in technology will pose new challenges to the Copyright Act, and create new markets for copyrighted works; indeed, technological change drove the enactment of the DMCA. Many of the policy arguments of the user community relating to the amendment of sections 109 and 117 were made during the course of the DMCA's consideration by Congress. In the wake of a statutory revision involving the balance of many competing policies, the wiser course of action is to allow the market's evolution through private adjustment and judicial interpretation. REI believes—and the balance of experience suggests—that e-commerce will continue to flourish as a result, producing a variety of products and business models to the benefit of the public.

What does harm e-commerce, however, is epidemic and unchecked piracy of copyrighted works. The groups that submitted comments may not like existing law, but they do respect it. There is, however a class of users that believes copyrighted works become "free" by mere virtue of their placement in digital media. REI urges that NTIA and the Copyright Office should use the opportunity presented by this study to "contribute to a climate of appropriate respect for intellectual property rights in an age in

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<sup>42</sup> The Home Recording Rights Coalition states that is fair use. *See* Comment of the Home Recording Rights Coalition, at 6. REI has no opinion on whether such acts are lawful.

<sup>43</sup> *Ticketmaster v. Tickets.com*, (CV 99-7654 HLH (BQRx)) (C.D. Cal.) (August 10, 2000) (unpublished opinion), *available online*, [www.gigalaw.com](http://www.gigalaw.com).



which the excitement of ready access to untold quantities of information has blurred in some minds the fact that taking what is not yours and not freely offered to you is stealing."<sup>44</sup>

Should the Copyright Office and NTIA deem it necessary to hold hearings on this matter, Reed Elsevier would welcome the opportunity to present its views.

Respectfully submitted,

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<sup>44</sup> *Universal Studios, Inc. v. Remeirdes*, 2000 U.S. Dist. LEXIS 11696, at \*144 (S.D.N.Y. 2000).



**American Film Marketing Association,  
Association of American Publishers,  
Business Software Alliance,  
Interactive Digital Software Association,  
Motion Picture Association of America,  
National Music Publishers' Association, and  
Recording Industry Association of America**



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RE: Joint Reply Comments of Copyright Industry Organizations  
Report to Congress Pursuant to Section 104 of the Digital  
Millennium Copyright Act  
65 Fed. Reg. 35673 (June 5, 2000)

Dear Messrs. Feder and Joyner:

The undersigned copyright industry organizations appreciate this opportunity to submit joint reply comments in this proceeding.

I. Section 109

While many of the initial submissions, such as those of the Software and Information Industry Association (SIIA) (#12) and Time Warner Inc. (#29), support the position taken by our initial comments that section 109 should not be changed, others take a contrary view. The numerical majority of submissions concentrate their fire on the anti-circumvention and copyright management provisions contained in chapter 12 of Title 17, as added by the Digital Millennium Copyright Act (DMCA), and make only passing reference -- or none at all -- to section 109. Since this is a study, not a rulemaking proceeding, it would not be fully accurate to say that these submissions fall outside the scope of this task at hand; but we do think they say little that has not already been said, sometimes by the same commenters, in the pending rulemaking proceeding under 17 USC section 1201(a). Consequently there is no need to respond to the same arguments again in this reply round.

The other comments addressed to section 109 fall into three main categories. First, some submitters, notably the Digital Future Coalition (DFC) (#9), Home Recording Rights Coalition (HRRC) (#22), and (seemingly) the Digital Media Association (DiMA) (#21), urge the Copyright Office and the NTIA to recommend to Congress that it adopt the amendments to section 109 that it repeatedly rejected just two years ago. Second, the submission of the National Association of Recording Merchandisers (NARM) and the Video Software Dealers Association (VSDA)(#27) stresses the extent to which the first sale doctrine already applies to certain kinds of digital distribution of copyrighted materials, and focuses on licensing controls and technological measures that affect the transferability of copies or phonorecords. Finally, the comments of the American Library Association et al (Library Associations) (#18) offer a number of general recommendations about “a first sale doctrine for the ‘digital millennium’.”

Before responding specifically to these comments, it is worth reviewing some of the key characteristics of the first sale doctrine. The Time Warner comments provide the pithiest summary: “it is a doctrine that distinguishes possessory personal property rights from copyrights.” Time Warner at 1. Both under judicial precedent, and as codified in section 109, the first sale doctrine provides an exception to only one of the exclusive rights of copyright owners: the distribution right. It allows the distribution, without the authorization of the copyright owner, of a lawfully made copy or phonorecord that the distributor owns. It does nothing else other than to legitimize this act of distribution of a physical copy, which would otherwise infringe on the copyright owner’s exclusive distribution right. In particular, it does not alter the axiomatic principle codified in section 202 of the Copyright Act: “Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object ... does not in itself convey any rights in the copyrighted work embodied in the object...”. 17 USC 202.

The proposals to amend section 109 that are discussed below do not merely “update” or “reaffirm” the first sale doctrine. Nor do they simply “extend” that doctrine to a new technological environment. The first sale doctrine continues to apply whenever the circumstances in which it operates are present: someone who owns a physical object, lawfully made, in which a copyrighted work is embodied, wishes to “sell or otherwise dispose of the possession of” that object. The proposals discussed below apply in wholly different circumstances, and would do something quite distinct from and more drastic than what the first sale doctrine does. They consist of completely new limitations upon the exclusive rights of copyright owners other than the distribution right (the only right which the first sale doctrine limits). In particular, they undermine the exclusive reproduction right, the fundamental cornerstone of the edifice of copyright protection. We urge the Copyright Office and the NTIA to review these proposals in this light, rather than as mere “updates” or “extensions” of first sale. They are no such thing.

#### A. Revival of the Boucher Amendment to Section 109

For several years, dating back at least to the time of the Clinton Administration Green Paper of 1994, some have argued that the first sale doctrine should be used as a launching pad for additional limitations on exclusive rights in the digital environment. The owner of a digital copy, they assert, should have the privilege of making another digital copy, and of transferring that copy, without the permission of the copyright owner, so long as the first digital copy is simultaneously destroyed (the so-called “forward-and-delete” scenario). As we pointed out in our initial comments, this proposal (which was embodied in amendments to section 109 proposed in 1997-98 by Representative Boucher, among others, and in a provision of H.R. 3048 in the 105<sup>th</sup> Congress) has been consistently rejected, both in the White Paper and by Congress.

The DFC, HRRC, and DiMA submissions try to breathe new life into this moribund argument by pointing to the rapid progress in digital rights management (DRM) technology. A fundamental objection to the proposal to extend the mantle of the first sale exception to cover “forward and delete” transactions has been its inherent unenforceability. Determining whether, in each instance, the original has been “erase[d] or destroy[ed] ... at substantially the same time” as the transmission of a copy is a daunting task. According to these submissions, technology has ridden to the rescue. As HRRC puts it, “whatever the situation in 1998, the technology to secure the first sale privilege exists today.” (HRRC, at 5.) DRM systems allow copyright owners to use “encryption, authentication and password protection” to ensure that the original (from which the transferred copy is made) is deleted or at least made inaccessible, “such as by permanently transferring with the content the only copy of the decryption key.” *Id.* NARM/VSDA seems to have similar technology in mind when it argues that first sale “should be expanded to apply to ... ‘move technology’ [or] a ‘check-in/check-out’ process.” NARM/VSDA at 38-39.

While superficially attractive, this argument does not bear close scrutiny as a justification for a broad expansion of section 109 at this time. At least five significant problems come to mind.

First, while it is no doubt true that DRM technology has become both more widespread and more reliable than it was in 1998, it is not yet so ubiquitous and so secure that it can provide the foundation for the substantial diminution of the reproduction right which the H.R. 3048 language represents. Whether this technology ever achieves that status is a decision that will turn on future developments in the marketplace. Today, for example, there are many potential e-commerce applications for the mass market in which the use of robust DRM technology is economically infeasible: it is simply still too expensive. Unless and until that changes, business models based on a “forward and delete” system are not likely to flourish, much less to become so widespread as to justify a fundamental change in copyright law.

Second, while proponents of the H.R. 3048 language now point to DRM technology to justify it, they argue that the first sale exception should be

dramatically expanded even in situations in which such technologies are not in use. Even DiMA, the most articulate and nuanced advocate of the view that DRM technology provides the silver bullet for expanding section 109, refuses in the end to pull the trigger of linking the expanded exception to the use of such technologies: “Any extension of the first sale doctrine cannot apply only to content protected using DRM tools.” DiMA, at 12 (emphasis added). Where these tools are not in place, apparently, DiMA would fall back on the discredited “honor system” for determining whether the original of a forwarded digital copy was, in fact, simultaneously deleted. This approach is no more practical – and from the viewpoint of protecting the legitimate markets for copyrighted materials, no more palatable – today than it was two years ago or five years ago, when it was rejected by Congress and by the Administration in the White Paper, respectively.

Third, even if an expanded section 109 exception were to apply only to copies or phonorecords to which DRM tools had been applied, it is virtually certain that some users would seek to disable those tools in order to carry out broader unauthorized distribution than the “forward and delete” model contemplates. Advocates of reviving the H.R. 3048 approach seem to disagree about how to handle this problem.

As the capsule description of DRM technologies in the HRRC filing suggests, and as the more detailed treatment of them in the DiMA filing makes explicit, the technologies upon which these submitters rely to justify a drastic expansion of the section 109 exception “may constitute access controls subject to the provisions of section 1201(a).” DiMA at 8. It is more than a bit ironic, then, that some of the most vociferous advocates of reviving the H.R. 3048 amendment to section 109 argue, at the same time but in a different proceeding, that the authorized possessors of digital copies or phonorecords ought to remain free to circumvent precisely these same technologies without any legal consequences. See, e.g. Oral Testimony on behalf of DFC by Professor Jaszi in Rulemaking on Exemptions from Prohibition on Circumvention of Technological Measures that Control Access to Copyrighted Works, Copyright Office Docket No. RM 99-7, May 2, 2000 (it should remain legal to circumvent access controls applied to “works embodied in copies which have been lawfully acquired by users who subsequently seek to make non-infringing uses thereof.”) While the immunity from liability they have advocated in the section 1201(a) rulemaking proceeding would apply only if the uses made of the work after circumvention of DRM technologies is “lawful” or “non-infringing,” this provides little comfort. The ongoing Napster litigation amply demonstrates the apparently widely held (but, we believe, clearly mistaken) view that massive unauthorized distribution of copyrighted material is just such a “lawful” or “non-infringing” use. Indeed, DFC’s own counsel has been quoted in the press as saying “I think it is an open question as to whether one person sending a music file to another person in a noncommercial situation is fair use.” Rodger, “Music-copying laws often shield consumers,” <http://www.usatoday.com/life/cyber/tech/cti351.htm> (posted at USAtoday.com site 8/10/00). Of course, if the correct answer to that question



were “yes” (and we do not believe it is), then under the DFC approach the DRM tools cannot be relied upon to ensure the integrity of the “forward-and-delete” scenario, since, in their view, it should be perfectly legal to circumvent them.

Advocates of the H.R. 3048 language are fundamentally in conflict with each other in their approach to access control measures (such as DRM tools) that are operative after a user has obtained authorized possession of a copy or phonorecord. DiMA recognizes that “DRM tools will fuel new business models (such as subscription or on-demand listening, ‘try before you buy,’ rental or downloading of promotional recordings that will ‘time-out’ after a specified period) in which first sale privileges should not apply,” and characterizes these models as “pro-content-owner/pro-consumer opportunities.” DiMA at 9. DFC, by contrast, is concerned that exactly the same access control measures “have the potential to erase any remaining vestiges of ‘first sale’ in current law.” DFC, at 2. Additionally, other submitters argue that the protections provided by section 1201 should be completely unavailable for “arbitrary” technological measures that “impair” the ability of owners of lawfully made copies or phonorecords to distribute them as section 109 contemplates. NARM/VSDA at 37-38. Until there is consensus on the legal consequences for circumventing DRM tools (or for trafficking in the means to do so), it is difficult to consider seriously an expansion of the section 109 exception that relies upon the integrity and strength of those tools.

Fourth, the scope of the exception proposed in H.R. 3048 and revived in these comments is actually much broader than the “forward-and delete” model implies. As noted above, the first sale doctrine as we have come to know it over the past century is an exception only to the exclusive right to distribute a copy or phonorecord; it does not provide any exception to the exclusive rights of reproduction, public performance, or public display. Even if it were justified to immunize, under some circumstances, unauthorized reproduction to the extent necessary for a distribution of a copy or phonorecord, that justification would not extend to the rights of public performance or display, which have never been limited by the first sale doctrine. Yet the H.R. 3048 language would deny the copyright owner any control over the reproduction needed to carry out an unauthorized performance or display, even though these activities (unlike an unauthorized distribution) could not plausibly be characterized as ever coming within the first sale doctrine. We must assume as well that the advocates of this approach believe (although the language they support does not explicitly say so) that the public performance or display which is enabled by the (immunized) reproduction should also be free from the control of the copyright owner. Thus, the H.R. 3048 language threatens to undermine not just one, but four, of the five exclusive rights that copyright owners have historically enjoyed.

Finally, perhaps the most cogent argument against reviving the H.R. 3048 expansion of section 109 is DiMA’s candid admission that “the absence of the first sale privilege has not had a chance to affect consumers [and] has not been

felt in the marketplace.” DiMA at 13. DiMA’s prediction that “consumers will become dissatisfied with ecommerce if they cannot trade or sell via transmission the works they acquire digitally,” *id.*, is simply that – a prediction. It ignores the flexibility that licensing arrangements can provide to allow such trading or selling under certain circumstances without tampering with the statutory first sale doctrine. And it certainly does not yet provide a sufficient basis for dramatically altering long-established copyright principles, using the first sale doctrine as a launching pad, as the proposed amendment to section 109 would do.

The copyright industry organizations joining in this submission agree that technological developments, including DRM tools, will significantly affect the environment within which the first sale doctrine – as well as the rest of the Copyright Act – is operative. These tools are at a relatively early stage of development today. We cannot rule out the possibility that the further development of these technologies will, at some point in the future, justify changes to section 109 that can advance the mutually supportive goals of providing adequate incentives for creativity and innovation, and promoting electronic commerce and other digital dissemination of works of authorship. But clearly such changes are not justified at this time.

2. Application of current section 109 to licensing and technological controls

The NARM/VSDA submission stresses a valid point that is sometimes overlooked or misunderstood: the first sale doctrine, as codified in section 109, continues to play an important role, including in the distribution of copyrighted materials in digital formats. We agree with NARM/VSDA, for example, that “the owner of a lawfully made copy or phonorecord is the owner regardless of whether the copy was purchased or, after the purchase of a blank medium, lawfully ‘made’ by exercising a license to make a copy,” NARM/VSDA at 12. The owner of such a copy or phonorecord, which could include someone who makes it via an authorized digital download to his home or to a retail location, remains free (by virtue of the first sale doctrine) “to sell it to the highest bidder, loan it, trade it, or give it away, and the copyright owner is not authorized – under the Copyright Act – to prevent it,” *id.* at 14, although contractual or other non-copyright restrictions may apply.

These statements, which we read as applying only to the transfer of the physical copy that was lawfully made in the first place, and in the absence of licensing or technological restrictions to the contrary, offer a healthy corrective to those who assert that digital technology has reduced the first sale doctrine to mere “vestiges” of its former self. See DFC at 2. See also Time Warner at 1 (“Thus properly understood, the first sale doctrine applies not only to traditional media in which works are fixed, but also to tangible digital media.”) We part company with NARM and VSDA, however, when they argue that the transferees of copies or phonorecords in digital formats should be free to ignore contractual or licensing

restrictions on further redistribution of these materials, or that technological measures employed by copyright owners should be stripped of all legal protections if they have an impact on such redistribution.

The voluminous NARM/VSDA submission offers no cogent reason why a contract or license should not be enforced simply because it restricts the redistribution right that the transferee would otherwise enjoy under section 109. Indeed, to the extent that the terms of a transfer include redistribution restrictions, it may well be that the transfer does not constitute a sale, the transferee is not the owner of the copy in question, and the first sale doctrine is completely inapplicable. See, e.g., Adobe Systems Inc. v. One Stop Micro Inc., 84 F. Supp. 2d 1086 (N.D. Cal. 2000). NARM and VSDA apparently believe that business models that include redistribution restrictions are unconstitutional. See NARM/VSDA at 26-28. However, their analysis, which inflates the right of further distribution in accordance with section 109 to the exalted status of a First Amendment absolute, cannot withstand serious scrutiny. (With their attempt to equate this widespread business model with racial or religious restrictive covenants, these submitters step from the implausible to the offensive. See *id.* at 27 n.12.). It is hard to understand how the interests of consumers could possibly be served by shutting down particular e-commerce business models because of the particular status and perquisites they offer to the recipients of digital copyrighted products.

Our disagreement with the NARM/VSDA recommendations concerning technological protection measures stems from what we referred to in our initial comments as the crucial distinction between (1) the physical possession and ownership of a tangible object embodying a copy of a copyrighted work, and (2) the authorization to access or make specified uses of that work. The first sale doctrine addresses the former, not the latter; but generally it is only the latter which is the subject matter of technological measures protected by section 1201(a). The NARM/VSDA submission does not ignore this distinction; instead, it attacks and seeks to obliterate it. See *id.* at 35-36. Its unrelieved hostility to allowing the copyright owner to set “any limit on how many times or for how many days a song may be listened to or a movie watched, or to limit the number of people to whom it may be lent or to whom it may be given,” *id.* at 28, extends to the use of technological measures to implement such limits. Yet, as the copyright industry organizations have argued in other contexts (see, e.g., *Joint Reply Comments of AFMA et al in Rulemaking on Exemptions from Prohibition on Circumvention of Technological Measures that Control Access to Copyrighted Works*, Copyright Office Docket No. RM 99-7, March 31, 2000, at 22), and as other submitters in this proceeding acknowledge, such measures “fuel new business models,” DiMA at 9, and promote increased dissemination of copyrighted materials. Thus, NARM/VSDA’s proposal -- to exclude from protection under section 1201 all access control technologies that “impair the rights of the owner of a copy or phonorecord lawfully made under this title as set forth in section 109”, NARM/VSDA at 38 – would be both misdirected (virtually no such technologies impair those rights as they are properly understood) and counter-productive to the healthy development of electronic commerce.

### 3. The first sale doctrine for the digital millennium

The list of recommendations which conclude the submission by the library associations raise a number of interesting points, but their relationship with section 109 is not always clear. For example, the asserted problems with interlibrary loan (ILL) of materials in digital formats, Library Associations at 11-13, appear to be licensing issues, as are the concerns about receipt of donations (see *id.* at 18-19) and limitations on the number or location of authorized users (*id.* at 17-18). If in each of these instances the library (or in the case of donations, the would-be donor) is a licensee of the copy in question, not an “owner,” then section 109 by its terms does not apply. Furthermore, to return to the ILL comments, it is not clear whether what the libraries are seeking is the ability to loan a tangible copy (e.g., an optical disk) in which the copyrighted material is embodied, or whether they seek to make digital transmissions of material to other libraries. Only the first scenario implicates the first sale doctrine as it currently exists; the second involves the making of a copy in the course of transmission, evidently without any simultaneous erasure of the original, and thus would not be accommodated even by the expanded section 109 advocated in H.R. 3048. Similarly, concerns about archiving and preservation, see *id.* at 14-17, while undoubtedly important, do not appear to raise issues under the first sale doctrine. The pre-emption issue raised by the Library Associations, see *id.* at 23, will be discussed below.

In summary, our review of these comments does not change our view that section 109 of the Copyright Act should not be amended. To do so would neither facilitate the growth of electronic commerce, nor promote the development of new technologies for creating, disseminating and using copyrighted materials.

## II. Section 117

### A. Incidental copying

As with section 109, a number of submitters (including CCIA, HRRC and DFC) took a “back to the future” approach to section 117, calling for enactment of an amendment proposed during the 105th Congress but not accepted as part of the DMCA. (Another submitter (DiMA) advocates a similar amendment but with somewhat different phrasing [“to exempt the loading of all types of digital content into memory, as an essential step in accessing the content”]. DiMA at 19.) The “incidental copying” amendment advocated by these submitters is not justified by technological developments and would not promote the healthy growth of electronic commerce. Instead, it would dramatically expand the scope of section 117 and drastically cut back on the exclusive reproduction right in all works.

Most of these submissions proceed from the premise that existing section 117 has been “in essence ... repealed,” CCIA at 2, by decisions such as MAI Systems Corp. v.

Peak Computer, Inc., 991 F.2d 511 (9th Cir. 1993), *cert. dismissed*, 510 U.S. 1033 (1994). See DFC at 3 (Congress needs to “restore the vitality” of section 117 after MAI). In our view, this premise is false. The MAI decision stands for two propositions relevant to section 117, both of which buttress, rather than weaken or “repeal,” that statutory provision and the objectives for which it was enacted.

The central holding of MAI is its reaffirmation that copies of computer programs made in the memory of a computer – in that case, temporary copies made in Random Access Memory (RAM) -- are reproductions that fall within the scope of the exclusive reproduction right of the Copyright Act. MAI, 991 F.2d at 518-19. This holding is consistent with the White Paper’s statement, made in 1995, that “it has long been clear under U.S. law that the placement of copyrighted material into a computer’s memory is a reproduction of that material.” White Paper, at 64. It also echoes the conclusion of CONTU in 1978: “the introduction of a work into a computer memory would, consistent with the [current] law, be a reproduction of the work, one of the exclusive rights of the copyright proprietor.” CONTU Final Report, at 40. (As we noted in our initial comments, CONTU’s report formed the basis for section 117.) The same holding has since been reaffirmed in a number of other federal court decisions. See, e.g., Triad Sys. Corp. v. Southeastern Express Co., 64 F.3d 1330 (9th Cir. 1995), *cert.denied*, 116 S. Ct 1015 (1996); Stenograph L.L.C. v. Bossard Associates, Inc., 144 F.3d 96 (D.C. Cir. 1998).

Thus, there is no merit to the suggestion that this aspect of the MAI decision “is on questionable footing,” CCIA at 2, or that it “suggest[s] that the use of computer programs by purchasers may now be legally constrained in ways that the Congress did not anticipate in 1980,” DFC at 3, when section 117 was enacted. The opposite is true: if, *contra* the holding in MAI, such copying of a computer program into memory were not a reproduction falling within the scope of the reproduction right, enactment of what is now section 117(a)(1) would hardly have been necessary.

A second holding in MAI simply restricted the benefit of the section 117 exceptions to the sole party designated by Congress to enjoy it: “the owner of a copy of a computer program,” as distinguished from a licensee. MAI, 991 F.2d at 519 n. 5. This holding, too, buttressed section 117 as Congress passed it.

Two years ago, the proponents of H.R. 3048 called upon Congress to overturn these holdings of MAI v. Peak by adopting the “incidental copying” exception which HRRC and DFC now seek to revive. Congress not only spurned this suggestion; it drew the opposite conclusion, and passed legislation endorsing and reaffirming the principles consistently espoused by CONTU, by the White Paper, and by the courts in MAI and its progeny.

Title III of the DMCA added a new section 117[c] that spells out the specific and limited circumstances under which the reproduction of a computer program in memory for the purpose of computer maintenance or repair is not an

infringement of the reproduction right. As explained by the House Judiciary Committee (in which this provision originated), this amendment had “the narrow and specific intent of relieving independent service providers ... from liability under the Copyright Act when, solely by virtue of activating the machine in which a computer program resides, they inadvertently cause an unauthorized copy of that program to be made.” H. Rpt. 105-551 (Pt. I), at 27. In so doing, Congress clearly endorsed both the holdings of MAI summarized above, since otherwise there would have been no need to relieve independent service operators of liability for making unauthorized reproductions of computer programs of which they were not the owners. In the DMCA, Congress embraced the general principle that temporary copies in RAM are copies that are subject to the copyright owner’s exclusive reproduction right, and made only those carefully calibrated adjustments to the principle necessary to address the problems experienced by independent providers of computer maintenance and repair services.

Interestingly, none of the submitters have virtually anything to say about the change to section 117 made by Title III of the DMCA. Instead, these submitters employ section 117 as a convenient starting point for a much more comprehensive attack on the exclusive reproduction right. They resurrect a proposal that, unlike the existing section 117, undercuts the reproduction right in all works, not just computer programs; that applies to copies made in any kind of “device,” not just in a computer; and that purports to solve a “problem” whose seriousness has never been demonstrated and that is, in any case, already adequately addressed by other provisions of the DMCA.

Three years ago, when this proposal was first presented to Congress, its supporters argued that it was necessary in order to prevent an impending collision between copyright law and the growth of the Internet and electronic commerce. Today, these submitters recycle similar arguments. They conjure up supposed impediments to the roll out of a panoply of new consumer electronic products (see DiMA at 19), or claim that current law creates a “theoretical illegality of virtually all Internet transmissions [that] has imposed serious barriers on the growth of the Internet.” CCIA at 3. Based on the experience of the past few years --- including the continued explosive growth of all aspects of the Internet and the coming to market of a wide range of innovative computing and consumer electronics products --- the Copyright Office and NTIA should receive these urgent yet strangely familiar warning cries with a considerable degree of skepticism.

One reason why there has been so little overt legal conflict over incidental copying – the supposedly intractable problem which the H.R. 3048 amendment to section 117 is purportedly intended to solve -- is that Congress, in enacting the DMCA, addressed and dealt with some of the potential flash points. For instance, it did so in Title II of the DMCA (now section 512 of the Copyright Act), not by tearing big new loopholes in exclusive rights, but by carefully fashioning limitations on remedies that apply to infringements – including notably

“incidental copying” –that may occur in the course of activities that are essential to the smooth functioning of the Internet, such as linking, storing, caching, or providing conduit services. While to a considerable extent these provisions simply codify pre-DMCA practice, they also provide a road map that content owners and service providers alike may consult to seek to avoid unnecessary legal conflicts and to continue on a cooperative track.

It is thus somewhat surprising to see CCIA condemning “the lengthy and costly negotiations” leading up to these provisions, and complaining that compliance with them has taken precedence over “deploying the most technologically efficient solutions.” CCIA at 3. (Our surprise is heightened by the fact that just three weeks later, CCIA filed an amicus brief in the Napster case claiming that “section 512 provides a layer of liability protection to service providers *in addition to* copyright infringement defenses applicable prior to the DMCA.” See Amicus Brief of Ad Hoc Copyright Coalition et al in Napster, Inc. v. A&M Records, Inc., Nos. 00-16401 and 00-16403 (9<sup>th</sup> Cir., filed August 25, 2000), at 12 (emphasis in original.) CCIA appears to assume that any steps that service providers take to meet the prerequisites for the remedy limitations in Title II of the DMCA – for instance, to exclude repeat copyright infringers from participation, 17 USC 512(i)(1)(A) -- constitute waste and inefficiency. The basis for that assumption is far from self-evident. In any case, if service providers wish to avoid expending whatever resources may be needed to meet these prerequisites, they are free to do so. Not a single one of these “complex legal requirements” is mandatory on any party doing business over the Internet, and failure to meet them does not even prejudice any defense to infringement that a service provider may wish to offer. 17 USC 512(i).

In short, the proposed “incidental copying” exception remains a drastic (in practical terms) solution in search of something more than a largely theoretical problem. The submissions provide no basis for recommending a weakening of the well-established exclusive reproduction right enjoyed by the owners of copyright in all categories of works, regardless of whether such a weakening provision is put forward as an amendment to section 117. To the contrary, adoption of such an exception would threaten to disrupt the emerging e-commerce marketplace and to leave it significantly more vulnerable to piracy.

There is no question that in this emerging marketplace, digital temporary copies are an increasingly important means through which copyrighted works are legitimately made available to the public. Access to works via local area networks, as well as via the Internet, or through the use of “network-ready devices” that do nothing more than connect to a network and use works temporarily online, all exemplify this trend. By the same token, the most prevalent and virulent forms of piracy in the digital networked environment will also consist of nothing more than making temporary digital copies available, without authorization, to members of the public. If the Copyright Act were amended to amputate from the exclusive reproduction right – the fundamental

right of copyright owners -- the right to control the making of “temporary” or “incidental” copies, the door for pirates to the digital marketplace would be propped wide open, and the ability of copyright owners to combat network-based piracy would be severely impaired.

#### B. Archival/back-up copying

Section 117(a)(2), which allows the owner of a copy of a computer program to make an archival copy of it without the permission of the copyright owner under certain conditions, is a narrow exception to the exclusive reproduction right. Under no circumstances does section 117(a)(2) allow the creation of “back-up copies” of works such as sound recordings, music, audio-visual works, or databases. As at least two initial round submitters have pointed out, many pirates and distributors of pirate software products have actively disseminated misleading statements about this provision in order to give their operations a false air of legitimacy, see Interactive Digital Software Association at 5-6; SIIA at 3-4.

At least two other submitters – HRRC and DiMA – call for the Copyright Office and NTIA to recommend an expansion of the archival copying exception in section 117(a)(2), to cover any “content that [consumers] lawfully acquire through digital downloading,” HRRC at 6, DiMA at 15. While we do not suggest that these two organizations have succumbed to the campaign of disinformation that has may have misled many Internet users into believing that the archival copying exception already applies to all works, their recommendation, if adopted, could certainly have a similarly deleterious effect. We urge the Copyright Office and NTIA not to recommend such a change.

#### III. Other Issues: Pre-Emption and Section 1201

Several submitters suggested additional amendments to Title 17 beyond the two sections which Congress mandated as the focus of this study. We will comment briefly on two of these suggestions.

First, we oppose the proposals by DFC and the Library Associations for federal legislation pre-empting and/or setting “minimum standards” for the terms of licensing agreements governing transactions in copyrighted materials. See DFC at 4, Library Associations at 18, 23. The electronic commerce marketplace in works of authorship, while growing rapidly, is still at an embryonic stage; to subject it to such intrusive federal intervention at this time would be exceptionally imprudent. There is simply no evidence of a real and widespread problem with copyright licensing terms that can only be solved by federal pre-emption. On such a record, the agencies should certainly refrain from recommending any such legislation. Instead, participants in electronic commerce should retain the ability to resolve licensing and contractual issues in the marketplace, and to have the terms of their agreements enforced in conformity with applicable state contract



law, including (as states adopt it) the proposed Uniform Computer Information Transactions Act (UCITA).

Second, we also question the wisdom of the proposals put forward by DFC (at 4) and NARM/VSDA (at 37-38) to carve out new loopholes in 17 USC 1201. The anti-circumvention provisions of the DMCA, which have not even fully taken effect yet, provide essential legal back-up for key enabling technologies for electronic commerce. There is no factual basis upon which to reverse the decision Congress made less than two years ago, and to deny copyright owners the right to choose to deploy such technologies, as DFC calls for. Our disagreement with the NARM/VSDA proposal regarding section 1201 is explained in more detail above (see p. 7 supra).

\* \* \* \*

If any of the undersigned organizations can provide further information or answer any questions concerning these reply comments, please do not hesitate to contact us. Thank you in advance for your consideration of our views.

Respectfully submitted,

AMERICAN FILM MARKETING ASSOCIATION

ASSOCIATION OF AMERICAN PUBLISHERS

BUSINESS SOFTWARE ALLIANCE

INTERACTIVE DIGITAL SOFTWARE ASSOCIATION

MOTION PICTURE ASSOCIATION OF AMERICA

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Regarding Docket No. 000522150-0150-01:

This reply comment is written in reply to those submissions which erroneously claim that the first sale doctrine only confers a right to transfer a copy. For example Mr. Sorkin's comments in his capacity as senior counsel for Time Warner, Inc. includes the claim (Page 1, ¶ 2) that,

The first sale doctrine, in its origin and in its current statutory existence, has as its underlying purpose the prevention of using the Copyright Law to impose price or other conditions on the ability of the owner of a copy of a work to dispose of that copy. The first sale doctrine does so in very simple and clear terms: it provides an exception to the right of distribution granted in Section 106(3). It provides no other exception to the rights granted by Section 106.

Mr. Sorkin's comment is incorrect because it ignores the existence of § 109(c) of the Copyright Act,

Notwithstanding the provisions of section 106(5), the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located.

Clearly the scope and purpose of the first sale doctrine is larger than Mr. Sorkin would have us believe. There has traditionally been a right to *use* a work for which one owns a lawfully-acquired copy. The re-sale of a legitimate copy that Mr. Sorkin mentions clearly depends on a right to view, read or make other ordinary use of a work. The resale value of a DVD disk is not a reflection of a DVD disk's value as a polycarbonate drinks coaster, nor in the case of a paper book is the resale value a reflection of a book's value as a ream of writing

paper. The future *use* of the work embodied in the copy principally accounts for the resale value of the copy. If the first sale doctrine is to survive in any meaningful form, the impact of technological protection measures on the right to make ordinary use of a lawfully-acquired work must be addressed (ordinary use was a right prior to the enactment of § 1201).

Mr. Sorkin's suggestion that there are those who would attach a right to make copies to the first sale doctrine is a mis-direction.<sup>1</sup> The real issue is whether *after* having authorized a copy for display on a computer, the copyright owner has the right to require that the extant copy in the computer's random-access memory (RAM) be *destroyed*.<sup>2</sup> Mr. Sorkin is conjuring the image of a television or a radio with his mention of "transmission." The issue of whether or not a *persistent* copy is generated by viewing a work is not properly understood as a result of how a work is distributed. Persistence is a property of the device that receives the transmission. "Transmission" is really a synonym for distributing a work without the *transfer* of a copy. It refers to the distribution of a work by the *creation* of a new copy in the receiving device. Mr. Sorkin seeks to reserve to the copyright owner the right to require the destruction of such copies, even if the audience has paid for the transmission of the work.

The central threat posed by technological protection mechanisms and their legal protection by the Digital Millennium Copyright Act is whether or not copyright arising from the Statute of Anne will survive as an instrument for the promotion of learning, or if we will be cast back to the Stationer's Copyright. There can only be progress in the useful arts and science if there is access to works. The question arising from § 1201(a) is whether there will be a guarantee of access to lawfully-acquired works, or not. This larger issues of access to a work, and the consequent use of a work, will eventually be reflected in the resale price of works sold under authority of § 109(a). Hearings would provide a basis to improve Congressional understanding of these issues. It is my sincere hope that Congress will take note of the wildly one-sided nature of its recent actions regarding copyright, and take corrective action insuring that use of copyrighted works outside the scope of § 106 is guaranteed. Hearings are urgently needed to begin this process.

Sincerely,

Paul Fenimore

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<sup>1</sup>Page 1, ¶ 5: "It is clear that Section 109 does not apply to works distributed by transmission because application of Section 109 to such works would involve both the reproduction of the work (as to which no exception is provided and, accordingly, the copy being transferred is not 'lawfully made') as well as its distribution. Secondly, the owner of a copy of the work would not be disposing of the possession of that copy."

<sup>2</sup>If on the other hand one were to claim that a copy made into a computer's RAM was not a copy until written to disk, then the existing fair use exemptions in §117 of the Copyright Act would be nonsensical.

**American Library Association  
American Association of Law Libraries  
Association of Research Libraries  
Medical Library Association  
Special Libraries Association**





Before  
The Library of Congress, The United States Copyright Office  
and  
The Department of Commerce, National Telecommunications  
and Information Administration  
Washington, D.C.

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Inquiry Regarding Sections 109 and 117 )

Docket No. 000522150-0150-01

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Reply Comments of the Library Associations

These Reply Comments are submitted on behalf of the American Library Association, Association of Research Libraries, American Association of Law Libraries, Medical Library Association and Special Libraries Association (the “Libraries), in response to comments submitted pursuant to the Copyright Office’s Request for Public Comment dated June 5, 2000.

The June 5, 2000 Request for Public Comment inquires about the effects of the amendments made by title 1 of the Digital Millennium Copyright Act (“DMCA”) and the development of electronic commerce and associated technology on the operation of sections 109 and 117 of title 17, United States Code, and the relationship between existing and emerging technology and the operation of those sections. The Libraries would like to address several issues raised by interested parties, as well as respond herein to questions regarding Section 117 of the DMCA.

**I. Section 109 of the Copyright Act should be updated to clarify that the first sale doctrine limits the copyright owner’s right of distribution without regard to the method by which that right is exercised.**

Contrary to the assumption embodied in Question 1(g) of the Request for Comments and advanced in the comments of Time Warner and the Copyright Industry

Organizations, the first sale doctrine does not need to be “expanded” to apply to digital transmissions. The Libraries believe, and caselaw confirms, that the *doctrine* itself, as it currently exists, attaches to such transmissions because it applies according to the scope of a property interest, not according to the object of that interest. See also Report to Congress, Comments of Karen Coyle for Computer Professionals for Social Responsibility. It is the *codification* of that doctrine that needs to be updated to ensure consistency with the purposes for which it was originally enacted.

**A. The first sale doctrine applies to digital transmissions and streamed content**

Time Warner and the Copyright Industry Organizations both argue that the first sale doctrine does not and should not apply to works distributed by digital transmission or streaming, because the owner of the tangible copy of the work does not transfer lawful possession of such copy. Time Warner Comments at 1; Comments of Copyright Industry Organizations at 2 and 4. The Libraries disagree.

First, as conceded by Time Warner, digital transmissions can result in the fixation of a tangible copy.<sup>1</sup> By intentionally engaging in digital transmissions with the awareness that a tangible copy is made on the recipient’s computer, copyright owners are indeed transferring ownership of a copy of the work to lawful recipients. Second, the position advanced by Time Warner and the Copyright Industry Organizations is premised on a formalistic reading of a particular codification of the first sale doctrine. When technological change renders the literal meaning of a statutory provision ambiguous, that

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<sup>1</sup> Time Warner notes: “The initial downloading of a copy, from an authorized source to a purchaser’s computer, can result in lawful ownership of a copy stored in a tangible medium. If the purchaser does not make and retain a second copy, further transfer of that copy on such medium would fall within the scope of the first sale doctrine.” Time Warner Comments at 3.

provision “must be construed in light of its basic purpose” and “should not be so narrowly construed as to permit evasion because of changing habits due to new inventions and discoveries.” *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156-158 (1975).

The basic purpose of the first sale doctrine is to facilitate the continued flow of *property* throughout society. The common law doctrine pre-dates even the 1909 Copyright Act, and judicial analysis has consistently focused on the scope of the property interest that has been transferred, not the nature of the land or chattel that is the object of that property interest.<sup>2</sup> The provision in section 109(d) that the rights under the section do not “extend to any person who has acquired possession of the copy or phonorecord . . . without acquiring ownership of it” further confirms that the first sale doctrine applies according to the scope of the property interest that has been transferred, rather than according to the object of that interest. 17 U.S.C. §109(d).

While section 109 of the Copyright Act appears to limit application of the first sale doctrine to “copies” and “phonorecords,” this language is a result of publishing history, not doctrine. Historically, the public access to works of authorship that is the purpose of the copyright laws was facilitated by the distribution of physical “copies” and “phonorecords.” In that context, the tangible copy-intangible copyrighted work distinction was an efficient proxy for distinguishing the copyright owner’s exclusive

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<sup>2</sup> See, e.g., *Henry Bill Publishing Co. v. Smythe*, 27 F. 914, 925 (S.D. Ohio 1886) (“The owner of the copyright may not be able to transfer the entire property in one of his copies, and retain for himself an incidental power to authorize a sale of that copy...and yet he may be entirely able, so long as he retains the ownership of a particular copy for himself, to find abundant protection under the copyright statute for his then incidental power of controlling its sale....A genuine copy...carries with it the ordinary incidents of alienation belonging alike to all property.”); *Step-Saver Data Systems, Inc. v. Wyse Technology and The Software Link, Inc.*, 939 F. 2d 91 (3d Cir. 1991) (applying a functional analysis to determine the scope of the property interest transferred and invalidating a box-top software license on grounds that it was properly considered proposed—but rejected—contract terms.)

rights in his work from the right to access and use that work that passes to a consumer in a first sale. As publishing technology and the law have evolved to allow for the rights of access and use to be marketed directly instead of in conjunction with possession of a tangible “copy,” this proxy has lost some of its effectiveness.<sup>3</sup> Principled (as opposed to formalistic) application of the first sale doctrine now requires looking directly to the property interest for which the copyright owner or publisher has been compensated in an initial transaction.

In *United States v. Masonite Corp.*, the Supreme Court held that whether a particular disposition of a patented article is equivalent to a “first sale” is not governed by “the form into which the parties chose to cast the transaction. The test has been whether or not there has been such a disposition of the article that it may fairly be said that the patentee has received his reward for the use of the article.” *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942). This rule has been widely applied in the copyright context, *see, e.g., Platt & Munk Co., Inc. v. Republic Graphics, Inc.*, 315 F. 2d 847 (2d Cir. 1963); *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F. Supp. 881 (E.D. Pa. 1964). The “disposition-reward” rule clarifies that when a copyright owner exercises the right of distribution, the owner is not merely distributing physical objects: *the owner is effectively distributing the right to the end consumer to access copyrighted content that is fixed therein*. In other words, the right to access the copyrighted content must not be confused with the incidental possession of the object that facilitates practical exercise of the right. *It is access to the copyrighted material which has been parted with by the*

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<sup>3</sup> Streaming technologies allow for copyrighted content to be transmitted in such a way that only a few seconds worth of content is “fixed” in a receiving device at any given time. Nevertheless, during the course of transmission, an entire work can be sent, stored and viewed.

*copyright owner in first sale, and it is that right of access which is alienable under the first sale doctrine, regardless of whether it is facilitated by tangible or intangible means.*

**B. When a material object is sold or licensed for the specific purpose of facilitating access to a copyrighted work, the right to use that work is not separable from the material object**

Consistent with their position that the first sale doctrine applies to tangible objects rather than property interests, the Copyright Industry Organizations argue that section 109 provides for the alienability of the material chattel in which digital content is fixed, but not for the alienability of the authorization to access that content. Copyright Industry Organizations comments at 4. This interpretation converts the first sale doctrine into a provision that allows consumers to alienate solely the tangible disc, floppy, or hard drive in which copyrighted content has been fixed, while the copyright owner maintains perpetual control over the right to access and use the encoded content that is fixed therein. This position contravenes both copyright law and the common law history of the first sale doctrine, not to mention common sense.

When a consumer purchases a book, he purchases more than just a physical object consisting of printed words on bound paper. “A book is ... a particular kind of ‘copy’ of a work of authorship.” Senate Report on the Copyright Act of 1976 at 52 (1975), *reprinted in* 8 Nimmer On Copyright at App. 4A-98 (defining the term “book”). This “copy” has been marketed for the specific purpose of facilitating access to the copyrighted content; indeed, the right to access the content is a fundamental and inseparable part of the value for which a copyright owner is compensated in a first sale. Accordingly, few people would argue that the first sale right to lend or sell a book extends only to the bound paper on which words have been fixed, but not to the right to

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read those words. Similarly, when a consumer acquires copyrighted material in a pre-fixed digital form, he acquires a “copy” of a work of authorship, not merely an optical or floppy disc or an encoded digital file. It is this “copy” and all the rights it was intended by the Copyright Act to facilitate that are alienable under the first sale doctrine.

The Copyright Act defines “copies” as “material objects in which a work *is* fixed,” not as material objects in which a work *may be* fixed. 17 U.S.C. §101. Technology that allows access to a copy to be separated from physical possession of that copy did not exist when this definition was written, and Congress cannot be understood to have sanctioned such a practice. Anyone who holds otherwise may be misreading the section 202 provision that “transfer of ownership of any material object . . . does not of itself convey any rights in the copyrighted work embodied in the object.” 17 U.S.C. §202. Rights in a “copyrighted work” are not equivalent to rights in a “copy” of that copyrighted work. The “rights in the copyrighted work” that are retained by the copyright owner after the first sale are the six exclusive rights enumerated under section 106 of the Act. 17 U.S.C. §106. A “right to control access and use” of the copyrighted work is notably absent from the section. To the extent that the anti-circumvention provisions of chapter twelve have been interpreted as granting the copyright owner a functional “right to control access,” the legislative history of the DMCA suggests that the right was intended to facilitate the distribution of access “keys” as an *alternative* to tangible copies. Ensuring against a “pay-per-use society” requires clarification that the right to “distribute access” is extinguished according to the terms of the first sale doctrine.

To ensure that application of the first sale doctrine remains consistent with the purpose it was intended to serve—*ensuring against restraints on the continued flow of useful knowledge throughout society*—section 109(a) of title 17, United States Code should be updated to clarify that first sale rights attach according to the scope of the property interest that has been transferred in a first sale, without regard to the tangible or intangible object of that interest:

Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, *or the owner of any right of access to the copyrighted work*, or any person authorized by such an owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy, phonorecord, *or right of access*.

**II. A copy made in the course of an authorized download of a copyrighted work is transferable under the first sale doctrine**

The comments submitted by Time Warner concede that downloading digital content from an authorized source may result in ownership of a copy “lawfully made under the Copyright Act.” However, Time Warner also argues that the first sale doctrine permits this copy to be alienated only in conjunction with the physical disc or hard drive in which it is fixed. The Libraries disagree.

The legislative history of section 109(c) demonstrates that the copyright owner’s reproduction right is properly limited for the purpose of allowing consumers to exercise traditional rights in new technological environments. In the House Report on the 1976 Act, Congress recognized that indirect display of a copy of a copyrighted work by means of television, cable, opaque projection, or optical transmission entailed copying that

ordinarily would infringe the reproduction right unless permitted under fair use or another statutory exemption. H.R. Rep. No. 94-1476, at 79-80 (1976), as corrected in 122 Cong. Rec. H. 10727-8 (daily ed. Sept. 21, 1976), *reprinted in* 8 Nimmer on Copyright at App. 4-55. Nonetheless, the public display provision of the first sale doctrine allows consumers to indirectly display a copy, provided that only one image is projected at a time to viewers located in the place where the copy is located. *See* 17 U.S.C. §109(c). The expressed intention of the Judiciary Committee was “to preserve the traditional privilege of the owner of a copy to display it directly, but to place reasonable restrictions on the ability to display it indirectly in such a way that the copyright owner’s market for reproduction and distribution of copies would be affected.” *Id.* at 80.

The incidental copying privilege that is implicit in section 109(c) is properly extended to the entire first sale doctrine. Formalistic application of the exclusive reproduction right must not prevent consumers from utilizing new technologies, and it must not prevent traditional user rights from being replicated in new technological environments. The potential for incidental copies to harm the interests of copyright owners should instead be addressed by legislating “reasonable restrictions” on the use of such copies. Requiring that the original copy of a digital work be deleted or disabled at substantially the time of transfer under the first sale doctrine is one such “reasonable restriction.” *See* Comments of the Digital Futures Coalition (“DFC”). A deletion requirement would allow a reproduction that is incidental to a transfer under the first sale doctrine to be distinguished from copies that infringe upon the copyright owner’s legitimate market for distribution of his work. Failure to delete or disable the original copy would convert the incidental copy into an infringing copy. Accordingly, along with



the DFC and others, the Libraries strongly support amendment of the Copyright Act by addition of the following to the end of section 109 of title 17, United States Code:

(f) The authorization for use set forth in subsection (a) applies where the owner of a particular copy or phonorecord in digital format lawfully made under this title, or any person authorized by such owner, performs, displays or distributes the work by means of transmission to a single recipient, if that person erases or destroys his or her copy or phonorecord at substantially the same time. The reproduction of the work, to the extent necessary for such performance, display, or distribution, is not an infringement.

We note that this proposal was part of the Boucher-Campbell Bill, H.R. 3048 (105<sup>th</sup> Congress), that was co-sponsored by 53 members. This legislation reflected many of the concerns of interested parties to digital copyright issues that were unresolved by the DMCA.

**III. Federal copyright policy should make clear that the first sale doctrine and other limitations on copyright monopolies pre-empt contrary non-negotiated license terms**

While federal copyright law is not generally intended to preclude private contracts, pre-emption of contract terms for the purpose of effectuating a compelling federal policy is proper. *See, e.g., Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F. 2d 150, 153 (2d Cir. 1967), *cert. denied*, 393 U.S. 826 (1968) (applying state law to a question of the parties' intent with regard to an assignment contract because "a federal common law of contracts is justified only when required by a distinctive national policy..."). Maintaining the copyright balance that promotes public access to copyrighted works is a compelling federal policy. This balance is currently being

undermined by uncertainty resulting from the interplay between copyright law, para-copyright law such as the anti-circumvention provisions, and state contract law. This uncertainty will only be compounded as the anti-circumvention provisions take effect and as the Uniform Computer Information Transactions Act ("UCITA") is enacted at the state level.

The Libraries believe that much of this uncertainty is attributable to lack of consensus regarding the circumstances in which a distribution that has purportedly been made under license is properly construed as a sale. As described in the comments of Charles Lee Thomason, courts have assessed factors ranging from course of performance to the number of payments to the permitted term of possession of the physical "copy." However, these factors have not been applied in any uniform way and judicial analysis has sometimes been vague. *See* Comments of Charles Lee Thomason at 8. The Libraries support the position taken by the National Association of Recording Merchandisers and Video Software Dealers Association that "care must be taken...to distinguish between the lawful licensing of a copyright, and the purported licensing of 'rights' not recognized by copyright..." Comments of National Association of Recording Merchandisers and Video Software Dealers Association at 18. Federal recognition of this distinction is especially appropriate now given that evidence has already indicated that the federal anti-circumvention provisions are being utilized to force abrogation of the very laws they were intended to uphold.

The balance between the remuneration interest of copyright owners and the public's interest in access to copyrighted works will be significantly undermined and will continue to be unreasonably skewed in favor of copyright owners unless there is a

clarification of federal copyright policy, as well as enactment of remedial and preventative legislation. Accordingly, the Copyright Act should state unambiguously that non-negotiated license terms are pre-empted to the extent that they conflict with the Act. Consistent with the model from the Boucher-Campbell Bill cited above (in Section II of these comments) and supported by the Libraries and a broad coalition of interested parties, H.R. 3048, section 301(a) of the title 17, United States Code should be amended by adding the following at the end thereof:

When a work is distributed to the public subject to non-negotiable license terms, such terms shall not be enforceable under the common law or statutes of any state to the extent that they:

- (1) limit the reproduction, adaptation, distribution, performance, or display, by means of transmission or otherwise, of material that is uncopyrightable under section 102(b) or otherwise; or
- (2) abrogate or restrict the limitations on exclusive rights specified in sections 107 through 114 and sections 117, 118 and 121 of this title.”

#### **IV. Comments on Section 117**

The Libraries also wish to respond at this time to the questions posed with regard to Section 117. Section 117 provides critical incidental and archival copying rights to the owners of copies of computer programs. Because many more categories of works are now being published in digital formats, section 117 must be updated to clarify that the rights therein apply to all rightfully possessed digital media.

- a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of section 117?**

**b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of section 117?**

Some media and consumer electronics companies are planning or implementing access control technologies to enforce the private license terms that are incorporated into Copyright Management Information. *See* Comments of John M. Zulauf at 1-2. The Libraries' first response in this inquiry demonstrated the extent to which these license terms systematically restrict the copyright limitations that are codified in section 117 and throughout the Act. Consumers may ultimately be exposed to criminal prosecution and civil liability merely for exercising the archival and incidental copying rights that have been granted under section 117 and other provisions of the Act.

The distribution of works in encrypted form promises to become widely used as the anti-circumvention laws make the technology more attractive to publishers. Access to an encrypted work may be gained only by separately acquiring the intellectual property "key" that is necessary to de-scramble the work. When the work is fixed into a tangible object prior to distribution (i.e., a CD-ROM or DVD), the key is typically incorporated into a playback device. This essentially means that copies of copyrighted digital works are usable only in playback devices that have been licensed by the copyright owner. As a condition of that license, these playback devices also incorporate the technology to read and enforce Copyright Management Terms. Because of this linking of decryption keys, playback devices, and copyrighted works, consumers may be unable to make archival copies or "space shift" content to a new format as playback technologies evolve. Long-term access to a particular digital work may require continually repurchasing access in

new formats. Some works may become unavailable as publishers cease operations or discontinue sales of the “keys” to older works that have lost mass appeal.

The prohibitions on circumvention and falsification also affect the operation of section 117 when copyrighted works are distributed by transmission. When digital content is distributed by transmission, the decryption key may be transmitted separately—sometimes only temporarily—upon payment of a per-view license fee, entry of a password, or dial-in from a particular terminal. Because an archival copy of a scrambled work is unusable without a copy of the decryption key, allowing the copyright owner to maintain perpetual control over decryption “keys” may render the archival copying rights provided under section 117 meaningless. Libraries of the future may be left with archival copies that have become unavailable for actual use because the access “key” is no longer available or has been made available only upon payment of an exorbitant fee.

- c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of section 117?**
- d) What is the relationship between existing and emergent technology, on one hand, and section 117, on the other?**
- e) To what extent, if any, is section 117 related to, or premised on, any particular technology?**

The language of section 117, which limits application of the section to “computer programs,” reveals that it was legislated in the particular technological environment of 1980. 17 U.S.C. §117. However, the principle that is implicit in the section is that consumers must have the legal rights to make copies that are essential to using copyrighted material in conjunction with a computer.<sup>4</sup> The Libraries believe that

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<sup>4</sup> Section 117 embodies the recommendations of the Commission on New Technological Works with respect to the application of copyright law to computer software. H.R. Rep. No. 96-1307 (Part I), reprinted in 1980 U.S. Code Congressional and Administrative News 6460, 6482. The CONTU Final Report noted

application of this principle to the current technological environment warrants clarifying that the rights provided under section 117 extend to all digital media, not just “computer programs” as defined under section 101.

Since the section was enacted, the development of electronic commerce has increased the categories of works for which incidental and archival copying rights are essential to meaningful use. Many types of works that were formerly distributed in print and analog formats are now being distributed only in digital formats. While the Libraries believe that the copying rights at issue already exist under fair use, making them explicit could help to eliminate some of the uncertainty that is currently preventing these rights from being fully and consistently exercised.

Maintaining the proper copyright balance requires clarification of several copying rights. First, virtually all devices on which digital content can be played back process that content by loading all or some portion of it into memory. Even copyrighted material that is distributed by streaming is very temporarily copied into a “buffer” section of the playback device’s RAM. Temporary copies of this nature have been held to infringe copyright. *See MAI Sys. Corp. v. Peak Computer*, 991 F. 2d 511 (9<sup>th</sup> Cir. 1993). The Comments of Time Warner at 1 endorse the argument that the copy made during a transmission is not a “lawful copy.” However, because the copyright owner has authorized the transmission of the copy of the work to the recipient and because the owner is aware that it is inherent to the computer technology that a copy will be made on the recipient’s machine, then the intentional act of authorizing the transmission should

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that using a computer program required loading it into the memory of a computer, which by definition involved “copying.” CONTU Final Report, p. 13. The Report recognized that “one who rightfully possesses a copy of the program” should be provided with a legal right to make a copy as an essential step in using it. *Id.*

make the recipient's copy "lawful." Copyright law, as well as policy, should make clear that incidental copying rights are essential to the ability of consumers to make meaningful use of digital works without risking liability.

Second, all digital content is prone to deletion, corruption, and loss due to system crashes. Consumers must be permitted to protect their investments. Archival copying rights are as critical today to the growth of digital publishing as they were to the growth of the computer software industry in the 1980s. Third, computer hardware and software operating systems are subject to rapid technological evolution. The fair use right to "space shift" to new formats for personal use should be codified to protect against abrogation of that right by licensing terms incorporated into CMI. Fourth, temporary copying rights should be extended to individuals who are in rightful possession of copies lawfully made under the Copyright Act. A measure of this nature would enable practical exercise of the first sale right to sell, lend or otherwise dispose of rights in a digitally published work.

The Libraries believe that these essential copying rights could be protected within the framework initially proposed in H.R. 3048, which would have amended section 117 as follows:

- The title of section 117 of title 17 United States Code would be amended to read: "Limitations on exclusive rights: Computer programs and digital copies."
  - Section 117 of title 17 United States Code would be amended by inserting "(a)" before "Notwithstanding" and by inserting the following as a new
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subsection (b): “Notwithstanding the provisions of section 106, it is not an infringement to make a copy of a work in a digital format if such copying

(1) is incidental to the operation of a device in the course of the use of a work otherwise lawful under this title; and

(2) does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.”

#### **IV. Conclusion**

The first sale doctrine and the limitations on computer program are two of the crucial stilts in the balancing act of copyright law. Questions have now arisen regarding the application of the doctrine and the limitation in the digital era to the making of copies and the alienability of certain copies lawfully received in the course of digital transmissions. While the DMCA intended to deal effectively with related digital era issues, the need for clarification of copyright policy has become more apparent and urgent. The Libraries urge the Copyright Office and NTIA to address these matters directly and forthrightly in its report and advise the Congress on remedial steps, including those proposed herein, to ensure maintenance of the essential balance of copyright law.

Respectfully submitted,

American Library Association  
American Association of Law Libraries  
Association of Research Libraries  
Medical Library Association  
Special Libraries Association

Date: September 5, 2000



**Software & Information Industry Association**



September 5, 2000

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Re: SIIA Reply Comments Relating to the Joint Study by the Copyright Office and  
NTIA on Sections 109 and 117 of the Copyright Act

Dear Messrs. Feder and Joyner:

The Software & Information Industry Association ("SIIA") appreciates the opportunity to respond to the public comments filed pursuant to the Federal Register notice of June 5, 2000 entitled, "Report to Congress Pursuant to Section 104 of the Digital Millennium Copyright Act." SIIA respectfully files the following reply comments with the Copyright Office and the National Telecommunications and Information Administration ("NTIA") on behalf of its members. These comments are intended to supplement, and not supercede, the initial comments filed by SIIA on August 4th.

A. *Appropriate Scope of the Section 104 Study*

The first point we would like to address relates to the scope of the section 104 study and the fact that many (if not most) of the statements made in the comments filed by those who propose expanding section 109 and/or section 117 of the Copyright Act fall outside the scope. The study was first proposed on July 17, 1998 by Representative White in the form of an amendment that was adopted by the House Commerce Committee. The scope of the proposed study was extremely broad — it would have required a broad review of the relationship between the Copyright Act and electronic commerce.<sup>1</sup> However, when the House eventually passed the

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<sup>1</sup> See H.R. 2281, 105<sup>th</sup> Cong., 2d Sess., section 205(a) (1998).

Digital Millennium Copyright Act ("DMCA") the following month, the House decided to significantly limit the scope of the study to sections 109 and 117 of the Copyright Act only.<sup>2</sup>

As enacted, section 104 of the DMCA provides that:

The Register of Copyrights and the Assistant Secretary for Communications and Information of the Department of Commerce shall jointly evaluate —

- (1) the effects of the amendments made by this title and the development of electronic commerce and associated technology on the operation of sections 109 and 117 of title 17, United States Code, and
- (2) the relationship between existing and emerging technology and the operation of sections 109 and 117 of title 17, United States Code.

Section 104 further provides that the Copyright Office and NTIA shall "submit to Congress a joint report on the evaluation conducted."

Despite the definitive steps taken by Congress to limit the section 104 study to sections 109 and 117 of the Copyright Act, several of the comments — in particular, those filed by the Library Associations and the Digital Future Coalition — suggest that the Copyright Office and NTIA address issues relating to sections 108, 110 and 301 of the Copyright Act (among others).<sup>3</sup> In addition, the comments submitted by the Library Associations also raise issues that fall within the scope of the section 1201(a)(1) rulemaking<sup>4</sup> and other issues, such as the general licensing practices of copyright owners, that have no bearing on this study.

We urge the Copyright Office and NTIA to ignore those comments that do not expressly address section 109 or section 117. The section 104 study was not intended to be an open-ended discussion on the effect that new technologies have on the way copyrighted materials are created, produced, or marketed or whether copyright owners can or should have the right to use technological measures to control access or manage access to their works. Nor is it intended to be an investigation into the relationship between creators, intermediaries, customers and other parties or the manner in which copyrighted content is licensed. The sole issues that the

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<sup>2</sup> Because the Conference Committee did not alter the scope of language of the study, the enacted version of the study is identical to that passed by the House on August 4<sup>th</sup>.

<sup>3</sup> See Comments of the Library Associations at page 23; Comments of the Digital Future Coalition at pages 3-4.

<sup>4</sup> To the extent that the comments filed by the Library Associations relate to section 1201(a)(1) without regard for sections 109 or 117, these comments should have been timely submitted to the Copyright Office as part of that rulemaking process. An attempt to get them consider now — after the period for submitting comments in the section 1201(a)(1) rulemaking is closed — is improper. To ensure that these comments do not go unanswered in the event that the Copyright Office and NTIA opt to consider them, we respectfully request that all the written comments filed and the testimony provided by SIIA during the section 1201(a)(1) rulemaking process be incorporated by reference into SIIA's section 104 reply comments..

Copyright Office and NTIA are authorized to address here are: "the effects of the amendments made by [title 1 of the DMCA] and the development of electronic commerce and associated technology on the operation of sections 109 and 117 . . ." and "the relationship between existing and emerging technology and the operation of sections 109 and 117 . . ." To the extent that issues are raised that do not fall within this two-part inquiry, these issues should be disregarded.

*B. Applicability of the Fair Use Doctrine*

Reference to the fair use doctrine and its applicability is noticeably absent from many of the comments of those who propose expansion of sections 109 and/or 117. Several commentators, most notably, the Digital Future Coalition ("DFC"), the Library Associations, and the Computer & Communications Industry Association ("CCIA") provide examples of activities that they believe justify expansion of section 109 and/or section 117.<sup>5</sup> In the process of discussing these examples and the parade of horrors that will ensue if sections 109 and/or 117 are not expanded, these commentators fail to discuss how the fair use doctrine would apply to these situations.

For example, the DFC and CCIA suggest that section 117 should be expanded to allow for the making of temporary copies during, among other things, the authorized playback of content through buffering, caching or streaming.<sup>6</sup> They propose that language be added to section 117 that would permit the making of temporary copies when such copies are "incidental to the operation of a device ..." and do "not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author."<sup>7</sup> [Hereinafter referred to as the "proposed section 117 language"]. There is no explanation by either of these organizations as why the fair use doctrine would not apply to the authorized playback of content through buffering, caching or streaming, how it would apply to these situations, or why the proposed section 117 language is an improvement over the fair use doctrine.

It is unfortunate that these organizations — who have long been such strong advocates of the fair use doctrine — have omitted from their comments a discussion of the fair use doctrine and its applicability. It is not possible to consider the merits of the proposed section 117 language without such a discussion. We, therefore, respectfully request the Copyright Office and NTIA demand that these organizations explain why, in their view, the fair use doctrine does not apply or would not protect against the concerns identified in their comments.

To be clear, SIIA does not support expansion of section 109 or section 117 and is not taking a position in its comments as to how the fair use doctrine might apply in the broad context set forth by some of the commentators. We do, however, believe that in order for the Copyright Office and NTIA to thoughtfully and exhaustively consider the proposals of CCIA and DFC, these

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<sup>5</sup> See Comments of DFC at page 3-4; Comments of CCIA at page 2-3.

<sup>6</sup> Id.

<sup>7</sup> Id.

organizations must explain why they believe the fair use doctrine does not address their concerns and why their proposed language is an improvement over the fair use doctrine.

The Home Recording Rights Coalition ("HRRC") takes the same approach and recommends the same language be added to section 117 as CCIA and DFC. However, instead of ignoring fair use, HRRC addresses it by stating that "temporary copying should already be deemed not to be copyright infringement under existing copyright law, including the fair use doctrine."<sup>8</sup> HRRC goes on to say that even though they believe that the fair use doctrine would address their concerns they recommend expansion of section 117 "to eliminate legal uncertainty."<sup>9</sup>

If the goal of expanding section 117 is "legal certainty," this goal will not be achieved with the language the DFC, HRRC, CCIA and others are suggesting to add to section 117. While the fair use doctrine, as codified in section 107 of the Copyright Act, may not be a paragon of clarity and certainty, it is a well-established doctrine that reflects decades of analysis and application in case law, law review and treatise commentaries, and legislative history. The suggested language proposed by these organizations has none of this. More significantly, the suggested language is actually much broader and ambiguous than the fair use doctrine. As a result, the proposed section 117 language would make the legal status of temporary copies exponentially less certain than existing law.

### *C. Clarification of the Scope and Effect of the First Sale Doctrine*

There were several comments that made misstatements about how section 109 applies to copyrighted works in digital form. To avoid future confusion, we think it is important to correct these misstatements and to clarify the scope and applicability of the first sale doctrine to works in digital form.

The first sale doctrine, as embodied in section 109 of the Copyright Act, does not discriminate between digital and non-digital content. It applies to content in digital form to the same extent that it applies to content in analog or other non-digital forms. Therefore, phrases such as a "digital first sale doctrine" are misnomers.

The first sale doctrine does distinguish, however, between personal property rights and copyright rights. It does this by allowing, with appropriate exceptions, a person who owns a particular copy of a copyrighted work to dispose of that copy without running afoul of the copyright owner's exclusive right of distribution under section 106(3) of the Copyright Act. Unauthorized acts of reproduction or performance, for instance, would not be excused by the first sale doctrine because they do not encumber one's personal property rights. Thus, contrary to some of the comments,<sup>10</sup> a person may (in lieu of a binding and enforceable agreement to the contrary)

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<sup>8</sup> See Comments of HRRC at page 6.

<sup>9</sup> Id.

<sup>10</sup> See Comments of the Library Associations at page 20; See also Comments of the National Association of Recording Merchandisers and Video Software Dealers Association.

transfer his CD to another person in accordance with the first sale doctrine, but may not make a copy of the content contained within that CD — even if that copy is made in the course of and incidental to a transfer.

Several commentators recommended expansion of section 109 on the basis that failing to do so would harm electronic commerce. One of these commentators claimed that "[w]ithout a digital first sale privilege, consumers will not buy into electronic commerce" and that "the initial forays by content companies into online sales through a variety of retail outlets, . . . is no more than a toe in the water."<sup>11</sup> In fact, at least with regard to software, nothing could be further from the truth. This is supported by a recent report issued by the Department of Commerce stating that that, in 1997 (the last year for which numbers are available), "[e]lectronic shopping and mail-order houses sold \$22.9 billion in computer hardware, software and supplies . . . *more than any other types of retail business.*" (emphasis added)<sup>12</sup>

#### *D. Response to Simultaneous Destruction Proposal*

Some commentators suggested that section 109 should be expanded to apply when a person transmits a copy to another person while simultaneously destroying his particular copy [Hereinafter referred to as the "source copy"] at the time of the transmission. Several of those who support a "simultaneous destruction proposal" suggest amending section 109 as originally proposed in H.R. 3048 from the 105<sup>th</sup> Congress, which provided:

Section 109 of title 17, United States Code, is amended by adding the following new subsection at the end thereof:

(f) The authorization for use set forth in subsection (a) applies where the owner of a particular copy or phonorecord in a digital format lawfully made under this title, or any person authorized by such owner, performs, displays or distributes the work by means of transmission to a single recipient, if that person erases or destroys his or her copy or phonorecord at substantially the same time. The reproduction of the work, to the extent necessary for such performance, display, or distribution, is not an infringement.

The rationale for this proposal is that by destroying the source copy, the conduct more closely resembles a traditional distribution (to which the first sale exception would apply) because the

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<sup>11</sup> See Comments of the Digital Media Association at pages 11, 13.

<sup>12</sup> See Commerce News, "Electronic Shopping and Mail-Order Houses Account for Most Computer Hardware and Software Sales, Census Bureau Reports," (Aug. 11, 2000)

same number of copies exist at the end of the transaction as at the beginning of the transaction.<sup>13</sup>

This proposal ignores some of the practical impediments inherent in the distribution of copyrighted works that are contained on traditional media that limit the applicability and use of the first sale doctrine. For instance, over time the quality of a book or analog audiotape will deteriorate and, as a result, the market demand for that particular copy of the book or audiotape will disappear. This is not the case with content residing in an e-book, MP3 file or other digital media. These digital products will not degrade in quality, and thus the market demand for copies of these particular products will compete with the market for "new" (*i.e.*, unused) copies or other versions of the same work. Thus, because the quality of the first copy of a digitized work is no different than the thousandth copy, the market demand for generational<sup>14</sup> digital copies will negatively impact the copyright owner's market for copies of the work significantly more than traditionally has been the case.

For example, a paperback may be transferred from one reader to another, but at some point in this chain the integrity and appearance of the paperback becomes so deficient that the next reader in line will opt to purchase a "new" copy of the same paperback. In the digital environment, factors such as the integrity and appearance of a work never become relevant, and so the chain of readership continues unabated. Thus, taking this argument to its logical extreme, one copy of a copyrighted work could potentially serve the entire market for that work. In effect, each possessor of a digital copy of a book could become its own bookstore and/or library. This holds especially true with recent peer-to-peer technology, like Napster or Gnutella, that permits one copy of a work potentially to serve millions. Clearly, no copyright owner could stand to stay in business very long if its market is usurped by a handful of copies transferred among innumerable amount of consumers.

Furthermore, in the physical world, the re-distribution of a particular copy under the first sale doctrine was restricted by the geography and circle of people known to the holder of that copy, as well as the time and effort necessary to re-distribute the copy. These inherent constraints on the first sale doctrine limited the potential effect on the market for the work. In the digital world, however, re-distribution is limited neither in geographic scope nor to known people. Instead, digital content can be transmitted to millions of people, both known and unknown, at the stroke of a key or a click of a mouse. As a result of the dramatic increase in ease by which a digitized work can be distributed, the number of times a work is transferred from one party to another (*i.e.*, the frequency of use of the first sale doctrine) would substantially increase, which in turn would significant diminish the copyright owner's ability to obtain a fair return from the work.<sup>15</sup>

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<sup>13</sup> The language in the simultaneous destruction proposal goes well beyond this rationale, however. Accordingly, SIIA strongly opposes the language contained in H.R. 3048 to expand section 109 and, in particular, the addition of broad exceptions to the performance and display rights as proposed in H.R. 3048.

<sup>14</sup> A "generational" copy is used here to denote any copy that is made from the source copy or from a subsequent copy that has its roots in the source copy.



Most significantly, the simultaneous destruction proposal also has some significant evidentiary and procedural problems that make it infeasible. For instance, it would not be possible or practical for a copyright owner or the courts to verify that the source copy was discarded. Further, even if it was possible to determine that the source copy had been discarded, it would not be possible to verify that it was done so simultaneously. It would take little effort on the part of someone to engage in acts of piracy and, upon being discovered, delete the source copies in order to claim the first sale defense at trial.

Moreover, if the simultaneous destruction proposal were adopted, copyright owners might have no choice but to monitor computer users and consumers for simultaneous destruction to protect their works from piracy. Such monitoring might stifle the intended purpose of first sale exception, which is to encourage the alienation of copyrighted works, and could have broad adverse privacy implications.

It has been suggested that these evidentiary and procedural problems could be avoided by using technical protections that would instruct the originating computer to delete the source copy when the user attempts to transmit it to another person.<sup>16</sup> The problem with this recommendation is that the technology is not now available that would effectively perform this function.<sup>17</sup> Moreover, this proposed solution is bound to raise objections from libraries, universities and other opponents of technological protections on the basis that it fails to account for instances where the transmitter may be entitled to retain a copy of the work under the Copyright Act or by agreement.

Even if technological protections that allow transmission and simultaneous destruction of a source copy become available and feasible to implement in the future, this would not warrant amending of section 109 to allow the use of such technology as an exception to the exclusive rights of distribution and reproduction. Given the underlying purpose of the first sale doctrine

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<sup>15</sup> For example, assume that there are 100 people who desire a copy of a particular work. The copyright owner will establish a price for copies of the work based on the fact that, of the 100 people 80 of them will purchase new copies and 20 of them will obtain "used" copies through a transfer from the original or subsequent owner of that copy. In the digital environment, because transfer of a copy is significantly easier, of the 100 people who would like a copy 60 of them might obtain used copies through someone other than the copyright owner. As a result, the copyright owner's expected return from his creative energies will be significantly less than anticipated, thereby creating a disincentive to create and distribute new works to the masses.

<sup>16</sup> This suggestion is different than the one suggested by the Digital media Association ("DiMA"), which recommends using encryption to protect files in a way that allows them to "be copied freely, but [not] accessed without the decryption key." *see* DiMA comments at page 8. This recommendation is unworkable for the same practical and evidentiary reasons the non-technological simultaneous destruction proposal does not work. Under this recommendation, it would be impossible to police or prosecute anyone for copyright infringement because everyone is allowed to have a copy of the content and could obtain a decryption key to "legitimize" their copy upon discovering that they are being investigated for piracy.

<sup>17</sup> At present, one cannot transmit an electronic copy without implicating the copyright owner's reproduction right. There is no technology available that allows a particular copy to be transmitted without a copy being made.

and the effect on the copyright owner's interests, such an amendment would necessarily entail an unwarranted broadening of the scope and purpose of the first sale exception.<sup>18</sup>

*E. Response to Specific Library Associations Comments*

In discussing section 109, the Library Association comments raise several issues that are irrelevant to the section 104 study. For instance, the Library Associations complain of monetary constraints and administrative problems, such as difficulty keeping track of myriad of passwords for off campus users,<sup>19</sup> inability to make works available to visiting professors,<sup>20</sup> alleged invasion of privacy that takes place when a work is accessed,<sup>21</sup> and lack of expertise interpreting contract terms.<sup>22</sup> While we are sympathetic to these concerns, if truth be told, these concerns are internal administrative problems not unlike problems that many organizations face. They have nothing to do with the first sale doctrine.

For example, the problem of making works available to visiting professors and community members can be solved by making technical changes in the way that a library's network identifies its users. Likewise, the so-called privacy concerns can be addressed quite simply through filtering or anonymizing technology that allows publishers to ensure their license terms are being adhered to while ensuring that private information is not disclosed. We urge the Copyright Office and NTIA to disregard these comments and similar comments, as noted above, because they have no bearing on the two-pronged inquiry that is the subject of this study.

In addition, we also believe it is necessary to correct some misstatements made in the Library Associations comments. For example, on page 16 of the comments, the Library Associations states that:

Elsevier has granted electronic access to their journals, but tells us they will only provide access for a 9 month period, so we will lose access to those electronic issues that we once had. We cannot afford their Science Direct product at the moment, which would give us more comprehensive, stable access to their journals.

This statement is misleading. Elsevier Science gives free — repeat free — electronic access to the most recent nine months of their science journals to libraries that subscribe to the print version of the journal. These libraries retain copies of the printed periodicals and are free to dispose of these copies as they wish consistent with section 109. Elsevier Science does offer to

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<sup>18</sup> See SIIA's initial comments.

<sup>19</sup> See Comments of Library Associations at page 6.

<sup>20</sup> Id.

<sup>21</sup> Id. at page 9.

<sup>22</sup> Id. at page 13.

libraries the ability to retain access to all electronic materials they had access to (even those that are older than nine months), but because of the increased costs involved in doing so, Elsevier Science cannot include this service in its free service. In addition, the library retains online access rights indefinitely to the issues of the journal published during the time period during which they subscribed — including to back issues of discontinued titles, even after the library terminates its license.

Furthermore, Elsevier Science recently announced their commitment to carry out perpetual archiving of back issues of all their scientific journals, and has pledged not to dismantle their archival facility without depositing copies in selected libraries or similar approved archives. They have also offered libraries the opportunity to maintain their own local archives of their material and are actively working with library organizations and national libraries worldwide, including the Library of Congress, to develop new models for publisher-library co-operation to ensure appropriate digital archiving.

We provide this explanation as just one example of a situation where the Library Associations have expressed an alleged concern without providing all the facts or by providing misleading information. There are other examples too numerous to mention here. We, therefore, caution the Copyright Office and NTIA to question the examples provided by the Library Associations in their comments unless and until they can be confirmed by relevant parties.

#### *F. Proposed Expansion of Section 117*

Several commentators suggest that there is a need to expand the scope of section 117 beyond computer programs. They suggest that one should be allowed under section 117 to make back-up copies of all copyrighted works in digital form for the sole reason that the copyright law presently allows owners of one other type of digital work (*i.e.*, computer software) to make back-up copies. SIIA opposes this proposal because the premise on which it is based is faulty.

Unlike when section 117(a)(2) was first enacted, today it has little, if any, utility. According to PC Data, 97% of all the software sold in the United States in 1999 was sold on CD-ROM. In 2000YTD, 98% of all software was sold on CD-ROM. Once a computer program is loaded from a CD-ROM to one's computer, there is no need to make a back-up copy, because, in effect, the CD-ROM serves as the back-up copy and CD-ROMs have an estimated failure rate of significantly less than 1%.<sup>23</sup> Moreover, because a CD-ROM is capable of storing up to roughly 650 MB (which translates to 450 3.5" 1.4 MB floppy discs), a person would need a CD recording device to be able to make a back up copy of their CD-ROM. Penetration of these devices into the home computing market is extremely limited at this point. Thus, very few individuals have the ability to make a back-up copy and even fewer actually desire to make such back-up copies. It seems senseless to expand section 117(a)(2) to other copyrighted works when it is being used so sparingly today for computer software and because the justification for the provision no longer exists.

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<sup>23</sup> An informal survey of SIIA members and other CD-ROM manufacturers & distributors estimated that the failure rate was approximately one tenth of 1%.

SIIA also opposes the extension of section 117 to temporary copies of a work. Such a provision is unnecessary because the user's interests are adequately protected under existing law. Under existing law, the user's reproduction of the work may be authorized by the copyright owner or permitted by law, such as by the fair use doctrine. As noted above, SIIA believes that those who support an expansion of section 117 should be compelled to demonstrate to the Copyright Office and the NTIA why existing defenses, including fair use doctrine, would not apply.

*G. Response to Comments on UCITA and Licensing Restrictions*

Comments filed by the DFC, the Library Associations and Patrice Lyons raise issues relating to licensing as well as the Uniform Computer Information Transactions Act (“UCITA”). Although, as stated above, SIIA believes that these issues should not be considered in the section 104 study, because many of these comments are incorrect and misleading, we feel it necessary to clarify and correct these comments.

Despite comments of the DFC and Library Associations to the contrary, UCITA promotes the fundamental principle of freedom of contract and does not endorse the imposition of restrictive contractual provisions on libraries, consumers or users. In fact, UCITA expressly prevents a licensor from enforcing any provision of a contract that would undermine the fundamental public policies on which the Copyright Act is based. Specifically, Section 105(b) of UCITA reads as follows:

(b) If a term of a contract violates a fundamental public policy, the court may refuse to enforce the contract, enforce the remainder of the contract without the impermissible term, or limit the application of the impermissible term so as to avoid a result contrary to public policy, in each case to the extent that the interest in enforcement is clearly outweighed by a public policy against enforcement of the term.

This position is further bolstered by the Reporter’s Notes accompanying this section, which makes clear that “fair use” is an important part of the considerations a court should weigh in determining the validity of a contract.<sup>24</sup>

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<sup>24</sup> The Reporter's Notes state:

The offsetting public policies most likely to apply to transactions within this Act are those relating to innovation, competition, fair comment and fair use. Innovation policy recognizes the need for a balance between protecting property interests in information to encourage its creation and the importance of a rich public domain upon which most innovation ultimately depends. Competition policy prevents unreasonable restraints on publicly available information in order to protect competition. Rights of free expression may include the right of persons to comment, whether positively or negatively, on the character or quality of information in the marketplace. Free expression and the public interest in supporting public domain use of published information also underlie fair use as a restraint on information property rights. Fair use doctrine is established by Congress in the Copyright Act. Its application and the policy of fair use is one for consideration and determination there. However, to the extent that Congress has established policies on fair use, those can taken into consideration under this section.

The DFC, the Library Associations, and Patrice Lyons also suggest, because of the licensing practices of copyright owners and UCITA, that the Copyright Office and the NTIA should explore the interplay between federal copyright law and state contract law.<sup>25</sup> The DFC specifically proposes that the Copyright Office and NTIA recommend in the section 104 study that Congress amend 17 U.S.C. 301.<sup>26</sup>

As one scholar has noted:

[G]iven the ease of copying and distributing software, software licensors may need contractual limitations on the first-sale doctrine to ensure viability. If these contracts were deemed unenforceable under section 301(a), the information industry might not be economically sustainable. Without adequate information incentives, the intellectual property goal of increasing production and sharing of information with the public would ultimately suffer.<sup>27</sup>

Issues related to the interplay between the federal copyright law and state contract law are not new issues. While the DFC, Library Associations and Ms. Lyons would like to give the impression that these issues are new and have not previously been considered by Congress, that quite simply is not the case. For instance, issues relating to the relationship between section 109 and state contract law were thoughtfully considered by Congress when the 1976 Copyright Act was enacted.<sup>28</sup> Moreover, this relationship has been the subject of numerous congressional debates and court decisions over the years.<sup>29</sup> We can see no reason why these issues should be taken up at this time when the groups that have raised these issues have not demonstrated why they should be, how they relate to sections 109 or 117, or why these issues are any different than the issues that arose when Congress enacted the 1976 Copyright Act, or subsequent amendments thereto (including the DMCA).

The final point we would like to address regarding licensing relates to the Library Associations' claims that licenses for digital works prevent these works from being donated to libraries. While there likely are contracts between copyright owners and consumers that do prevent donations, this is the exception rather than the rule. As a general matter, agreements between consumers and copyright owners for software and digital content do not prevent the consumer from donating the copy of such software or content purchased by that user to a library or other eleemosynary institution.

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<sup>25</sup> See Comments of Library Associations page 25; Comments of Patrice Lyons at page 9, Comments of DFC at page 4.

<sup>26</sup> See Comments of DFC at page 4.

<sup>27</sup> Pratik A. Shah, "Berkeley Technology Law Journal Annual Review of Law and Technology, Intellectual Property, Copyright, The Uniform Computer Information Transaction Act," 15 Berkeley Tech. L.J. 85 (2000).

<sup>28</sup> The legislative history accompanying Section 109 of the Copyright Act clearly sets out parameters regarding licenses and the enforceability of agreements between private parties. See H.R. Rep. No. 94-1476, 2d Sess., at 79 (1976).

<sup>29</sup> See, e.g., ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996), *rev'g* 90 F. Supp. 640 (W.D. Wis.)

In closing, we would like to once again thank the Copyright Office and NTIA for providing us an opportunity to file these reply comments. If we can provide any supplemental information or clarify any of our comments please do not hesitate to contact us.

Sincerely,

Ken Wasch  
President

**Michael (Mickey) McGown**





## Reply comments for DMCA rulemaking

I appreciate the opportunity to express my reply comments to the Copyright Office. As part of this rulemaking process to determine which classes of works might be exempted from the prohibitions in 1201, many people, including myself, have suggested that all classes should be exempt. I realize that would, in effect, overturn the law via rulemaking, which I doubt Congress intended. But there must have been some concern about how this rule would affect users of copyrighted works, enough to ask the Librarian to determine possible adverse effects. My "all classes should be exempt" position was, I'll admit, an over-reaction to the way the law is already being applied. In these comments, I will suggest an alternative.

I believe that the copyright law changes prompted by the DMCA have raised the attention of the public, particularly persons in the field of computers, because of a misunderstanding regarding congressional intent. I have studied this issue closely for several months because I see this law being applied in ways that I don't think were intended, in ways that will ultimately affect me. Interpretation of 1201 varies greatly, it mostly seems to depend on your point of view as a user of works versus as a creator of works. There are parts of 1201 that are worded such that it can reasonably be understood more than one way, and it is becoming a growing issue.

As a hobbyist musician, I understand and support the goal of protecting the rights of a copyright holder. I support the use of technological protection measures in the course of preserving rights granted to copyright holders. The statement, in 1201(a)(1)(A), "No person shall circumvent a technological measure that effectively controls access to a work protected under this title" seems like a good way to put it. It was correctly pointed out earlier in this process, that various measures have been in use for many years, both hardware and software, without too much of an adverse effect.

As an end user, however, my reaction to 1201 is sharp. Why? Because the new provisions are being interpreted as not tied to an act of infringement. An act of circumvention is seen as an indication of ill-will and separately punishable without the need for any accompanying wrongdoing. The same is being assumed for possession of the tools, and for allowing others to obtain the tools. I believe that this is a harmful and inconsistent interpretation, and not likely the intention of Congress.

I assert that one plausible reason that previous protection measures did not have serious adverse effects on non-infringing users is that they were easily, and legally, defeatable. Archival of protected floppy disks, for instance, requires a non-standard copy utility, but such tools have been legally available in the marketplace. I support the right of the copyright holder to apply such protection measures, but I can't support a blanket prohibition on the act of circumvention, especially when no infringement has occurred. The way 1201 is being applied, **any** act of circumvention is prohibited, even though it, as stated in 1201(a)(1)(B), "shall not apply to persons ... adversely affected ... in their ability to make noninfringing uses ." In the so-called "DeCSS" case in New York, this law is being applied where no infringement has occurred, which is clearly having an adverse affect on non-infringing users, if not uses.

As a professional electronics engineer, I am concerned that a legal "hands off" or a "you can't think this way" label applied to parts of programs, devices, or circuit schematics is an undue limitation imposed by the 1201 restrictions. Am I not allowed to study and discuss these methods or make my own equivalent methods? The "may not offer" provisions are being applied in ways that will limit discussion of functionality if there is a question of liability. Further, new product designs which may also have a circumvention capability are likely to run afoul of 1201. Adverse conditions to the engineering community are numerous, which is why I initially suggested to just exempt practically everything. There must be a way to achieve protection for the rights of copyright holders while not creating the far-reaching implications of a ban on a certain uses of technology.

In an attempt to understand the issues better, I have read most of the copyright law, news articles, chat bases, and court transcripts that pertain to this issue, searching for a position to balance the interests of all parties. As a result, I respectfully suggest that 1201(a)(1)(A) be worded, or at least interpreted in the courts, such that "and then infringes" is added. This simple addition would calm most of my concerns, and, I believe, the concerns of many others, because most of the vagueness is then removed. Although the rulemaking process was not empowered to reword the law, I believe that the report to Congress is an appropriate vehicle to suggest legislative changes, so it would not be improper to request clarification in that way.

At the risk of sounding extremist, I would like to offer an illustration of my thinking. While reading the opinions of others on this matter, I heard a facetious suggestion that, since strong encryption and decryption technology qualifies as a munition, our constitutional right to bear arms should allow one to possess tools of circumvention. I thought that to be a bit silly, but it brought to my mind what I believe was the intent of Congress when enacting 1201. Could it be seen as the intellectual property equivalent of the use of a weapon during the commission of a crime? It would be consistent, I suggest, with the existing laws for theft of physical property.

In the physical world, the use of a weapon during the theft of property increases the penalty imposed. It is important to note that possession of weapons themselves are specifically not prohibited, nor are many uses of weapons. I suggest that the same applies to the non-physical world of intellectual property. As circumvention methods also serve useful non-infringing purposes, I would like to point out a parallel. I believe that 1201 probably was intended to pertain only when infringement has occurred. In my opinion, rules to limit the study, creation, possession, and use of circumvention tools are otherwise problematic unless they are tied to actual acts of infringement. Just as possession of a weapon does not imply participation in a crime, neither does possession of circumvention tools imply participation in an infringing act. It cannot be assumed that an act of circumvention is followed by an act of infringement. I have a belief that it doesn't matter *what you know*, but it does matter *what you do* with what you know.

I do not advocate theft of service, and I do not expect access to copyrighted works for no charge. It has been difficult, at times, to explain why I disagree with 1201 without sounding as if I support such things. It is circumvention as a crime all by itself that creates a problem in my mind. Although this may not be the most appropriate forum, my suggestion to balance the interests of copyright holders against the interests of end-users is this: Don't prohibit circumvention generally, nor is there a need to exempt any classes of works. Instead, to be consistent with law in the physical world, interpret violation of 1201 as being when a circumvention tool was used in the commission of an act of infringement.

Thank you,

Mickey McGown  
mickeym@mindspring.com

**American Society of Composers, Authors and Publishers (ASCAP)**



Before the  
COPYRIGHT OFFICE  
LIBRARY OF CONGRESS  
and the  
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION  
UNITED STATES DEPARTMENT OF CONGRESS

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In the Matter of :  
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 :  
 : Docket No. 000522150-0150-01  
Report to Congress Pursuant to : RIN 0660-ZA13  
Section 104 of the Digital Millennium :  
Copyright Act :  
-----X

**REPLY COMMENTS OF THE AMERICAN SOCIETY OF COMPOSERS,  
AUTHORS AND PUBLISHERS**

The American Society of Composers, Authors and Publishers (“ASCAP”) hereby submits these reply comments in accordance with the Notice of the Copyright Office and the National Telecommunications and Information Administration of May 16, 2000, 65 Fed. Reg. 35673 (June 5, 2000) announcing this request for public comment pursuant to section 104 of the Digital Millennium Copyright Act (“DMCA”) on the effects of the DMCA and the development of electronic commerce on sections 109 and 117 of title 17 of the United States Code, and the relationship between emerging and existing technology and the operation of such sections.

**ASCAP’s Interest in this Proceeding.**

ASCAP is the oldest and largest musical performing rights society in the United States with a repertory of millions of copyrighted works and more than 100,000 songwriter

and publisher members. ASCAP is also affiliated with over 60 foreign performing rights organization around the world and licenses the repertoires of those organizations in the United States.

ASCAP members, as creators and owners of copyrighted musical works, enjoy exclusive rights in those works as are granted under section 106 of the Copyright Act. These rights include the right to perform the works publicly, the right to produce the works in copies and the right to distribute such copies. On behalf of its members and affiliated foreign performing rights societies, ASCAP licenses only their non-dramatic public performance rights.

The types of users to whom ASCAP grants public performance licenses are wide and varying, and include, for example, television and radio broadcasters, hotels, nightclubs and college and universities. As new means of technology have been created to transmit music, ASCAP has sought to offer new forms of licenses appropriate to these mediums. Thus, as transmission of copyrighted musical works became possible over the Internet, ASCAP became the first performing rights organization to license these transmissions. Currently, ASCAP has entered licenses with the operators of well over a thousand web sites that perform copyrighted music.

As a licensor of performance rights, ASCAP's interest focuses on those comments that implicate directly or indirectly the section 106(4) exclusive right of performance. Most comments focus on the effects on sections 109 and 117. Numerous comments, however, directly or indirectly reach beyond sections 109 and 117 to other sections of the copyright law that are not presently under consideration. Such commentators are inappropriately using this proceeding as a forum to advocate legislative positions that would benefit their particular

industry. For example, certain comments propose not only an extension of the first sale doctrine to distributions of electronic versions of copyrighted works made by means of transmission, but also advocate the right permanently to archive such materials – the latter being a subject of section 108. See Comments of the Library Associations.

More relevant to ASCAP, one commentator, the Digital Media Association (“DiMA”), suggests amending section 110(7), to extend to online sellers of copyrighted music the exemption that section provides to the section 106(4) right of performance. See Comments of the Digital Media Association at 21. DiMA is an association of operators of dozens of Internet web sites, many of which perform ASCAP music by way of transmissions. ASCAP has entered into performance licenses with many DiMA web sites and ASCAP’s members are being compensated for the use of their music by the DiMA sites. DiMA’s request to extend the section 110(7) license to web sites would effectively deprive ASCAP’s members of their just compensation for the use of the copyrighted works; instead they would get a free pass for performances of music that ASCAP currently licenses. As set forth below, DiMA’s comments regarding section 110(7) and all other comments advocating a limitation to the exclusive right of performance should not be considered (and, indeed, have no merit).

**This Proceeding is Limited to a Study of Sections 109 and 117 and Comments Implicating Any other Sections of the Copyright Law Should be Ignored.**

Congress, in enacting the DMCA, believed that emerging technologies might have effects on certain aspects of copyright law. Accordingly, the DMCA required the Copyright Office, either alone or with the Department of Commerce, to conduct studies and prepare evaluations on the interaction between emerging technologies and certain aspects of the copyright law. First, section 403 of the DMCA directed the Copyright Office to submit to

Congress recommendations on how to promote distance education through digital technologies while maintaining a balance between the rights of copyright owners and users. Second, section 1201(g)(5) directed the Copyright Office and Department of Commerce to report on the effects of the encryption research exemption on the prohibition on unauthorized circumvention of access control measures under section 1201(a)(1)(A). Finally, Congress directed the proceeding at hand to study the effects of the DMCA and electronic commerce on, and the relationship emerging technologies has with, sections 109 and 117.

Congress specifically limited the studies to only specific aspects of emerging technologies and copyright law. The study at hand, as noted by one commentator, was originally proposed as a general review of the copyright law and its relationship to electronic commerce. See Sec. 205(a), H.R. 2281 as originally reported. However, the House revised this provision, limiting the study to focus only on sections 109 and 117, the only two sections that Congress believed might require further evaluation due to emerging technologies and electronic commerce, and as revised it was passed into law. Accordingly, the Copyright Office and Department of Commerce were directed by Congress to limit their evaluation to the effects of the DMCA and the development of electronic commerce on sections 109 and 117 and the relationship between emerging technologies on sections 109 and 117.

Section 109, the “first sale doctrine” is a limitation on the section 106(3) right of distribution, and section 117 is a limitation on the section 106(1) right of reproduction. Neither section invokes or limits in any manner the right of performance – the only right which is the subject of section 110(7). Section 110(7) is therefore not under consideration



and DiMA's comments relating to it and any other comments proposing to limit section 106(4), should be ignored.<sup>1</sup>

### **Section 110(7) Should Not be Expanded to Cover Internet Performances**

DiMA's argument that the section 110(7) retailer exemption to the right of performance can and should be extended to online music retailer music businesses marketing and selling copyrighted music is not only inappropriate in this proceeding, but also has no merit. Section 110(7) is a limited exemption. It only applies if certain conditions are met: First, the exemption is limited to record stores – “vending establishments open to the public at large without any direct or indirect admission charge.” Second, the purpose of the performance can only be to demonstrate the recordings being sold -- the “sole purpose” of the performance must be to promote the retail sale of recordings.<sup>2</sup> Third, the performance must occur at the physical place where the retail store is located (and in the department where recordings are sold) -- the performance must “not [be] transmitted beyond the place where the establishment [must be] located and is within the immediate area where the sale is occurring.”<sup>3</sup>

DiMA is advocating a radical expansion of the exemption to allow Internet services which sell recordings to transmit performances of those recordings. Currently,

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<sup>1</sup> Some commentators advocate an amendment that would serve to preempt contractual license terms that limit use of a copyrighted work in any way. See Comments of the Library Associations at 23. ASCAP believes that such an amendment to Section 301(a) is not under consideration in this proceeding and would be completely inappropriate and unnecessary. Open and free voluntary licensing is the core of our copyright system. Indeed, ASCAP has entered into licenses with well over a thousand Internet web sites. Appropriate remedies for copyright misuse currently exist; legislative action as has been suggested is inappropriate.

<sup>2</sup> It should be noted that DiMA's comments misleadingly omit from the quotation of the language from section 110(7) the phrase “sole purpose.”

<sup>3</sup> In 1998, the exemption was amended to include appliance stores that sold devices which played music, such as stereos, under the same conditions and limitations. Pub.L. No. 105-298, 112 Stat. 2827, 2830.

ASCAP licenses well over a thousand Internet web sites, including sites within DiMA's membership. Included within these sites are web sites that sell music files to the public and permit free sampling of such music (e.g. Emusic.com) as well as sites that supply such samples to the online retailers (e.g. Discovermusic.com). There is no justification for an expansion of the section 110(7) exemption to these web sites. Rather, it would be a "free pass" for those selling performances of music to avoid paying ASCAP's members, the creators and owners of the intellectual property from whom they were profiting.

The reason why Congress did not allow any exemption for transmissions of musical performances under section 110(7) applies with equal force to physical and "virtual" record stores: When a performance is given at a record store, it cannot be used by the store or the customer for any other purpose. The customer cannot "take" the performance away from the store, nor can the store profit from the performance in any way other than to demonstrate the sale of the record.

But just the opposite is true for a transmission of music on the Internet. Either by way of downloading or streaming the music, the "customer" can listen to the music at home, as a substitute for other means of performance, such as a broadcast radio station, an on-line audio Webcaster, or any other transmission entity which must pay performing rights fees to the creators and copyright owners of the music performed. There is nothing to stop a "customer" of a "virtual" record store from using the performances of music as a source of music without ever buying a record. In a physical record store, that possibility is meaningless, for the performance cannot be "used" away from the premises – and Congress, by refusing to extend the exemption to transmissions, insured that it would not

be so misused. An “online” record store is, however, no different from a radio station. Indeed, there would be nothing to prevent the “online” record store from benefiting from the performances without any sale of records; such benefits are routinely gained by sites so performing music (as, for example, a means of attracting “hits” from Websurfers to support advertising sales on the Website). Like a radio station, it should pay for the intellectual property it is using by performance.

Congress knew what it was doing when it refused to extend the exemption to transmissions. There is no good reason to allow expansion of that exemption now.

### **Conclusion**

For the above reasons, the Copyright Office and the National Telecommunications and Information Administration should give no weight to DiMA’s comments regarding section 110(7) and any other comments which indirectly or directly serve to limit the section 106(4) right of performance.

Dated: September 5, 2000

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Respectfully Submitted,

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**Bryan Taylor**



**Reply Comment in Response to the  
Copyright Office Request for Comments  
on Sections 109 and 117 of the Copyright Act (June 5, 2000)**

Federal Register: June 5, 2000 (Volume 65, Number 108)  
Notices - Page 35673-35675

LIBRARY OF CONGRESS  
The United States Copyright Office

DEPARTMENT OF COMMERCE  
National Telecommunications and Information Administration

This comment is filed by Bryan W. Taylor, an American citizen, as a private individual.

I would like to express my gratitude to the Copyright Office for affording the public the opportunity to provide input.

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## General Reply Comments

There seems to be much unease in the words of several comments regarding the interaction of the DMCA with so-called "shrinkwrap" or "clickwrap" contracts. It should be noted that most courts who have considered such contracts have found them to be unenforceable, and nothing in the DMCA should change this.

Only one Federal judge (Easterbrook of the 7th Circuit) has really held otherwise, and his opinion has been severely criticized by many authors. See *Nimmer et. al Metamorphosis of Contract Into Expand* 87 Calif. L. Rev. 17 Jan. 1999 for a masterful rejection of Easterbrook's preemption analysis from the foremost authority on copyright. Easterbrook's bizarre reasoning "money now, terms later" has not been followed by other courts. I prefer to call this "attack by offer", since as other courts have noted, you must expend resources to reject the offer, which equates acceptance to certain activities with your own property.

To every individual and organization, I hereby publicly notice this 'usewrap' contract offer: "By using or benefiting from any open source technology including but not limited to those that create the internet (sendmail, apache, bind, perl) you accept this contract: Notwithstanding licence restrictions stating otherwise, you provide overriding universal authorization to all third parties for all activities that would otherwise be allowed by fair use and/or first sale, including 'authorization' to decrypt works protected with access controls; as consideration I will make a donation to the Electronic Frontier Foundation sometime in the next year."

Besides the above reduction to the absurd, there are three lines of reasoning the force the rejection of clickwrap licenses: (1) the law of adhesion contract formation, (2) the supremacy of federal law over state contract law, and (3) misuse of copyright.

The following caselaw support these conclusions:

Vault Corp. v. Quaid Software Ltd., 847 F.2d 255 (5th Cir. 1988)  
Step-Saver Data Sys., Inc. v. Wyse Tech., 939 F.2d 91 (3d Cir. 1991)  
Arizona Retail Systems v. The Software Link, Inc., 831 F. supp. 759 (D. AZ 1993)  
Novell v. Network Trade Center 25 F. Supp. 2d 1218 (C.D. Utah 1997)  
Expeditors v. Official Creditors 166 F.3d 1012 (9th Cir 1999)  
Lasercomb America, INC. V. Reynolds, 911 F.2d 970 (4th Cir. 1990)  
DSC Communications. Corp. V. DGI Techs., 81 F.3d 597 (5th Cir. 1996)  
Bobbs-Merrill Co v. Straus, 210 U.S. 339 (S. Ct. 1908)  
Bauer & Cie. v. O'Donnell, 229 U.S. 1 (1913)  
Motion Picture Patents Co. v. Universal Film Mfg. Co. 243 U.S. 502 (1917)

It should be noted that Vault v. Quaid rejected a shrinkwrap no reverse engineering



clause in spite of explicit support by a Louisiana statute similar to the UCITA bill which most states are now tabling. (UCITA has passed only two states and Iowa passed a bill protecting its citizens from other states enforcement of UCITA).

Judge Green put it best in *Novell v. Network Trade Center*:

Most courts that have addressed the validity of the shrinkwrap license have found them to be invalid, characterizing them as contracts of adhesion, unconscionable, and/or unacceptable pursuant to the U.C.C. *Step-Saver*, 939 F.2d 91; *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255 (5th Cir. 1988); *Rich, Mass Market Software and the Shrinkwrap License*, 23 Colo. Law. 1321.17. A minority of courts have determined that the shrinkwrap license is valid and enforceable. See, *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1453 (7th Cir. 1996); *Microsoft v. Harmony Computers*, 846 F. Supp. 208, 212 (E.D.N.Y. 1994).

This Court holds that transactions making up the distribution chain from Novell through NTC to the end-user are "sales" governed by the U.C.C. Therefore, the first sale doctrine applies. It follows that the purchaser is an "owner" by way of sale and is entitled to the use and enjoyment of the software with the same rights as exist in the purchase of any other good.

We can now add Judge Kaplan and *Universal v. Reimerdes* to the list of "minority of courts". He called such notions of First Sale "sophistry", without giving any citation at all and without acknowledging the existence of section 117 or of 109 of the copyright act. It is especially interesting that Kaplan does not even mention 17 USC 109(c) which states precisely that First Sale communicates the right to display to those present where the physical copy is. Nor does he cite the opinions of his peers like the one above. Sophistry indeed!

The idea that first sale does not apply to software because it is "licensed" is resoundingly refuted by Nimmer in *Metamorphosis* who traces its etymology in footnote 84:

It is instructive to undertake some archaeological excavation into the myth that a separate "licensing" paradigm exists. One student commentator maintains that "if the software is only licensed, then the software developer may prevent the user from transferring ownership in a copy to a third party." Ira V. Heffen, Note, *Copyleft: Licensing Collaborative Works in the Digital Age*, 49 Stan. L. Rev. 1487, 1499 (1997). As support, the Note cites the current case of *Microsoft v. Harmony* and traces its genealogy back to a handbook published by the Practising Law Institute. See *id.* at 1494 n.37 (citing William H. Neukom & Robert W. Gomulkiewicz, *Licensing Rights to Computer Software*, in *Technology Licensing and Litigation* 1993, at 778 (PLI Patents, Copyrights, Trademarks & Literary Property Course Handbook Series No. G4-3897, 1993), available in WESTLAW, 354 PLI/Pat 775). The authors of that PLI handbook serve as Senior Vice President for Law and Corporate

Affairs and Senior Corporate Attorney, respectively, with Microsoft Corporation. They explain "that software publishers license rather than sell software in order to negate the doctrine of first sale...." Id. One must congratulate their employer on realizing, in *Microsoft v. Harmony*, its goal-conceded with admirable candor - of voiding copyright's first-sale doctrine. Nonetheless, for the reasons set forth in the text, the statute itself does not permit that result, to the extent that the underlying essence of the transaction results in a user obtaining ownership of the physical product containing the copyrightable expression.

However, one should note that, true to form, Microsoft did not innovate, but rather embraced and extended the idea of using a "license" to eradicate first sale rights. Nearly a century ago Supreme Court dicta taught us "to call the sale a license to use is a mere play upon words" *Bauer & Cie. v. O'Donnell*, 229 U.S. 1 (1913). Microsoft has merely rehashed a tired and sorely refuted idea.

## **Reply Comment to Ken Wasch of SIIA**

Ken Wasch of the SIIA writes:

<quote>

With regard to section 117, our only general comment relates to the public perception and interpretation of the section 117 exception. All too often, we have become aware of persons engaged in software and content piracy who are using section 117 as the justification for their actions. For instance, we have come across numerous people who attempt to auction off their so-called back-up copies of their computer software or who make pirate software available on websites, ftp sites or chat rooms under the guise of the section 117 back-up copy exception.

One need look no further than the testimony of Robin Gross of the Electronic Frontier Foundation during the 1201(a)(1) rulemaking as evidence of the misunderstanding of the scope and effect of section 117. In her testimony, she claimed to have the right to make a back-up copy of a DVD for personal use, but when asked for the legal basis for her claim, she stated that she was unfamiliar with section 117.

MR. CARSON: What other fair uses of a DVD can't engage in under the current regime?

MS. GROSS: If I want to make a back-up copy for my own personal use.

MR. CARSON: Okay. Let's stop with that. What case law tells you that you have a fair use right to make a back-up copy of the DVD for your own personal use?

MS. GROSS: I think that *Sony v. Universal City* says that.

MR. CARSON: Really? That's an interesting proposition.

MR. MARKS: I don't think Sony says that.

MS. GROSS: Software law specifically allows you to do that, and DVDs certainly fall under software.

MR. CARSON: DVDs fall within Section 117, is that what you're saying?

MS. GROSS: DVDs are software.

MR. CARSON: Okay. Are you saying that they're covered by Section 117?

MS. GROSS: I'm not really sure what 117 is.

MR. CARSON: Okay. You might want to take a look at it, and let us know in your post-hearing comments.

</quote>

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Reply:

First, the statute:

117 Limitations on exclusive rights: Computer programs

(a) Making of Additional Copy or Adaptation by Owner of Copy.- Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or

(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

Mr. Wasch makes a reasonable comment about care being required for interpretation of the section 117 exception. We can all believe that piracy is sometimes committed under the smoke screen of these sections. Nothing in 117 authorizes trading of archival copies, and in fact archival copies must be "destroyed" if the possession ceases to be rightful, and such copies can be "for archival purposes only".

Next, however, Mr. Wasch proceeds to attack Ms. Gross of the EFF on a completely unrelated matter. The transition is a non sequitur. Ms. Gross is not advocating claiming 117 protection to trade works. While 117 does not support piracy, neither does Ms. Gross, and her comments are in fact technically correct. Even if she was unfamiliar with section 117, it clearly supports her point.

Moreover, she refers to "software law" and cites Sony v. Universal Studios. Both references do lend support the assertion that a consumer has a "fair use right to

make a back-up copy of the DVD". Moreover, 117(a)(2) explicitly supports this. It is a shame that Ms. Gross did not simply answer "Yes" when asked if DVD's are covered by section 117. Mr. Wasch does not even argue the point that she was wrong, but seems to merely revel in the fact that Ms. Gross, when put on the spot, was unable to recall the specifics of the statute that does in fact support her position.

First of all, the holding in Sony states "Any individual may reproduce a copyrighted work for a 'fair use'; the copyright owner does not possess the exclusive right to such a use." It continues that the test for a device capable of creating copies is 'commercially significant noninfringing uses'. Citing Sony, the district Court in *Vault v. Quaid*, 655 F. Supp. 750 (E.D. LA 1987) denied a claim of copyright infringement against copyprotecton defeating software. "The Court concludes that Quaid has met its burden of bringing itself within the § 117 archival exception. CopyWrite is capable of 'commercially significant noninfringing uses.'" It appears that Judge Heebe disagrees with Mr. Marks assertions, and does believe that 'Sony says that'. Thus 'software law' and Sony do support archival copies of DVD's if a DVD is software, as Ms. Gross asserts.

Of note, a separate issue in this case found a contractual reverse engineering prohibition preempted under Copyright law, despite Louisiana's adoption of a predecessor to UCITA. This finding was appealed and affirmed by the 5th Circuit 847 F.2d 255 (5th Cir. 1988), and clearly provides part of the foundation for the reverse engineering exception embodied by Congress in 1201(f). This is closely related to the concept of misuse of intellectual property.

Mr. Wasch started out with the desire for greater education with regard to section 117. He cites public misunderstanding with regard to what you are allowed to do with computer programs under the statute. Ironically, he falls into a common misunderstanding on the interpretation of this very section with regard to what constitutes a computer program. While Mr. Wasch chastises Ms. Gross for not being studied on 117, he himself seems to overlook the very broad definition of computer program that has been adopted by Congress as the last sentence of 101. It seems that smoke screens are used by both sides to avoid correct 117 analysis. A DVD is clearly a "computer program" under the definition set forth in the Copyright Act (17 USC 101):

A "computer program" is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.

There is a common public misconception that a DVD is no different than a VCR tape. Some people mistakenly believe that a DVD merely contains the digitized pictures of the movie. This is demonstrably false. In fact, there are at least three different types of software instructions used on DVD's that qualify it for

117 exemption status.

First, the menu structure and navigation commands are present on the DVD. These commands are there to "mark-up" the video and synchronize the sound. These are exactly analogous to HTML, the programming language for web-page markup, see *Actonet v. Allou Health & Beauty*, 99-1855, (8th Cir. 8/1/00). These commands must be created with specialized DVD "authoring" programs such as DVDMotion. For example, see <http://store.yahoo.com/dvd4u/dvdmotionpage.html> . The command language is so rich that the video game "Dragon's Lair" has been successfully created in it, using the same commands available to any DVD movie, see <http://www.yanman.com/HomeTheater/Reviews/DragonslairReview.htm> for a review. Note that this game is played on an ordinary DVD player, and controlled using nothing but "using the DVD player remote".

Second, the technological protection measures on DVD's are clearly computer programs. These implement the encryption, and keys management, in a three tiered structure of player keys, disk keys, and title keys. The disk and title keys stored on the DVD, and are clearly part of the computer programs intended to 'bring about [the] result' that access to the specific movie occurs with the authority of the copyright holder (ie after First Sale). While much of this functionality lies off the DVD in the player program, not all of it does. The part on the DVD qualifies it for 117 protection, and also allows the reverse engineering for interoperability of DVD's under 1201(f).

Finally, compression technologies are used to reduce the storage space the movie requires. For DVD's, video is compressed in the MPEG-2 standard, while sound uses AC-3. Compression consists of software instructions that describe how to recreate the picture or sound instead of providing the picture directly. The compression instructions are used to guide the computer through the reconstruction of a "lossy" copy of the 'as recorded' digital movie.

So, indeed, a DVD clearly contains computer programs that qualify for the archival exception under section 117(a)(2), just as Ms. Gross asserted.



**Broadcast Music, Inc. (BMI)**





Before the  
U.S. COPYRIGHT OFFICE  
LIBRARY OF CONGRESS  
and the  
NATIONAL TELECOMMUNICATIONS AND  
INFORMATION ADMINISTRATION  
U.S. DEPT. OF COMMERCE  
Washington, D.C.

\_\_\_\_\_  
In the Matter of )

NOTICE OF INQUIRY REGARDING )  
SECTIONS 109 AND 117 )  
OF THE U.S. COPYRIGHT ACT )

) Docket No. 000552150-0150-01  
)  
)  
\_\_\_\_\_)

**REPLY COMMENTS OF BROADCAST MUSIC, INC.**

On May 16, 2000, the U.S. Copyright Office ("Office") and the National Telecommunications and Information Administration ("NTIA") issued a Notice of Inquiry in the above-referenced rulemaking proceeding to request written comments from interested parties in order to elicit information and views on the effect of electronic commerce on the operation of sections 109 and 117 of the U.S. Copyright Act (the "Act"), in accordance with Section 104 of the Digital Millennium Copyright Act of 1998 ("DMCA"). See 65 Fed. Reg. 35673-75 (June 5, 2000) ("Notice"). See also Pub. L. No. 105-304, 112 Stat. 2860 (1998). The Notice provides that the Register of Copyrights and the Assistant Secretary for Communications and Information of the Department of Commerce are to issue a report to Congress with respect to the relationship between emerging technology and the operation of these statutory

sections. On or before August 4, 2000, numerous parties submitted initial comments.

These reply comments are submitted on behalf of Broadcast Music, Inc. ("BMI"). BMI's comments primarily address the comments of the Digital Media Association ("DiMA") and The Home Recording Rights Coalition ("HRRC") and others who are proposing unwarranted new exemptions in the copyright law affecting music licensing.

BMI licenses the public performing right in approximately four and one-half million musical works on behalf of its 250,000 affiliated songwriters, composers and publishers, as well as thousands of foreign works through BMI's affiliation agreements with over sixty foreign performing right organizations. BMI's repertoire is licensed for use in connection with performances by over a thousand Internet web sites, as well as by broadcast and cable television, radio, concerts, restaurants, stores, background music services, sporting events, trade shows, corporations, colleges and universities, and a large variety of other users.

In the initial comments three amendments to the Act were proposed that would, if adopted, adversely affect the interests of copyright owners. All three of these amendments should be recognized for what they are: efforts by music-using new media entities to preempt the legitimate commercial interests of music copyright owners in an evolving marketplace. DiMA and HRRC offer no evidentiary support for their arguments, and it is doubtful whether their proposals would be compatible with either the Berne

Convention or the WIPO Copyright Treaty. BMI therefore supports the comments of the Copyright Industry Organizations ("CIO") that no changes to Sections 109 and 117 are required, and further urges the Office and the NTIA to reject DiMA's invitation to amend Section 110(7) of the Act. In any case, whatever is done concerning the first sale doctrine must not affect the public performing right in digital transmissions of musical works.<sup>1</sup>

I. The First Sale Doctrine Should Not Be Expanded to Digital Transmissions.

BMI is concerned that if Congress were to enact an exemption to the distribution right in Section 106(3) of the Act for digital transmissions of musical works, such an exemption would be claimed by users to cover all other copyright rights in the "exempt" transmissions, including the right of public performance. As stated above, BMI does not support an expansion of the first sale doctrine. However, should the first sale doctrine be extended in any way, such extension must expressly provide that it in no way affects the public performing right in such transmissions.

Today, digital networked transmissions on the Internet for downloading are different from distributions of physical media because they implicate more copyright rights -- including the public performing right, the public display right and the reproduction right in addition to the distribution right. As copyright owners point out, digital transmissions by downloading

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<sup>1</sup> This includes musical works embodied in sound recordings, audiovisual works or multimedia works.

invariably result in a reproduction retained by the recipient. CIO Comments at 4. This is so whether the sender keeps his or her copy or discards it. Moreover, the Internet permits multiple copies to be sent simultaneously by the sender to different recipients. Time Warner Comments at 1. As the copyright owners point out, reproduction rights are not exempted by the first sale doctrine. Id.

Digital transmissions on the Internet when made to the public also constitute public performances of the underlying musical works under Section 106(4) of the Act. For example, when a Napster user makes his or her music collection available to the public for downloading without authorization of the copyright owners, the copyright owners' public performance rights in those songs are implicated.<sup>2</sup> The first sale doctrine in Section 109 does not apply to the public performing right. 2 Nimmer § 8.12[D]. Such transmissions require public performing rights licenses. The first sale doctrine should not be extended to digital transmissions if doing so would adversely impact the public performing right in musical works in any way.

When Congress passed the Digital Performance Right in Sound Recordings Act of 1995 ("DPRA"), Congress clarified the

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<sup>2</sup> The court confirmed the "public" nature of the activities of Napster users in a case involving reproduction rights. A & M Records, et al. v. Napster, Inc., No. C99-5183 MHP (N.D. Cal.), Slip op. at 20, 2000 U.S. Dist. LEXIS 11862 (p. 16) ("Sampling on Napster is not a personal use in the traditional sense that courts have recognized..."); preliminary injunction issued by district court stayed, 2000 U.S. App. LEXIS 18688 (9<sup>th</sup> Cir. 2000).

applicability of the mechanical compulsory license to digital phonorecord deliveries. In so providing, it preserved the applicability of the public performing right to digital transmissions. 17 U.S.C. § 115(d).<sup>3</sup> In reviewing the DPRA, Nimmer observes that "the prudent course would seem for purveyors of the new digital services to pay royalties under both theories [i.e., performance and mechanical]. Perhaps, sub rosa, that is the intent underlying this legislation." 2 Nimmer § 8.24[B]. See also Kohn on Music Licensing (Second Edition) 1999 Supplement at page 101 ("Under current law, in our view, all transmissions constitute either a performance or a display (some of which may be to the public).") (emphasis in original).<sup>4</sup>

DiMA's proposed exemption covering digital transmissions is based primarily on an argument for "consumer convenience." DiMA Comments at 13. When presented with similar fair use arguments

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<sup>3</sup> See also 17 U.S.C. § 115(c)(3)(K) ("Nothing in this section annuls or limits (i) the exclusive right to publicly perform a sound recording or the musical work embodied therein, including by means of digital transmission..."). The Copyright Office regulations reflect the statute in this regard. See 37 CFR § 255.8.

<sup>4</sup> In a recent decision the Second Circuit confirmed that each step in the process by which a protected work wends its way to its audience constitutes a public performance. NFL v. PrimeTime 24 Joint Venture, 211 F.3d 10 (2d Cir. 2000). Moreover, Section 101 of the Act states that it does not matter whether members of the public receive the transmission in the same place or in separate places, or at the same time or at separate times. 17 U.S.C. § 101 (definition of perform "publicly"). Transmissions to a single person (including on demand transmissions) therefore can be public performances under the Act. See, e.g., On Command Video Corp. v. Columbia Pictures Industries, 777 F. Supp. 787 (N.D. Cal. 1991); see also WIPO Copyright Treaty, Art. 8 ("making available right").

about "space shifting" music, federal courts have rejected such arguments. For example, in granting an injunction against MP3.com, the Southern District of New York stated: "Copyright... is not designed to afford consumer protection or convenience but, rather, to protect the copyright holders' property interests." UMG Recordings, Inc., v. MP3.com, 92 F. Supp. 2d 349, 352 (S.D.N.Y. 2000).

DiMA and HRRC premise their arguments for this new exemption on the fear that e-commerce in music will be stunted without legislative "clarity" on the scope of the first sale limitation. DiMA Comments at pp. 2-3; HRRC Comments at 3. DiMA's comments in this proceeding contain little evidence to support this claim. DiMA itself observes that there has been an explosion in webcasting since DiMA submitted its congressional testimony in 1998 and since the Ashcroft and Boucher-Campbell bills were first proposed. DiMA Comments at pp. 1-2 and 4-6. It cannot be denied that the Internet is literally awash with transmissions of unauthorized, unlicensed music in the form of digital MP3 files.<sup>5</sup> Yet, even in the face of this rampant piracy, Jupiter Communications reports digital downloads are expected to result in a \$1.5 billion commercial market by the year 2005 (DiMA Comments at 7), notwithstanding the different treatment in the

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<sup>5</sup> Napster Slip op. at 37, 2000 U.S. Dist LEXIS 11862 (p. 26) ("Any destruction of Napster, Inc. by a preliminary injunction is speculative compared to the statistical evidence of massive, unauthorized downloading and uploading of plaintiffs' copyrighted works - as many as 10,000 files per second, by defendant's own admission").

Act for digital embodiments. Accordingly, it is hard to make a factual case that Section 109 is inhibiting digital transmissions.

DiMA attempts to buttress its argument for an expansion of Section 109 with claims that new digital rights management (DRM) tools will soon enable copyright owners to transmit secure, encrypted files that will protect against unauthorized multiple copying by consumers. In fact, DiMA claims that passing a copyright exemption will force owners to create better DRM tools that ensure deletions of users' files, or that transfer encryption keys along with files. DiMA Comments at 7. This is scant comfort to copyright owners, as DRM tools are at a nascent stage of development and not yet in widespread use in the market. Moreover, when owners do implement encryption tools such as DeCSS, they are susceptible to being hacked. See Universal City Studios, et al. v. Reimerdes, 82 F. Supp. 2d 211 (S.D.N.Y. 2000)

In summary, while it is clear that there is a strong demand for music online, it is not yet known which of several business models will emerge as commercially viable. In these circumstances, it seems at a minimum quite premature to consider enacting a new copyright exemption to the distribution right that would affect the online music delivery market at this time. Indeed, the Berne Convention and the WIPO Copyright Treaty require that the market be given an opportunity to develop. These treaties prohibit limitations on copyright that interfere with copyright owners' legitimate business opportunities, whether they are established licensing practices or prospective in

nature. Accordingly, the proposal to extend Section 109 to digital transmissions should be rejected. It is of critical importance that in the event that some action is taken to extend the first sale doctrine to digital transmissions it must not affect the public performing right in digital transmissions of musical works.

II. Section 117 Should Not Be Amended to Exempt the Reproduction Rights in Streaming Music

DiMA's second proposed amendment -- to Section 117 of the Copyright Act -- involves exempting the reproduction right in streaming media, where a portion of the material is captured in a temporary "buffer" at the user's computer. BMI agrees with the CIO comments that no change to Section 117 is warranted at this time. Section 117 has nothing to do with the broadcasting of music and any attendant reproduction rights issues, and there is no indication in Section 104 of the DMCA that Congress intended that this inquiry should involve music or broadcasting-related issues on the Internet. In view of the explosion of webcasting since 1998 cited by DiMA, it is difficult to see how a brand new exemption is necessary to foster webcasting over the next several years. The Office and the NTIA should therefore decline the DiMA's invitation to address these matters in the context of this proceeding.



III. The Record Store Exemption in Section 110(7) Should Not Be Extended to Online Record Stores.

DiMA inappropriately exceeded the scope of this DMCA inquiry by suggesting that Section 110(7) of the Act must be amended to "clarify" that it applies to online music "stores" (DiMA Comments at 21), and the Copyright Office should not consider this proposal for a new exemption to the public performing right in this proceeding. As DiMA's comments reveal, Section 110(7) clearly has no application whatsoever to Internet uses. As currently in effect, it is limited to brick and mortar establishments. This exemption in the Act provides a limitation on the copyright owner's exclusive right in a very specific context. The only time an exempted performance can be given is to promote the retail sale of a phonorecord at a "vending establishment...without any direct or indirect admission charges...". Furthermore, the performance cannot be "transmitted beyond the place where the establishment is located". Under DiMA's amendment, the location of the establishment would be co-extensive with the Internet itself - i.e., *the world*.

In addition, as currently written, for the exemption to apply the sole purpose of the performance must be to promote the retail sale of copies or phonorecords of the work, or of the audiovisual, or other devices utilized in such performances. 17 U.S.C. § 110(7). If, as in Chappell & Co. v. Middletown Farmers Market and Auction Co., 334 F.2d 303 (3d Cir. 1964), there is a dual purpose of sales promotion and entertainment, Section 110(7) would not protect the user in any event. BMI contends that

"online record stores" have dual entertainment and promotion purposes that are prohibited under Section 110(7).

Furthermore, virtually all web sites with music can provide links to record retailers like CD Now and can claim that their music is "related" to the promotion of a sale. BMI believes that licensing music rights online is a more appropriate solution to the issue raised by DiMA. For example, BMI currently licenses a music service which provides music clips to online record stores, and this market would be disrupted (if not outright lost) if DiMA's exemption were to be enacted. Accordingly, the Office and the NTIA should reject the DiMA proposal on both procedural and substantive grounds.

IV. CONCLUSION

The exemptions sought in Sections 109, 117 and 110(7) of the Act should be rejected at this time. BMI looks forward to working with the Office and the NTIA to assist them with their statutory directive, including testifying on these issues, and also looks forward to monitoring developments in the area of emerging technologies and their impact of various aspects of U.S. copyright law.

Respectfully submitted,

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**Arnold G. Reinhold**



**Reply to comments of Przemek Klosowski, Ph.D.** on the effects of the amendments made by title 1 of the Digital Millennium Copyright Act, ("DMCA") and the development of electronic commerce on the operation of sections 109 and 117 of title 17, United States Code, and the relationship between existing and emerging technology and the operation of such sections.

Dr. Klosowski writes: "...the anti-circumvention rule does not protect IP---it is already protected by the previous law. Instead, DMCA protects the control of delivery of IP. For instance, the content brokers can prevent the consumer from fast-forwarding over commercial advertisements included in the IP that the consumer purchased."

I support Dr. Klosowski's position, but I believe that there is much more at stake here than preventing consumers from fast-forwarding over commercials. The technical protection measures that DCMA addresses can also be used by foreign governments to prevent unwanted content from being viewed by its residents. This is the digital-millennium equivalent of the jamming of Radio Free Europe during the Cold War. An attempt by a US Citizen to bypass those measures, for example by buying a DVD movie about Tibet and re-coding it so that it is playable by a Chinese-zoned DVD player, could be prosecuted under DCMA as an act of circumvention. The tools for producing such a re-coded DVD are similarly proscribed under this law, as interpreted by its supporters and US district Judge Kaplan.

Here is the testimony of Dean Marks, Senior Counsel, Intellectual Property for Time Warner, given at the Stamford Library of Congress hearing on DCMA (transcript page 262):

1           MR. MARKS: Another reason why we need  
2 regional coding, why we do regional coding is that  
3 the law in various territories is different with  
4 regard to censorship requirements. So we cannot  
5 simply distribute the same work throughout the world  
6 in the same version. Local laws impose censorship  
7 regulations on us that require us to both exhibit  
8 and distribute versions of the films that comply  
9 with those censorship requirements.

The DCMA makes violations of the censorship laws of every dictatorship in the world enforceable against US Citizens in US Courts. This violates the "first sale" doctrine and is an outrage in a country that professes to promote freedom throughout the world.

Respectfully submitted,

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September 5, 2000





**National Music Publishers' Association**



UNITED STATES COPYRIGHT OFFICE  
LIBRARY OF CONGRESS  
AND THE  
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION  
DEPARTMENT OF COMMERCE

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)  
In Re Request for Public Comment )  
In Preparation for Report to )  
Congress Pursuant to Section 104 of )  
The Digital Millennium Copyright )  
Act )  

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Docket No. 000522150-0150-01

**SUPPLEMENTAL REPLY COMMENTS OF  
NATIONAL MUSIC PUBLISHERS' ASSOCIATION**

The National Music Publishers' Association, Inc. ("NMPA") submits these supplemental Reply Comments pursuant to the Notice of the Copyright Office and the National Telecommunications and Information Administration in the above-referenced matter, initiated June 5, 2000, 65 Fed. Reg. 35673.

NMPA is the principal trade association representing the interests of music publishers in the United States. The more than 600 music publisher members of NMPA, along with their subsidiaries and affiliates, own or administer the majority of U.S. copyrighted musical works. NMPA's wholly owned subsidiary, The Harry Fox Agency, Inc., acts as licensing agent for more than 26,000 music publishers, who in turn represent the interests of hundreds of thousands of songwriters. The Harry Fox Agency acts on behalf of its publisher-principals in connection with licensing the Internet distribution of music, as well as other, more traditional uses of music in recordings, motion pictures and other audiovisual productions.

NMPA has participated in this inquiry by filing joint Comments and Reply Comments along with the American Film Marketing Association, the Association of American Publishers, the Business Software Alliance, the Motion Picture Association of America, and the Recording Industry Association of America (hereinafter “Copyright Owners Comments” and “Copyright Owners Reply Comments”). We fully support those filings. We wish to offer these additional comments on several points raised by other parties in the initial round, to the extent that those comments have particular bearing upon the interests of music copyright owners and creators.

As a preliminary matter, NMPA notes that several commentors<sup>1</sup> in the initial round have urged the expansion of limitations on rights of copyright owners in connection with sections 109 and 117 of the Copyright Act. In general, the very legislative proposals advocated by these groups (or substantially similar proposals) were considered by Congress during deliberations leading to enactment of the Digital Millennium Copyright Act (“DMCA”) and rejected. The history of Congress’s consideration of these failed attempts to amend sections 109 and 117 is discussed at some length in the Copyright Owners Comments and Copyright Owners Reply Comments. We will not repeat that history here. But suffice it to say that, in evaluating “the relationship between existing and emerging technology and the operation of [sections 109 and 117]” – Congress’s charge to the Copyright Office and the NTIA -- little has happened in the past 24 months to alter Congress’s calculation that no legislative expansion of either of these sections is warranted. To the contrary, changes in technology and emerging business

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<sup>1</sup> NMPA refers principally to the comments of the Digital Media Association, the Home Recording Rights Coalition and the Digital Future Coalition.

models have served to confirm Congress's prudence in making only the limited adjustments in the law contained in the DMCA at the time of its enactment.

### **Section 109**

Copyright law has long distinguished between the ownership of an intangible copyrighted work, and the ownership of a tangible copy or phonorecord of that work. When a tangible copy or phonorecord of a work – e.g. a CD or cassette tape – is sold, the “first sale doctrine,” codified in section 109 of the Copyright Act, allows the purchaser of that tangible copy to dispose of it as he or she sees fit.

The Digital Media Association (“DiMA”), the Home Recording Rights Coalition (“HRRC”) and the Digital Future Coalition (“DFC”) urge the adoption of a wildly expansive view of the very limited first sale doctrine. These groups recommend that the doctrine be expanded to allow persons arguably in lawful possession of a copy of a work to transmit that work to another, without limitation, in order to ensure the enjoyment of what they call “full first sale doctrine rights.”<sup>2</sup> The very nature of the electronic transfer of copies described by DiMA and its allies implicates not only the exclusive distribution right of the copyright owner, to which the limited privilege in section 109(a) attaches, but also many of the other exclusive rights of the copyright owner established in section 106 of the Copyright Act. The attempt to shoe-horn activities that involve, at a minimum, the reproduction and public distribution of works into the very narrow limitations of section 109(a) flies in the face of both the letter and intent of the first sale doctrine.

As Professor Nimmer summarized:

It should be made clear that the one who is entitled to claim the benefit of Section 109(a) is not thereby exempted from the thrust of any rights of the

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<sup>2</sup> See, e.g., Comments of the National Association of Recording Merchandisers and Video Software Dealers Association at 12.

copyright owner other than the distribution right. This follows from the fact that Section 109(a) merely authorizes “the owner of a particular copy or phonorecord ... to sell or otherwise dispose of the possession of that copy or phonorecord.” This is, in effect, an authorization to distribute. It does not authorize reproduction, adaptation, or performance. Moreover, Section 109(a), by its own terms, merely creates an immunity “notwithstanding the provisions of section 106(3),” *i.e.*, the distribution right. It does not purport to create an exemption *vis-à-vis* the other Section 106 rights.<sup>3</sup>

DiMA and its supporters claim a “digital first sale doctrine” is necessary to avoid discrimination against “digitally-acquired media.”<sup>4</sup> But what these groups really seek is not a “digital first sale doctrine,” but rather a new, broad exemption from all rights of the copyright owner, which bears little resemblance, in scope or purpose, to the first sale doctrine as it exists today. As one commentor pointed out in the initial round,

When phrases like “digital first sale doctrine” are used, at least by some, the intent is not an application of the first sale doctrine to digital works, but a wholesale expansion of the first sale doctrine in derogation of the rights of copyright owners. To take a newsworthy example, when the owner of a lawful copy of a CD “rips” a song into a digital MP3 file and then transmits that file to one or more friends, the first sale doctrine cannot be invoked to provide legal justification for the reproduction involved and the multiple resulting copies. And the first sale doctrine is hardly applicable when, in the Napster-type context, an individual makes copies available around the world, thus engaging in public distribution of the works involved.<sup>5</sup> (Emphasis in original.)

A close reading of the initial round comments reveals the scope of the exemption contemplated by some. For example, the joint comments of the National Association of Recording Merchandisers (“NARM”) and the Video Software Dealers Association (“VSDA”) strongly suggest that these organizations and their members believe that the first sale privilege attaches not only to a purchased copy, but also to any copy of the purchased copy made pursuant to a license agreement (for backup or for other purposes), regardless of the limitations on the use of such additional copies agreed to under the

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<sup>3</sup> M. NIMMER AND D. NIMMER, NIMMER on Copyright Sec. 8.12[D].

<sup>4</sup> DiMA Comments at 9-10.

terms of the license. Thus, as envisioned by NARM-VDSA, a purchaser of a single copy or phonorecord of a work, who along with that copy purchases the right to make two additional copies for a specified purpose, should – by operation of the first sale doctrine – have the right to keep one copy and distribute the other two.<sup>6</sup> Such a result would open a digital floodgate of unauthorized distribution of copyright music and greatly hinder the efforts of music publishers to establish economically rational licensing relationships and business models for existing Internet uses, as well as those to come.

In carrying through with Congress’s mandate to assess the impact of new technologies on the operation of section 109, we urge the Copyright Office and NTIA to consider the impact that the legislative expansion advocated by DiMA and its allies would have on the ongoing efforts of music and other copyright owners to curb widespread piracy through so-called “file sharing” services and software. An expanded reproduction/distribution privilege of the type advocated by these groups would do little more than give Napster and others of its kind a legal shield for their predatory practices. And the impossibility of enforcing a legal mandate to delete one’s own copy of a protected work when a copy of that work is forwarded to another would be sure to cause many consumers – some of whom already wrongly believe that they have a “right” to copy protected works – to believe that they also have a “right” to distribute those works to the public.

NMPA joins other copyright owner associations in vigorously opposing the legislative language expanding the first sale doctrine proposed by DiMA and its allies. As the Copyright Owners Reply Comments make clear, the proposal these groups

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<sup>5</sup> Time Warner Comments at 1.

<sup>6</sup> See NARM-VSDA Comments at 19-20.

advocate was considered and rejected by the 105<sup>th</sup> Congress in enacting the DMCA. The Copyright Owners Reply Comments further show the flaws inherent in DiMA's suggestion that developments in digital rights management technologies provide justification for taking the step Congress declined to take 23 months ago. Copyright owners are eagerly embracing and experimenting with a variety of rights management technologies as a means of facilitating licensing and tracking uses of works, for the shared benefit of rights owners, commercial users of works and consumers. It is not yet clear, however, which technologies will prove most effective or which will stand the test of the marketplace (both in terms of their impact on cost and general ease of use by the consumer). But the decision as to whether to employ a rights management technology or which such technology to employ – at a time at which both the market and technology are developing rapidly – is best left to rights owners and the customers they serve.

NMPA urges the Copyright Office and NTIA to proceed, as Congress did, with caution. We urge rejection of any recommendation that would create a dangerous loophole in the law that could be manipulated by commercial predators seeking to avoid the obligation to license the uses of music and other copyrighted works that they exploit.

### **Section 117**

NMPA fully supports the Copyright Owners Reply Comments in their criticism of the suggestions of some organizations to expand section 117 to cover temporary or incidental digital copying. These suggestions are in fact a surreptitious attack on the exclusive reproduction right with respect to all works, not just computer programs, and should be rejected. We wish to draw particular attention to the comments of DiMA, which quotes its own congressional testimony from June 1998 that:



Hundreds of thousands of hours of audio and video material now are available over the Internet. “Streaming media” technology is essential to making these Internet transmissions sound as smooth as over the radio . . . .

If temporary RAM copies of those few seconds of material are deemed to be copyright infringement, and streaming media performances and technology could therefore be deemed unlawful, audio and video over the Internet will come to a grinding halt.<sup>7</sup>

Similar arguments are made by the HRRC.<sup>8</sup> The quoted passage proves that an amendment to section 117 is unnecessary. DiMA issued the dire warning about “audio and video over the Internet” coming to “a grinding halt” more than two years ago. As NMPA and its members can testify from their own experience, and as the general public can clearly observe, audio over the Internet today is flourishing and will expand. DiMA’s dire warnings were wrong. Its expansive suggestion that “section 117 of the Copyright Act should exempt archival and temporary copying for digital media” was without justification in 1998 and it is without justification today.

In addition, DiMA asserts that “the exemption from the reproduction right is all the more warranted for webcasting, where the same copyright owners of the musical composition, audiovisual work or the sound recording already will have authorized, and been compensated for, the performance of the works.”<sup>9</sup> This statement implies that respect for the right granted in section 106(4) (the public performance right) should exempt a party from any responsibility or any liability with regard to the other rights granted under sections 106(1) (the reproduction right), 106(3) (the distribution right) or any other portion of section 106. Decades of well-settled law establish that the rights in each clause of section 106 are separate and distinct. As such, they are separately

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<sup>7</sup> DiMA Comments at 17.

<sup>8</sup> HRRC Comments at 6.

licensable. DiMA's suggestion otherwise is either a gross misreading of copyright law or a deliberate attempt to confuse. In either case, there is no reason or basis to read or amend section 117 to effect such a dramatic change in copyright law.<sup>10</sup>

Finally, DiMA asserts that:

The scope of the temporary copying exemption, as relevant to Internet webcasting, reappeared on the radar screen in December 1997. Three Internet webcasters -- AudioNet, Inc. (now Yahoo!/broadcast.com), RealNetworks, Inc. and Terraflex Data Systems, Inc. (now Spinner.com, which is owned by America Online, Inc.) -- opposed the adoption of a broadly-worded rule, jointly proposed to the Copyright Office by the National Music Publishers Association and the Recording Industry Association of America, that could have applied the reproduction right (and the mechanical royalty at the statutory rate) to these temporary RAM buffer copies. Eventually, that language was withdrawn from the proposed regulation and the issue was deferred until the next arbitration period.<sup>11</sup>

This assertion is just plain wrong. The joint NMPA-RIAA submission proposed a *rate* for incidental digital phonorecord deliveries under section 115. That proposal contained no "broadly-worded rule," said nothing about "temporary RAM buffer copies," and did not purport to define the scope of the statutory term "incidental" digital phonorecord delivery. The opposition was filed by the Association of Internet Webcasters, which opposed the rate jointly proposed by NMPA and RIAA for incidental digital phonorecord deliveries ("DPDs") and argued that streaming audio should not be treated as an incidental DPD (an issue that was not properly before the Copyright Office). NMPA and

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<sup>9</sup> DiMA Comments at 20.

<sup>10</sup> Nor are DiMA members in any way burdened by the necessity of obtaining licenses from more than one licensing entity. In a business structure that exists worldwide, music publishers license "mechanical" and public performance rights separately, typically through separate (although sometimes related) collectives. This structure serves the interests of the businesses that require licenses as well as those of songwriters and copyright owners. It eliminates the need to search out and identify individual copyright owners in a business in which the number of rights owners is in the tens of thousands, and the number of works in the hundreds of thousands.

<sup>11</sup> DiMA Comments at 17.

RIAA ended up deferring the incidental rate until the next rate proceeding. The general DPD rate that had been jointly proposed was then adopted without opposition. In short, the scope or definition of “temporary RAM buffer copies” has never been at issue in a DPD proceeding, and the webcaster submission described above is certainly not germane to the current study involving section 117.

### **Expansion of the Retail Store Exemption**

In a proposal far afield from the scope of issues Congress has asked the Copyright Office and the NTIA to review in connection with this study, DiMA asks that the existing “retail store” exemption contained in section 110(7) of the Copyright Act be expanded to extend to online retailers. In NMPA’s view, such an expansion is unnecessary and unwarranted.

Section 110(7) allows stores that sell compact discs and tapes to publicly perform the music they sell where:

- the *sole* purpose of the performance is to promote the sale of copies or phonorecords of the work;
- the performance is not transmitted beyond the place where the establishment is located and is within the immediate area where the sale is occurring; and
- there is no direct or indirect charge made to hear the performance.

The expanded exemption for online “retailers” envisioned by DiMA would meet none of these statutory criteria, and would do violence to the balance of interests struck by Congress in section 110(7).

First, a transmission made by an online retailer to an online purchaser is, by definition, sent “beyond the place where the establishment is located.” Under the current

exemption, some traditional, brick-and-mortar retailers play music over loudspeakers in the music sales area for the benefit of patrons who have traveled to the store. Others offer headsets and allow a potential buyer to listen to all or portions of selected discs, often subject to special promotional efforts. In each instance, the music available to potential customers is selected by the retail establishment for the limited use of such customers within a discrete sales area. Music cannot be enjoyed outside the retail establishment unless it is purchased. Thus, the physical limitation of the current exemption in section 110(7) ensures that the public performances subject to the exemption are those that promote the shared interests of the retailer and the copyright owner. Those uses are -- in the language of the statute -- those that have the “sole purpose” of promoting the sale of copies or phonorecords of music.<sup>12</sup>

NMPA and its members believe it is highly unlikely that public performances of music offered by an online retailer would ever be for the “sole purpose” of promoting the sale of copies or phonorecords of their works. It remains true that a majority of commercial online businesses earn a substantial portion of their revenues from advertising. Companies are willing to pay a web-based business to promote their products or services based on the number of visitors to the site or the number of “hits” to a particular page containing the advertising. Given the enormous popularity of music sites on the Internet, “retailers” could be expected to use music to attract visitors to the site for the purpose of generating advertising revenues alone. Any such financial

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<sup>12</sup> DiMA, for its own purposes, chooses to read the “sole purpose” test out of the law. The DiMA Comments, at page 21, states “Section 110(7) exempts retail record stores from paying music license fees when they perform music in their stores ‘to promote the retail sale of copies or phonorecords of the work.’” Read in full, the relevant criteria of section 110(7) provides an exemption where “the sole purpose of the performance is to promote the retail sale of copies or phonorecords of the work.”

motivation would eliminate the sale of phonorecords as the “sole purpose” of the performance, and run afoul of the promotional purpose underlying the exemption.

DiMA proposes that online “retailers” be permitted – without payment of any kind to the copyright owner -- to transmit public performances of music and sound recordings to any potential “customer” at that customer’s home or workplace – or, in the near future – to a hand-held device that could accompany the customer anywhere. And the “retailer” could offer such public performances (free to the retailer), uninterrupted, 24-hours a day. Presumably, the “retailer” could offer narrow-cast “promotional” channels aimed at established and commercially successful genres, as well as emerging ones. Another channel could allow “customers” to listen to the “artist of the week.”

NMPA questions how – or even whether -- the listening public would distinguish public performances offered by “retailer”/webcasters from those offered by licensed webcasters that were not also retailers. More to the point, we question whether, if DiMA were to get its way, there would be any non-“retailer” webcasters. Why would a webcaster pay for the music it uses if it were able to avoid the payment obligation simply by placing “buy” buttons on the pages of its web site?

As DiMA itself points out, its membership is growing rapidly – from 7 to more than 50 companies in less than two years. Among its members are some of the best known and most successful “dot com” ventures: Amazon.com, America Online, EMusic.com, Tower Records, Yahoo!, and others. Most of these companies are thriving now, under the law as it is written. Music publishers have licensed some DiMA members, and look forward to working with others to conclude mutually acceptable agreements.

The payment of fair license fees to music copyright owners and creators will not threaten the growth of webcasting or other services offering music online. But a rush to shoe-horn every new e-business model for offering music into some – or many – existing but inapposite limitations on rights or exemptions from liability will ensure that the Internet never becomes a vibrant business for music copyright owners and creators. DiMA’s attempt to draw section 110(7) into the scope of this study is one such effort; it should be rejected.

### **Conclusion**

NMPA and its members appreciate the opportunity to comment on the important matters within the scope of this study. We looking forward to reviewing reply comments received, and to participating in any further proceedings that may be scheduled.

Respectfully submitted,

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**Digital Media Association**





**Before the  
COPYRIGHT OFFICE  
LIBRARY OF CONGRESS  
and the  
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION  
DEPARTMENT OF COMMERCE  
Washington, D.C.**

Report to Congress Pursuant to )  
Section 104 ) Docket No. 000522150-0150-01  
Digital Millennium Copyright Act )

**REPLY COMMENTS OF THE  
DIGITAL MEDIA ASSOCIATION**

In its initial August 4 Comments to the Copyright Office and the National Telecommunications and Information Administration in the above-captioned proceeding, the Digital Media Association ("DiMA"), <http://www.digmedia.org>, made three key points as to how Sections 109 and 117 of the Copyright Act should be implemented so as to promote legitimate electronic commerce:

- The "first sale" doctrine must unambiguously allow consumers to freely transfer and resell copies of copyrighted works that they purchase online via digital downloading.
- No copyright owner should be able to claim infringement or additional royalties against the few seconds of "buffer" memory used in the normal course of webcasting.
- Consumers should have the right to make an archival copy of media that they acquire by digital downloading so as to protect their e-commerce purchases against catastrophic losses, and to allow them to move their content to upgraded computers and servers.

Although DiMA believes that the law already supports these principles,<sup>1</sup> DiMA also noted in its Comments that differences of opinion existed on these critical issues as between new digital media companies and certain entrenched copyright interests. DiMA therefore advocated clarifying the first sale doctrine and temporary and archival copying exemptions through the Section 104 Report and, as appropriate, through legislative amendments.

The submissions of several commenting parties, largely representing traditional copyright interests that manufacture physical media, confirm precisely why clarity is so sorely needed,

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<sup>1</sup> DiMA Comments at 6, 16. Accord, Comments of National Association of Recording Merchandisers and Video Software Dealers Association (hereinafter "NARM-VSDA Comments") regarding the first sale doctrine.

now, for the digital age. In their view, existing policies that have worked well for hard goods should not be permitted (no less adapted or expanded) for any new e-commerce models. The first sale doctrine, they contend, should apply only to physical media – not to content sold via digital transmission. The privileges of archival and temporary copying, they assert, likewise should not extend to digital media – indeed, some contend that even for software these rights should be either repealed or restricted.

The majority of copyright owner comments can be boiled down to two arguments. First, they contend that historical limitations on copyright owner rights should not extend to digital media because of the threat of Internet piracy. In effect, they argue that lawful consumers should be denied their right to exercise well-established economic privileges, simply because some people steal. DiMA members, which provide ecommerce services to law-abiding consumers, are not willing to make that trade-off. Congress enacts laws, such as first sale and temporary copying privileges, to protect the rights of consumers and copyright users, and separate laws to protect copyright owners from piracy. Failure to extend established privileges into the digital environment unfairly treats law-abiding citizens as thieves and customers as enemies. Unless the law grants the public at least the same rights and privileges in their digital purchases as their physical purchases, the law will deter rather than facilitate e-commerce.

Second, they argue, it is "premature" to change copyright limitations and exemptions, and that the law should wait for the markets to develop. What a change in attitude from just two years ago, before the DMCA was enacted. Then, the clarion call from content owners was that "digital is different" and "the market will not develop without new rules of the road." Now that they have their new digital rights, apparently some content owners find that the old, analog-only rules are good enough for everybody else.

As DiMA explained in its Comments, commercial digital delivery of copyrighted works will succeed by providing consumers with at least the same value that they have come to expect from physical commerce. Consumers want and deserve the right to utilize, for their own legitimate purposes, the flexibility inherent in digital technology. To accommodate consumer rights, copyright law must evolve in response to technological change, as it always has done, by balancing private incentives against the paramount public interests.<sup>2</sup> Any failure of copyright law to meet the challenges of new technology will not forestall change; but the old law and its adherents will surely be left behind. Indeed, if there is any lesson to be drawn from the last two years' experience, it is that inertia poses as great a threat to robust, legitimate ecommerce as piracy.

As an association of companies focused on building these new digital media markets, DiMA demonstrated in its initial Comments that the time for clarification of copyright law is now. Delay benefits only scofflaws and Luddites who, each for their own reasons, oppose legitimate e-commerce. As further explained below in these Reply Comments, other commenters have demonstrated no sound reasons why the first sale doctrine and section 117 should not now be adapted and modernized for the electronic commerce environment.

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<sup>2</sup> DiMA Comments at 2-5.

**I. THE COMMENTS DEMONSTRATE THE NEED TO CLARIFY THAT THE FIRST SALE DOCTRINE EXTENDS INTO THE DIGITAL ENVIRONMENT.**

As the comments received demonstrate, interested parties disagree as to whether the first sale doctrine applies to digital works. On one end of the spectrum are the comments of organizations such as the National Association of Recording Merchandisers ("NARM") and Video Software Dealers Association ("VSDA"), who "take strong exception to the premise upon which the questions in the Request for Comment appear to be based," because they believe that "the first sale doctrine already applies to digital media." Joint Comments of NARM and VSDA at 2-3 (emphasis in original). On the other end of the spectrum are the comments from groups such as the Software & Information Industry Association ("SIIA"), which urge the Copyright Office and NTIA to "reaffirm the status quo" and make clear that "the first sale exception does not apply to digital distribution mechanisms." SIIA Comments at 3. See also Comments of Time Warner at 1 ("It is clear that Section 109 does not apply to works distributed by transmission."). As suggested by the Comments filed by DiMA, the American Library Association et al. (the "Library Associations"), the Digital Future Coalition ("DFC"), and the Home Recording Rights Coalition ("HRRC"), among others, these disparities highlight the need for legislative clarification of Section 109 so as to ensure its proper application to digital works.

**A. Certain Comments Ignore or Misstate the Public Policies Underlying the First Sale Doctrine.**

Some comments received pursuant to the June 5 Federal Register Notice mischaracterize or misperceive the historical and policy reasons underlying the first sale doctrine. As DiMA noted in its Comments, the first sale doctrine is a specific application of the general economic and public policy against restraints on the alienation of property or trade in lawfully-acquired copyrighted works. In copyright law as in patent law, Congress and the courts determined that the economic incentive to create copyrighted works is satisfied by the first sale of the copy; hence, any restraint on alienation was unnecessary to provide that incentive.<sup>3</sup>

SIIA ignores that the policy against restraints on alienation of property underlies the first sale doctrine. Instead, SIIA asserts that the first sale doctrine is unnecessary because ecommerce will enable anyone to buy a copy of works online. In effect, SIIA suggests that the focus of the first sale doctrine is to facilitate copyright owners' ability to sell copyrighted works -- as if the first sale doctrine exists as a means to satisfy consumer demand.<sup>4</sup> However, as DiMA noted in

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<sup>3</sup> DiMA Comments at 5-6. See also Joint Comments of NARM and VSDA at 9, noting that "one of the ordinary incidents of ownership in personal property is the right of alienation of that property, which is attached to the ownership," quoting Harrison v. Maynard, 61 F. 689, 691 (2d Cir. 1894).

<sup>4</sup> SIIA suggests, for example, that "new licensing and delivery systems will enable just about any computer user to obtain a copy of virtually any work easily and quickly. .... Accordingly, there is no need for the first sale exception to apply to the Internet and related digital distribution systems." SIIA Comments at 3. Similarly, they contend, since "e-commerce provides opportunities for unprecedented choice, convenience and access to creative

its Comments, copyright policy exists primarily to serve the public good, not only to establish economic rights for copyright owners.<sup>5</sup> Under the existing first sale doctrine, when consumers purchase a copyrighted book or phonorecord from a traditional "brick and mortar" establishment, those consumers' investment includes the right to dispose of that copy as they wish. In order to promote e-commerce, consumers that purchase copyrighted works via digital delivery should be ensured that they receive the same value for their investment as when they buy a book, compact disc, or video game from a traditional retail outlet, which necessarily includes the right to resell, lend or give away that particular item.

To the extent that the first sale doctrine does foster dissemination of copyrighted works, this argument also favors the exercise of that privilege via digital transmissions. For example, as discussed in the Comments of the Library Associations, the absence of a digital first sale doctrine will impede the free flow of information, including the ability of libraries and others to provide access to digital works to those elements of the public that lack the resources and opportunities that SIIA touts as diminishing the need for a first-sale doctrine. See Library Associations Comments at 2. Applying the first sale doctrine to digital works will enable consumers to donate digitally-acquired works to libraries or sell them at reduced prices to less affluent members of the public, and thereby narrow the divide between the digital "haves" and "have nots."

Finally, even though our member companies are dedicated to building legitimate ecommerce in copyrighted works, DiMA members nevertheless recognize and believe that Internet commerce cannot be the exclusive province of corporate vendors. The Internet already has become a consumer market for auctioning, selling and otherwise recycling used goods, and we fully expect this trend to continue. Several Internet entrepreneurs have built successful businesses around consumer trading, and one can readily foresee how technology and the Internet can construct a secure resale market using digital transmissions. This enhanced ability to meaningfully exercise the first sale privilege should not be denied to consumers. Thus, sound economic and public policies demand that consumers should be able to transfer possession of their digitally-acquired content using digital technologies.

### **B. Several Comments Demonstrate a Misunderstanding of How A Digital First Sale Doctrine Would Operate.**

As explained in DiMA's Comments, as well as the joint comments of NARM and VSDA, a digital copy authorized by the copyright owner that is downloaded by a consumer is conceptually no different than a copy made by the copyright owner and then sold to the consumer. In both instances, it is a copy that was "lawfully made" with the copyright holder's permission.<sup>6</sup> Time Warner apparently agrees with this assertion,<sup>7</sup> and other commenters give no

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content...the development of e-commerce has resulted in a reduced need for the first sale doctrine." SIIA Comments at 5.

<sup>5</sup> DiMA Comments at 2-5. See also Comments of the Library Associations at 3 ("the public benefit derived from the alienability of creative works outweighs the increased incentive to create that would step from granting authors perpetual control over copies of a work.").

<sup>6</sup> See DiMA Comments at 6-13; Comments of NARM and VSDA at 13.

rationale as to why consumers should not have full possessory rights in a digital file that was created on their computer with the permission of the copyright holder.

Yet, some commenters erroneously assume that extending the first sale doctrine to digitally-delivered works necessarily would distort the doctrine into a license for unlimited unauthorized copying.<sup>8</sup> Indeed, a recurring theme among those opposed to clarification and/or extension of Section 109 is that a digital first sale doctrine would lead to widespread piracy and circumvention of copyright owners' rights.<sup>9</sup> To be charitable, any argument that the first sale privilege will promote piracy is a fallacy.

Extending to consumers the right to resell the digitally-delivered works that they have lawfully acquired will neither encourage nor lead to unlimited reproduction and distribution of copyrighted works. The policy reasons underlying the first sale doctrine, coupled with the policies advocating the promotion of e-commerce, dictate that the first sale doctrine can and should be extended beyond the mere chattel found in a tangible medium, and should apply to digital copies as well. Technological developments clearly exist which make the coexistence of these goals possible. As discussed thoroughly in DiMA's Comments, and explained in its June 8, 1998 testimony before the House Commerce Committee Subcommittee on Telecommunications, Trade and Consumer Protection, technology can ensure that the particular digital copy is deleted (or made permanently inaccessible) from the transferor's computer upon digitally transferring the data to the transferee. This, along with digital rights management systems, will foster new innovations that will actually decrease the piracy risks that concern these commenters.<sup>10</sup>

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<sup>7</sup> Comments of Time Warner at 2 n.1.

<sup>8</sup> See Comments of Time Warner at 2. Time Warner exemplifies its arguments against the "digital first sale doctrine" by stating "when the owner of a lawful copy of a CD 'rips' a song into a digital MP3 file and then transmits that file to one or more friends, the first sale doctrine cannot be invoked to provide legal justification for the reproduction involved and the multiple resulting copies." Id.

<sup>9</sup> For example, the Comments of Copyright Industry Organizations state that "since the copy in question is a perfect copy, as well as a potential master for the production of an unlimited number of additional perfect copies, all of which can conveniently be redistributed over digital networks to a virtually limitless class of recipients, the consequences of an unjustified expansion of the first sale doctrine could easily overwhelm the incentives for production of creative works." Id. at 4.

<sup>10</sup> Time Warner further confuses the issue by attempting to equate the delivery of digital material to "immaterial" distributions by television broadcasts or cable and satellite transmissions. This argument completely overlooks the differences between ecommerce and digital delivery, and broadcast or cable or satellite transmissions. These transmissions, like the streaming of content for virtually simultaneous viewing, are not the same as the purchase of a digital file containing a copyrighted work -- which is the subject of DiMA's Comments.

Ultimately, the comments opposed to a digital first sale privilege arguments misstate the policy that DiMA and others are advocating. DiMA and others do not seek the extension of the first sale doctrine in order to promote piracy and copyright infringement; indeed, piracy equally harms DiMA members who wish to establish the legitimate Internet market for copyrighted works. We advocate extension and/or clarification of the first sale doctrine to promote e-commerce through lawful means and to minimize the opportunities and impact of piracy. As pointed out by the Comments of DiMA, technology exists to secure the first sale privileges in a digital environment, including digital rights management systems, encryption, authentication, and password-protection.<sup>11</sup> These technologies will make it much easier for the rights of copyright owners to be protected while at the same time ensuring consumers of their possessory rights. Explicitly extending the first sale doctrine will encourage the development of even more efficient digital rights management systems that will even further minimize the impact of piracy. Thus, the result of the clarifications advocated by DiMA are far-removed from the dire scenarios hypothesized by the Copyright Industry Organizations.

**C. The Absence of a Digital First Sale Doctrine May Encourage Abuse of Copyrighted Works.**

Although new licensing and delivery mechanisms may enable more consumers to access the works via electronic means, as pointed out in several of the submitted comments, the absence of a first sale doctrine may increase the likelihood of abuse of copyrighted works. First, the experience of the last two years shows that, with respect to digital downloading, if you build it, consumers will come; but if copyright owners won't build it, someone else will. If digital delivery satisfies consumer needs, including a means to transfer ownership, then ecommerce will succeed. But if there is no first sale right for digitally-delivered media, consumers will find some other way to exercise these privileges. Without a first sale right, DiMA fears that circumvention technologies like DeCSS, DivX and others, will gain popularity among otherwise law-abiding consumers who understandably cannot abide overly-restrictive and hypertechnical copyright laws.

Already such restrictive terms are finding their way into licenses for digitally-delivered content. Just imagine what the last 20 years of CD sales would have been like if every purchased CD came with enforceable contractual conditions such as these:

1. You may play this compact disc only on one compact disc player.
2. You may not copy any song from this compact disc onto a cassette, personal computer hard drive or any other device, regardless of whether that copy is being made for personal or fair use.
3. You may not resell, lend or otherwise transfer ownership of this compact disc to any other person under any circumstances, including bankruptcy and divorce.
4. Your compact disc collection will self-destruct upon your death.

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<sup>11</sup> See DiMA Comments at 7-10. See also HRRC Comments at 5.

No rational person could argue that the compact disc market would be as robust today as it has been over the last two decades -- assuming that it even would exist at all -- if such unreasonably restrictive conditions were imposed against typical consumer usage of recorded music. Yet, these are the types of actual, binding restrictions that accompany today's ecommerce transactions in digitally-delivered media.<sup>12</sup> Unless copyright law adapts essential consumer privileges such as first sale to the new ecommerce environment, such restrictions may be merely the harbinger of more invasive conditions to come.

As outlined by the Joint Comments of NARM and VSDA at 18, there is a growing concern that copyright owners are attempting to use their copyright monopoly in conjunction with technological measures to circumvent the first sale doctrine and to restrain competition, through the purported licensing of "rights" not recognized by copyright. Other commenters, such as the Library Associations and the DFC, suggest that the Report should address this problem by recommending both the adoption of the digital first sale doctrine and an amendment to Section 301 of the Copyright Act confirming the supremacy over state laws of these federal law exemptions and privileges.

DiMA agrees that there is a compelling public interest in preventing the over-exertion of control on the part of copyright holders once they have received a fair return on their creativity and have exhausted their rights. This interest is served by clearly and consistently applying the first sale doctrine to digitally delivered works.

## **II. SECTION 117 SHOULD BE CLARIFIED TO EXPRESSLY PERMIT CERTAIN TEMPORARY AND ARCHIVAL COPYING OF OTHER DIGITAL WORKS.**

As DiMA explained in its Comments, the Section 117 exemption should be clarified to explicitly extend to at least three types of typical copying of digital media:

- First, consumers should be able to make a back-up or archival copy or phonorecord of content that they acquire through digital downloading. Archival copying can protect consumers against loss of files due to accidental deletion, hard disk damage or corruption, or virus infection. Likewise, consumers upgrade their systems every few years, and need some means of transferring their media collections to their new computer. DiMA believes that this principle should be explicit in the law, although varied technological means (such as restoring content from offsite agents) may be used to securely implement this right.
- Second, temporary copies of recorded content made in the course of playback also should be exempt from claims of infringement. This is no different than the case directly contemplated by Section 117(a), in which copyrighted software is loaded into random access memory ("RAM") for processing and performance or display.

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<sup>12</sup> See, e.g., Comments of Computer Professionals for Social Responsibility at 6; <http://www.bluematter.com/privacy/license.html>.

- Third, the few seconds of buffered content recorded in RAM, as required for playback of Internet webcasting, should be deemed not to be copyright infringement.

See DiMA Comments at 14-20. DiMA's Comments further explained why these views should not be controversial, yet certain copyright owners expressed contrary views in their submitted comments. DiMA demonstrates below why these opposing views do not justify further limitations on consumer rights, and suggests that an explicit amendment to Section 117 could benefit all parties by clarifying the legal status of these noninfringing copies.

**A. Public Misperceptions about 117 and Threats of Piracy Should Not Preclude the Extension of Section 117 for Legitimate Purposes.**

Another recurring theme in several comments is that there is widespread public misperception and misapplication of Section 117 of the Copyright Act, and as such, it should not be extended to cover digitally transmitted media.<sup>13</sup> While DiMA agrees with the need for greater clarity and education concerning copyright law, ignorance of current law should not be used as an excuse to impede the development of ecommerce or the rights of law-abiding consumers.<sup>14</sup> Miseducation about the law cannot justify limiting the ownership rights of legitimate consumers – particularly when case law has upheld laws such as 17 U.S.C. § 1201 against the types of fallacious arguments of concern to these commenters.<sup>15</sup> Extending Section 117 to other digital works can and should coexist with "a systematic and sweeping process of educating the public on the 'dos and don'ts' of section 117" as advocated by SIIA. See Comments of SIIA at 4.

**B. The Policy and Technological Justifications for Section 117 Still Exist Today.**

Several of the comments suggest that technological changes have made the archival copy exemption in Section 117 largely unnecessary for the purposes for which it was originally enacted, and accordingly the archival exception is not needed in the current technological environment. See Comments of IDSA at 4; Comments of SIIA at 8. This argument conspicuously overlooks that circumstances do still exist which necessitate the creation of an archival copy to protect one's investment in a copyrighted work, especially when that work is obtained via digital delivery.

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<sup>13</sup> See, e.g., Comments of the Interactive Digital Software Association ("IDSA") at 5 (discussing web sites that allegedly engage in piracy who "refer to Section 117(a)(2) only to provide a patina of legitimacy to their operations, and to foster a false sense among users that a patently illicit transaction...might in fact somehow be lawful. They exploit the statute, in other words, not as a legitimate defense to infringement, but as an enticement to engage in piracy."); Comments of SIIA at 4 ("The days of people using section 117 as an excuse for software and content piracy must come to an end.").

<sup>14</sup> In this regard, DiMA concurs with the HRRC that, "[temporary] copies made in the course of viewing or lawfully gaining access to a work have nothing to do with piracy. The law should make clear this distinction." Comments of HRRC at 8.

<sup>15</sup> See DiMA Comments at 18-19.



Other comments observe that CD-ROMs serve as archival copies, and that the potential for inadvertently damaging a CD-ROM is extremely rare. For example, IDSA argues that "while the type of 'mechanical or electrical failure'...or it's 21st century equivalent, the system crash still occurs, the user does not need to make an archival copy [because] the originally acquired copy serves that purpose." Although admittedly true, such an emphasis does not apply to digital rights in downloaded media. Digital delivery and other new methods of distributing software still necessitate, and actually may increase the need for, an archival backup.<sup>16</sup>

Similarly, several comments detract from the focus on Section 117 by arguing that "business models" and other strategies eliminate the need for Section 117. For example, SIIA argues that selling software over networks and making software available through Application Service Providers makes Section 117 obsolete since the user can access the software "any time and anywhere." Comments of SIIA at 8. Whether such licensing and business applications gain market acceptance remains to be seen, but the argument is irrelevant to digital downloaded content. Section 117 addresses the case where a copy must permanently reside with the user in order for the user to use the product. That may not be necessary for networked or thin client computing, but most definitely is required for the digitally-downloaded content addressed in DiMA's Comments.

Consumers have a right to secure their investment in their collections of copyrighted works. Digitally-acquired content can be lost through error or damage; or may be rendered useless if consumers are unable to transfer their content to another computer when they upgrade their system. The rationales underlying the archival exception of Section 117 apply with equal force to content lawfully acquired through digital download, whether it is music, text, graphics or motion pictures.

**C. Temporary Copies of Recorded Content Made for Playback Should Be Exempt from Claims of Infringement, as Should the Technical Process of "Buffering" that Occurs During Internet Webcasting.**

DiMA and others advocate that Section 117(a)(1) should be extended and clarified to apply to other digital devices and media forms beyond merely software.<sup>17</sup> Although the World Wide Web and digital distribution may not have been foreseeable when Section 117 was originally promulgated, the technical functionality of the Internet makes it logical and reasonable to extend the principles underlying Section 117 to the "statements and instructions" in new digital media. The transmission of all digital data, whether software or copyrighted works sold or webcast via the Internet, necessarily involves the moving of packets of information from the RAM of one server to the RAM of the next, making at each stage certain "reproductions"

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<sup>16</sup> DiMA Comments at 15, 19. Accord, Comments of the HRRC at 6, "consumers should be able to make a back-up or archival copy or phonorecord of content that they lawfully acquire through digital downloading."

<sup>17</sup> See Comments of DFC at 3-4; Comments of HRRC at 6-8; Comments of CCIA at 2.

necessary for the system to function. See Comments of CCIA at 3. Thus, as CCIA noted, "temporary copying is inherent to digital technology". Id. at 3.

Particularly in the case of Internet webcasting, streaming audio or video requires the temporary storage of data before it is reassembled and played for the consumer. As DiMA explained in its Comments at 16-20, the temporary buffer storage of a few seconds of content during webcasting is merely a technological means of facilitating smooth performance of real-time transmissions. The data are not recorded or accessed for other purposes, and have no economic value apart from the performances themselves. If the performances themselves are lawful, it would be a travesty of copyright and economic policy to deem them unlawful simply because of this short buffer. The Copyright Office recognized this principle in the course of the Distance Education study, and we urge that the Copyright Office and NTIA reaffirm and apply that principle more generally to webcasting.

In sum, for both downloading and webcasting to become viable modes of e-commerce, the law should be clarified to assure web businesses and consumers that these actions will not expose them to potential copyright liability. To that end, DiMA echoes the sentiments of HRRC, CCIA, and DFC, in requesting that the Copyright Office and NTIA support clarification and extension of Section 117.

### **III. CONCLUSION**

As is evident from DiMA's Comments and Reply Comments, there is a pressing need for both Section 109 and Section 117 to apply to new digital ecommerce in copyrighted works. These existing limitations and exceptions to the rights of copyright owners have served the public well, and have not in the least harmed the interests of copyright owners. Indeed, by acknowledging privileges and granting reasonable latitude in consumers' personal uses of copyrighted works, copyright law has enhanced the value of purchasing copyrighted works over watching and listening to performed programming.

Ecommerce promises to revolutionize the market for copyrighted works, and to give consumers even greater flexibility and control over their own acquired content. Yet, the promises of ecommerce are not guarantees. Indeed, some have argued, not entirely without justification, that copyright owners' first shots fired in the ecommerce revolution have caught them squarely in the foot. Ecommerce will gain acceptance only if and when consumers obtain from lawfully-acquired digital downloads the same full value that they receive from physical media – including first sale rights and archival and temporary copying. This only can occur in a legal environment that supports and facilitates ecommerce, and that adapts reasonably and timely to new technological and economic models.

Unfortunately, certain comments resist even these modest copyright law changes needed to accommodate ecommerce. The uncertainty created by these conflicts deters investment and commitment to new business models, benefiting no one. DiMA therefore respectfully renews its request that the Report of the Section 104 Study recommend the prompt clarification and, as necessary, the adaptation and expansion of the first sale doctrine and Section 117 exemptions, to promote the digital distribution of copyrighted media and electronic commerce.

Respectfully submitted,

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