

**Before the
United States Copyright Office
Washington, D.C.**

In the Matter of)	
)	
Exemption to Prohibition on Circumvention)	Docket No. RM 2002-4A
of Copyright Protection Systems for Access)	
Control Technologies)	
)	

REPLY COMMENTS OF LEXMARK INTERNATIONAL, INC.

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I. INTRODUCTION AND EXECUTIVE SUMMARY

Lexmark International, Inc. (“Lexmark”) offers the following comments in response to Static Control Components, Inc.’s (“SCC”) proposed exemptions to the prohibition on circumvention of access control technologies.

SCC’s proposed exemptions and the arguments purportedly supporting them ignore the standards of review that must be applied in this rulemaking proceeding. As will be discussed, SCC’s proposed exemptions are wholly unrelated to the narrow issues that Congress sought to address under § 1201(a)(1)(C), namely, the effect that the prohibition on circumvention may have on lawful uses of copyrighted works.

In its initial notice of inquiry, the Copyright Office provided a thorough explanation of the legal standards that apply in this rulemaking proceeding. First, the Office explained that the prohibition set forth in § 1201(a)(1)(A) is extremely broad. Indeed, the prohibition presumptively applies to any technological measure that effectively controls access to “any and all classes of works.”¹ In addition, the Copyright Office explained that the Librarian of Congress may create a limited exemption to the prohibition on circumvention only if the Librarian determines that the prohibition has “a substantial adverse effect on noninfringing uses of a particular class of works.”² Therefore, the proponent of a proposed exemption (1) must identify a particular class of works; (2) must identify the noninfringing activities that are adversely affected by the prohibition on circumvention; and (3) must establish that these activities are, in

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1. Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, 67 Fed. Reg. at pp. 63,578, 63,579, 63,580 (Oct. 15, 2002) (Burden of Proof).
 2. *Id.* at p. 63,579 (Burden of Proof).

fact, noninfringing uses under current law.³ Significantly, the legislative history of the Digital Millennium Copyright Act (“DMCA”) makes it clear that the Librarian of Congress only has the authority to create an exemption “in exceptional cases.”⁴

SCC asks the Librarian of Congress to create a special exemption to § 1201(a)(1)(A) that would allow it to circumvent the technological measure that prevents it from accessing the copyrighted computer programs that Lexmark uses on its toner cartridges and laser printers.⁵ Significantly, however, SCC fails to identify a single lawful use of Lexmark’s copyrighted computer programs that is adversely affected by Lexmark’s technological measure or by the statutory provision that prevents SCC from circumventing that measure.

Giving SCC the benefit of the doubt, it appears that it is asking the Librarian to create a special exemption specifically designed for the toner cartridge remanufacturing industry. In support of its proposal, SCC claims that its toner cartridges are “compatible and interoperable” with Lexmark’s printers, and that Lexmark’s technological measure prevents these printers “from interoperating with [SCC’s] toner cartridge[s].”⁶ SCC’s purported need for a special

3. *See id.* at p. 63,581 (The Scope of the Term “Class of Works”).

4. 65 Fed. Reg. at p. 64,563 (Conclusions Regarding this Rulemaking and Summary of Recommendations).

5. SCC also asked the Librarian to create an exemption for two “generic” classes of works. One exemption would allow SCC to circumvent a technological measure that controls access to a computer program that is embedded in a machine, but cannot be copied while the machine is in operation or use. The other exemption would allow SCC to circumvent a technological measure that controls access to an embedded computer program that controls the operation of an ancillary machine, but does not control the performance, display, or reproduction of a copyrighted work that has any independent economic significance. SCC has not offered any evidence to suggest that Lexmark’s technological measure has had a substantial adverse effect on its ability to use these classes of works for lawful purposes. Likewise, SCC has not explained why the Librarian should create a special exemption for these types of works. Therefore, Lexmark respectfully submits that SCC has failed to satisfy its burden of proof on these issues, and, thus, there is no basis for creating a special exemption for these classes of works.

6. Petition of Static Control Components, Inc. for Consideration of New Information at pp. 1, 6 (Jan. 23, 2003).

exemption is belied by the fact that the DMCA already contains a reverse engineering exemption that may apply if all statutory criteria are met. For example, with some exceptions, section 1201(f) allows individuals to develop and employ means to circumvent access control measures for the purpose of enabling interoperability of an independently created computer program with other programs. Thus, the Librarian should not create a special exemption for the toner cartridge remanufacturing industry because such an exemption would impermissibly expand the scope of § 1201(f) and thwart congressional intent.

Further, recognizing that it cannot identify a single lawful use of Lexmark's copyright-protected computer programs that is adversely affected by Lexmark's technological measure, SCC resorts to citing to nonrelevant U.S. environmental policy and U.S. antitrust policy. Specifically, SCC erroneously claims that Lexmark's technological measure prevents others from reusing Lexmark's toner cartridges, and as a result, those cartridges will wind up in our nation's landfills. SCC also erroneously claims that Lexmark's technological measure reduces competition and increases the price of original and replacement cartridges for the consumer. Even if these assertions were true (which they are not), the Copyright Office has recognized that the Librarian does not have the authority to consider these broad policy arguments in his §1201(a)(1)(C) analysis.⁷ Simply put, the issues that SCC has identified are unrelated to the narrow issues that Congress sought to address under § 1201(a)(1)(C), namely, the effect that the prohibition on circumvention may have on lawful uses of copyrighted works.

7. 65 Fed. Reg. at p. 64,562 (Conclusions Regarding This Rulemaking and Summary of Recommendations).

Finally, it is important that the Librarian recognize that Lexmark is currently suing SCC in the U.S. District Court for the Eastern District of Kentucky for violating §§ 106 and 1201 of the Copyright Act. Importantly, the arguments that SCC made in that case are precisely the same as the arguments that it is making in this rulemaking proceeding. After an all-day hearing on Lexmark's motion for a preliminary injunction, the District Court considered and rejected all of the arguments that SCC raises in its petition for an exemption.⁸ For example, the District Court concluded that Lexmark's technological measure is eligible for protection under § 1201⁹, that SCC should be prevented from distributing devices that circumvent that measure¹⁰, and rejected SCC's claims of harm to the environment¹¹, consumers¹², and the remanufacturing industry.¹³ Significantly, the District Court issued a preliminary injunction that prohibits SCC from selling microchips that circumvent Lexmark's technological measure.¹⁴ Lexmark respectfully submits that the Librarian should reject SCC's request for a special exemption for the reasons set forth in the District Court's opinion, which is enclosed for review.

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8. *Lexmark International Inc. v. Static Control Components, Inc.*, Civil Action No. 02-571-KSF (Feb. 27, 2003). In addition, the District Court determined that Lexmark is likely to succeed on its copyright infringement claims. In making that determination, the District Court determined that SCC "slavishly copied" Lexmark's copyrighted Toner Loading Programs in the "exact order and format." *Id.*, at p. 18, ¶¶ 92-96. In addition, the District Court determined that SCC even copied the non-functional ASCII code sequence "4C 58 4B" that spells out Lexmark's stock market ticker symbol, "LXK." *Id.* at p. 18, ¶ 94.
 9. *Id.*, at p. 41, ¶¶ 70, 71.
 10. *Id.*, at p. 43, ¶ 78, p. 53, ¶ 112.
 11. *Id.*, at p. 50, ¶ 106.
 12. *Id.*, at p. 52, ¶ 111.
 13. *Id.*, at p. 52, ¶ 110.
 14. *Id.*, at p. 53, ¶ 112.

Alternatively, Lexmark respectfully submits that SCC's request is premature, and that the Office should stay this proceeding until the Court of Appeals has ruled on the District Court's decision. In the unlikely event that the District Court's decision were reversed on appeal, then the Librarian would have no need to create a special exemption under § 1201(a)(1)(C). There is precedent for a stay of this proceeding pending the outcome of the *Lexmark v. SCC* litigation. In the prior rulemaking proceeding, the Copyright Office determined that there was no need to create a reverse engineering exemption for DVDs, because the Southern District of New York specifically addressed that issue in *Universal City Studios, Inc. v. Reimerdes*, 82 F. Supp. 2d 211, 217-18 (S.D.N.Y. 2000). As the Office explained,

[The] court has rejected the applicability of section 1201(f) to reverse engineering of DVDs. That decision is on appeal. If subsequent developments in that case or future cases lead to judicial recognition that section 1201(f) does apply to a case such as this, then presumably there would be no need to fashion an exemption pursuant to section 1201(a)(1)(C). If as the *Reimerdes* court has held, section 1201(f) does not apply in such a situation, an agency fashioning exemptions pursuant to section 1201(a)(1)(C) should proceed with caution before creating an exemption to accommodate reverse engineering that goes beyond the scope of a related exemption enacted by Congress expressly for the purpose of reverse engineering in another subsection of the same section of the DMCA.¹⁵

The Copyright Office should exercise the same degree of respect and deference in this case. A detailed discussion of Lexmark's reply follows.

15. 65 Fed. Reg. at pp. 64,556, 64,569 ((Audiovisual Works on Digital Versatile Discs (DVDs))).

II. LEXMARK'S COPYRIGHTED COMPUTER PROGRAMS AND ITS TECHNOLOGICAL MEASURE THAT CONTROLS ACCESS TO THOSE PROGRAMS

A. LEXMARK'S COPYRIGHTED COMPUTER PROGRAMS

Lexmark is a leading manufacturer and supplier of laser printers and toner cartridges. Lexmark has developed a computer program that controls the operation of its T-Series laser printers, and two computer programs that approximate the amount of remaining toner in the cartridges used with those laser printers. Lexmark refers to these programs as its "Printer Engine Program" and its "Toner Loading Programs," respectively. As these names suggest, the Printer Engine Program is stored in Lexmark's laser printers, and the Toner Loading Programs are stored on a microchip that is attached to Lexmark's toner cartridges. All of these programs are original works of authorship and have been registered with the Copyright Office. (*See* Reg. Nos. TX 5-624-273, TX 5-609-284, and TX 5-609-285.)¹⁶ These programs are not trivial or inconsequential, as SCC attempts to characterize them. For example, the Printer Engine Program, which controls various operations of the printer, including, for example, paper feed, paper movement, motor control, fuser operation, and voltage control for the electrophotographic (EP) system of the printer, comprises a substantial amount of code.

16. The Certificates of Registrations for Lexmark's Toner Loading Programs constitute *prima facie* evidence of copyright originality and validity. *Lexmark International Inc.*, at p. 24, ¶ 13. Further, even though Lexmark's Printer Engine Program was registered under the Rule of Doubt (because the deposit consisted of object code) the former Register of Copyrights, Ralph Oman, in his expert opinion, testified at the preliminary injunction hearing, and the District Court agreed, that "the Printer Engine Program meets the test for registerability because the Printer Engine Program contains the requisite amount of original expression." *Id.*, at p. 6, ¶ 31.

17. *Id.*, at p. 3, ¶ 10.

B. LEXMARK'S TECHNOLOGICAL MEASURE

Lexmark has developed a technological measure, or authentication sequence, that protects its computer programs from unauthorized access. This technological measure is embedded in Lexmark's T-Series printers and toner cartridges. Basically, the technological measure performs a "secret handshake" whenever a toner cartridge is inserted into a Lexmark printer, whenever the printer is turned on, and whenever the printer is opened and closed. If the "secret handshake" is successfully completed, the printer is then capable of accessing and running the Printer Engine Program and the Toner Loading Program to thereby print and monitor toner status of the toner cartridge. If, on the other hand, the "secret handshake" is not successful, the printer will issue an error message and will not access and run the Printer Engine Program to print nor will it access and run the Toner Loading Program to monitor toner status.

C. LEXMARK'S PREBATE PROGRAM

Lexmark sells two types of toner cartridges for use with its T-Series laser printers, namely "non-Prebate" cartridges and "Prebate" cartridges.¹⁷ Consumers can choose to buy either regular non-Prebate cartridges or Prebate cartridges for use with Lexmark's T-Series printers.¹⁸ Both the non-Prebate cartridges and Prebate cartridges contain microchips that utilize a technological measure.

The Prebate cartridges are offered to consumers at a discount.¹⁹ In return for this discount, or "Prebate," the consumer agrees and is contractually obligated to send the used

18. *Id.*, at p. 3, ¶ 11.

19. *Id.*, at p. 3, ¶ 12.

Prebate cartridge only to Lexmark for remanufacturing.²⁰ To facilitate return of its Prebate cartridges, Lexmark provides the consumer with a pre-addressed, postage pre-paid box in which the used cartridge is to be returned to Lexmark.

Lexmark's technological measure ensures that a Prebate cartridge will not function after its initial use. More specifically, after the initial use of the cartridge, the technological measure prevents access to the Printer Engine Program and the Toner Loading Program to thereby print and monitor toner status of the toner cartridge. Thus, the technological measure ensures that consumers who buy a Prebate cartridge at a discount only use that toner cartridge once before returning it to Lexmark in accordance with the Prebate "use and return" agreement.

If the consumer opts for the non-Prebate cartridge, however, the consumer does not receive an up-front discount, and is not contractually obligated to return their non-Prebate cartridges to Lexmark for refilling.²¹ Moreover, after initial use of a non-Prebate cartridge, the technological measure does not prevent access to the Printer Engine Program and the Toner Loading Program to thereby print and monitor toner status of the toner cartridge. Thus, the technological measure utilized by the microchips on Lexmark's non-Prebate cartridges does not prevent the remanufacture and reuse of those non-Prebate cartridges.²² As a result, consumers can refill a non-Prebate cartridge and use the same cartridge over and over again.²³ In addition, a consumer can give the non-Prebate cartridge to a third party remanufacturer, who can

20. *Id.*, at p. 3, ¶ 13.

21. *Id.*, at p. 4, ¶¶ 16,17.

22. *Id.*, at p. 4, ¶¶ 18-21.

23. *Id.*

remanufacture and resell that cartridge.²⁴ Moreover, if a consumer doesn't want to deal with Lexmark, that consumer can buy a refilled non-Prebate cartridge from a third party reseller.²⁵ Those refilled cartridges are made from used, empty Lexmark non-Prebate cartridges. Thus, they are compatible with Lexmark's printers, and they are not affected by the technological measure that controls access to the Lexmark's Toner Loading Programs and Printer Engine Programs.

D. SCC'S COPYRIGHT INFRINGEMENT AND CIRCUMVENTION OF LEXMARK'S TECHNOLOGICAL MEASURE THAT CONTROLS ACCESS TO ITS COPYRIGHTED COMPUTER PROGRAMS

SCC manufactures and sells components to the toner cartridge remanufacturing industry, such as microchips for use in connection with refilled toner cartridges. Recently, SCC began selling a new type of microchip under the name SMARTEK. Each of these microchips contains an exact copy of Lexmark's Toner Loading Program.²⁶ In fact, SCC admitted that it "slavishly copied" Lexmark's Toner Loading Programs in the "exact format and order".²⁷ SCC even copied the non-functional ASCII code sequence "4C 58 4B" that spells out Lexmark's stock market ticker symbol, "LXK," onto SCC's SMARTEK microchip.²⁸ Moreover, SCC admits that it specifically designed its microchips to circumvent the authentication sequence that controls access to Lexmark's Toner Loading Programs and Printer Engine Program.²⁹ When a toner

24. *Id.*

25. *Id.*

26. *Id.*, at p. 18, ¶ 95.

27. *Id.*, at p. 18, ¶¶ 92,96.

28. *Id.*, at p. 18, ¶ 94.

29. *Id.*, at p. 18, ¶¶ 100-102.

cartridge containing a SMARTEK chip is placed in a Lexmark printer, the chip mimics Lexmark's authentication sequence.³⁰ This fools the printer into accessing the Printer Engine Program resident on the printer and the infringing copy of Lexmark's Toner Loading Program that is stored on the SMARTEK chip.³¹

On December 30, 2002 Lexmark sued SCC for violating §§ 106 and 1201 of the Copyright Act, and sought a preliminary injunction to prevent SCC from trafficking in its SMARTEK microchips. The U.S. District Court for the Eastern District of Kentucky granted Lexmark's motion on February 27, 2003.³²

III. THE LIBRARIAN OF CONGRESS SHOULD REJECT SCC'S REQUEST FOR A SPECIAL EXEMPTION TO PROHIBITION UNDER § 1201(A)(1)(A)

A. LEXMARK'S TECHNOLOGICAL MEASURE IS PROTECTED UNDER § 1201(A)(1)(A)

SCC argues that the DMCA was not intended to deny access to a computer program that controls the operation of a laser printer or toner cartridge. SCC claims that the DMCA was, instead, only intended to protect copyrighted works that are reproduced and redistributed in the online environment. Furthermore, SCC argues that the DMCA was not intended to protect Lexmark's embedded computer programs because those programs do not have any economic value separate and apart from Lexmark's printers and toner cartridges. In other words, SCC argues that the anti-circumvention provisions should only apply to works that are available on freestanding commercial articles, such as DVDs, CDs, and CD-ROMs, and only to the extent

30. *Id.*, at p. 18, ¶ 100.

31. *Id.*

32. *Id.*, at p. 53, ¶ 112.

that those mass-produced works are likely to be copied and distributed in the online environment.

Significantly, SCC made these same arguments in the case that was recently decided in the U.S. District Court for the Eastern District of Kentucky. The District Court thoroughly considered and rejected SCC's arguments. The District Court concluded that "[t]he protections provided by the DMCA are not, and were never intended to be, as limited as SCC asserts."³³ Furthermore, the District Court stated, "The DMCA is not limited to the protection of 'copies of works (such as books, CD's and motion pictures) that have an independent market value.'"³⁴ Indeed, "[t]he few cases decided under the DMCA prove that section 1201(a) applies to the very type of computer software that Lexmark seeks to protect, and the very type of access-protection regime Lexmark has employed to protect it."³⁵

As the District Court correctly determined, SCC's positions are contrary to the plain language of the DMCA and its legislative history.

1. THE PLAIN LANGUAGE OF SECTION 1201(A)(1)(A) OF THE DMCA PROVIDES PROTECTION TO ANY COPYRIGHTED WORK

According to the plain language of the DMCA, section 1201(a)(1)(A) applies to any device that circumvents a technological measure that "effectively controls access to a work protected under this title." Furthermore, confirming the plain language of the statute, the House Report clearly states that "[t]he regulatory prohibition is presumed to apply to any and all kinds

33. *Id.*, at p. 44, ¶ 83.

34. *Id.*, at p. 45, ¶ 86.

35. *Id.* (citing *Sony Computer Entertainment America, Inc. v. GameMasters*, 87 F. Supp. 2d 976 (N.D. Cal. 1999)).

of works”³⁶ Significantly, the Copyright Office has made the same determination in its recommendation for the last rulemaking proceeding, and in its notice of inquiry for the present proceeding.³⁷ In sum, the prohibition set forth in § 1201(a)(1)(A) presumptively applies to any technological measure that effectively controls access to “any and all classes of works” – not just commercial products with wide appeal as SCC contends.³⁸

2. THE LEGISLATIVE HISTORY INDICATES THAT SECTION 1201(A)(1)(A) APPLIES TO OFF-LINE CONTENT

The legislative history for the DMCA confirms that § 1201(a)(1)(A) applies to technical measures that control access to works that are available in the off-line environment. For example, the House Report cites a number of off-line technological measures that would be protected under § 1201, such as, password codes to control authorized access to computer programs, and encryption or scrambling of cable programming, videocassettes, and CD-ROMS.³⁹ Clearly, password codes are commonly used to control access to computer programs in the off-line environment. For example, when a consumer obtains a computer program on a CD-ROM, that consumer may be required to enter a password in order to activate that program. Thus, it is inappropriate to suggest that § 1201(a)(1)(A) only applies to technological measures that control access to works that are likely to be distributed over the Internet.

Statements made during the enactment of the DMCA also confirm that § 1201 applies to any and all types of works of authorship, including computer programs. For example, Senator

36. H.R. Rep. No. 105-551 (Part II), at p. 37 (1998).

37. 65 Fed. Reg. at p. 64,558 (Oct. 27, 2000); 67 Fed. Reg. at p. 63,579 (Oct. 15, 2002).

38. 67 Fed. Reg. at pp. 63,579, 63,580 (Burden of Proof).

39. H.R. Rep. No. 105-551, (Part II), at p. 37.

Hatch explained that “[the DMCA] will . . . encourage the continued growth of the existing off-line global marketplace for copyrighted works in digital format.”⁴⁰ Likewise, the House Report states that the statutory exemption for reverse engineering “applies to computer programs . . . regardless of their medium of fixation.”⁴¹ If Congress only wanted to protect works that are available in the on-line environment, it would not have included this statement in the legislative history.⁴²

The legislative history for the provisions of the DMCA that establish the procedures for this rulemaking also confirms that § 1201 applies to any and all types of works. The House Report states that when the Librarian of Congress creates an exemption under § 1201(a)(1)(A), he must define the relevant class of works that will be covered by the exemption.⁴³ The starting point for any definition of a “particular class” of works must be one of the categories of works set forth in § 102 of the Copyright Act.⁴⁴ In most cases, the “class” will be a subset of a § 102 category, such as “television programs,” which are a subset of “audiovisual works.”⁴⁵ The classification must be based on the attributes of the copyrighted works themselves, and not on factors that are external to the works.⁴⁶ Thus, it would be inappropriate to create a class of works

40. 144 Cong. Rec. S4884 (daily ed. May 14, 1998) (statement of Sen. Hatch) (emphasis added).

41. *Id.* at p. 43.

42. 144 Cong. Rec. S4884 (daily ed. May 14, 1998) (statement of Sen. Hatch) (emphasis added).

43. *See* H.R. Rep. No. 105-551 (Part II) at 38.

44. *See id.*; *see also* 65 Fed. Reg. at p. 64,560 (Determination of “Class of Works”).

45. *See* 65 Fed. Reg. at p. 64,560 (Determination of “Class of Works”).

46. *See id.* at pp. 64,559, 64,560.

solely by reference to the medium on which they are fixed, or to the types of people who use those works.⁴⁷

SCC has argued that § 1201 only applies to works that are likely to be distributed over the Internet. It is clear that the Librarian could not use this factor to create “a particular class of copyrighted works,” because methods of distribution and storage mediums are not attributes of the copyrighted works themselves. They are factors that are external to those works. It is also clear that the particular class of works that may be exempted from the anti-circumvention provision under § 1201(a)(1)(C), are, by definition, a subset of the works that are subject to that provision under § 1201(a)(1)(A). If the Librarian cannot use factors such as method of distribution to create an exemption to the anti-circumvention provision, then surely he cannot use that same factor to identify the types of works that are covered by that provision in the first place – especially given the fact that the provision applies to “any and all kinds of works.”⁴⁸

In sum, the plain language and the legislative history confirm that if a work is protected under the Copyright Act, then it is unlawful to circumvent a technological measure that is intended to, and in fact does, prevent access to that work. In the present case, Lexmark registered its computer programs with the Copyright Office, and they enjoy copyright protection.⁴⁹ Likewise, Lexmark developed a technological measure that controls access to those

47. As the Copyright Office explained, “[i]f Congress had wished to provide for exemptions based on the status of the user or the nature of the use – criteria that would be very sensible – Congress could have said so clearly. . . . Yet the fact that Congress selected language in the statute and legislative history that avoided suggesting that classes of works could be defined by reference to users or uses is strong evidence that such classification was not within Congress’ contemplation.” 65 Fed. Reg. at p. 64,560-61, 64,562.

48. 67 Fed. Reg. at pp. 63,579, 63,580 (Burden of Proof).

49. *Lexmark International Inc.*, at p. 5, ¶¶ 26,28, p. 24, ¶¶ 13,14.

works, and that technological measure is eligible for protection under § 1201(a)(1)(A). Therefore, § 1201(a)(1)(A) applies to the type of computer programs that Lexmark has sought to protect, and to the technological measure that Lexmark uses to protect those programs.

B. SCC HAS PROVIDED NO BASIS FOR CREATING A SPECIAL EXEMPTION

As discussed above, the Librarian of Congress may create limited exemptions to the prohibition on circumvention, but only if the Librarian determines that the prohibition has “a substantial adverse effect on noninfringing uses of a particular class of works.”⁵⁰ Thus, the primary goal of this proceeding is to determine whether or not Lexmark’s secret handshake diminishes “the ability of the public to engage in the lawful uses of copyrighted works that the public had traditionally been able to make prior to the enactment of the DMCA.”⁵¹

The proponent of a proposed exemption has the burden of proof on this issue. Therefore, SCC must identify the lawful uses of the copyright-protected class of works that are adversely affected by the prohibition on circumvention, and must establish that these activities are, in fact, noninfringing uses under current law. In addition, SCC must provide concrete examples of how the prohibition on circumvention has adversely affected these lawful activities. Indeed, “[a]ctual instances of verifiable problems occurring in the marketplace are necessary to satisfy the burden with respect to actual harm.”⁵²

As discussed above, SCC has failed to identify any lawful activities that have been adversely affected by the technological measure that controls access to Lexmark’s computer

50. 67 Fed. Reg. at p. 63,579 (Burden of Proof).

51. 65 Fed. Reg. at p. 64,558 (The Purpose of the Rulemaking).

programs. Likewise, SCC has not provided any evidence that Lexmark's technological measure has had any effect on the public's ability to use any class of copyrighted works – let alone a substantial adverse effect on the public's ability to engage in specific, lawful uses. Therefore, Lexmark respectfully submits that the proposed exemption should be rejected on the grounds that SCC has failed to satisfy its burden of proof.⁵³

It appears that SCC wants the Librarian to create a special exemption that would allow SCC and other third party remanufacturers to compete unfairly with Lexmark and would deny the public the attractive purchasing options that Lexmark offers through its Prebate program. For example, SCC claims that Lexmark's technological measure "prevent[s] computer printers from interoperating with [a replacement] toner cartridge," even if "the cartridge in all other respects is equivalent to the original cartridge, and compatible and interoperable with the printer."⁵⁴ In other words, SCC mistakenly claims that Lexmark's technological measure prevents others from making toner cartridges that are compatible with the computer programs that run Lexmark's laser printers.

Lexmark respectfully submits that there is no need to create a special exemption as SCC proposes. As discussed in Section II.C above, Lexmark uses its technological measure on its Prebate cartridges to ensure that the Printer Engine Program and the Toner Loading Programs will not be accessed after the initial use of those Prebate cartridges. Thus, the technological

52. 67 Fed. Reg. at p. 63,579 (Burden of Proof); *see also id.* at p. 63,581 (The Scope of the Term "Class of Works").

53. *See* 65 Fed. Reg. at p. 64,558 (The Necessary Showing) ("If the rulemaking has produced insufficient evidence to determine whether there have been adverse impacts with respect to particular classes of copyrighted works, the circumvention prohibition should go into effect with respect to those classes.").

54. Petition of Static Control Components at pp. 1, 6 (emphasis added).

measure prevents consumers from reusing or remanufacturing those Prebate cartridges without returning them to Lexmark in accordance with the “use and return” agreement. In contrast, Lexmark does not utilize its technological measure to prevent the reuse or remanufacture of non-Prebate cartridges. Thus, as a practical matter, remanufacturers have no need to circumvent Lexmark’s technological measure in order to provide refilled cartridges that are compatible with Lexmark’s laser printers. Instead, remanufacturers can remanufacture and resell the cartridges that Lexmark sells through its non-Prebate program.

Obviously, remanufacturers would prefer to use the toner cartridges that Lexmark sells through its Prebate program, because they would generate more business and greater profit. However, the Copyright Office has indicated that the Librarian should not create a special exemption for works that are available in a format that does not contain any technological protection measures, “even if that is not the preferred or optimal format for use.”⁵⁵ Thus, even if SCC could provide evidence that Lexmark’s technological measure adversely affects the public’s ability to make lawful use of Lexmark’s computer programs, the fact that Lexmark makes those programs available, without restriction, to consumers and remanufacturers on non-Prebate cartridges should alleviate those effects.

In effect, SCC has asked the Librarian to create a special exemption pursuant to § 1201(a)(1)(A) that would greatly expand the scope of § 1201(f). In this respect, SCC’s proposal is similar to the reverse engineering exemptions that were rejected during the last rulemaking

55. See 67 Fed. Reg. at p. 63,580 (Availability of Works in Unprotected Formats) (noting that “The Register must also consider whether works protected by technological measures that control access are also available in the marketplace in formats that are unprotected”).

proceeding.⁵⁶ The Copyright Office has recognized that some noninfringing uses may fall outside the scope of § 1201(f), and, if so, the Librarian may create an exemption to address the adverse effects that a technological measure may have on those uses.⁵⁷ However, SCC has failed to justify the purported need for a broader exemption in this case.⁵⁸

Significantly, the legislative history for the DMCA makes it clear that the Librarian only has the authority to create an exemption “in exceptional cases.”⁵⁹ As discussed above, SCC has not identified any lawful uses that have been adversely affected by Lexmark’s technological measure. Likewise, SCC has not provided any evidence to suggest that Lexmark’s technological measure has or is likely to have any effect on the public’s ability to use any class of copyrighted works. Therefore, Lexmark respectfully submits that there is no need for the exemptions that SCC has proposed.

56. See 65 Fed. Reg. at pp. 64,569, 64,570, 64,570-71 (Audiovisual Works on Digital Versatile Discs (DVDs); Video Games in Formats Playable Only on Dedicated Platforms; Computer Programs and Other Digital Works for Purposes of Reverse Engineering).

57. *Id.* at p. 64,570 (Video Games in Formats Playable Only on Dedicated Platforms).

58. The problem for SCC is that it cannot rely on § 1201(f) as a defense to Lexmark’s claims. SCC never engaged in any permissible reverse engineering of Lexmark’s technological measure or Toner Loading Programs. Section 1201(f) states that a person may circumvent a technological measure “solely for the purpose of enabling interoperability of an *independently created* computer program with other programs, and to the extent that doing so does not constitute infringement under this title or violate applicable law other than this section.” 17 U.S.C. § 1201(f)(3) (emphasis added). SCC’s SMARTEK microchip does not contain any independently created computer programs. Instead, SCC has slavishly copied Lexmark’s Toner Loading Program. See *Lexmark International Inc.*, at pp. 47-48, ¶¶ 91-96. The fact that SCC cannot rely on § 1201(f) is neither unfortunate nor unfair, because SCC has engaged in exactly the type of infringing conduct that Congress sought to prevent when it enacted the anti-circumvention provisions set forth in the DMCA. SCC achieved nothing more than picking Lexmark’s combination lock. Most telling, SCC never determined the existence or nature of the Toner Loading Programs until after Lexmark filed its lawsuit against SCC.

59. 65 Fed. Reg. at p. 64,563 (Conclusions Regarding this Rulemaking and Summary of Recommendations).

C. THE FIVE STATUTORY FACTORS CONFIRM THAT THE LIBRARIAN OF CONGRESS SHOULD NOT CREATE A SPECIAL EXEMPTION

As discussed above, the Librarian of Congress may create an exemption to the prohibition on circumvention, if he determines that Lexmark's technological measure has a substantial adverse effect on the lawful uses of a particular class of works. In making that determination, the Librarian must consider five factors that Congress enumerated in the DMCA. These factors confirm that there is no need to create an exemption for SCC.⁶⁰

(1) The Availability for Use of Copyrighted Works

Lexmark's technological measure does not have an adverse effect on the availability of Lexmark's computer programs because consumers can access and use, without restriction, Lexmark's copyrighted computer programs when those consumers purchase and use non-Prebate cartridges, whether those non-Prebate cartridges are purchased from Lexmark, or as refilled non-Prebate cartridges from third parties. As discussed in Section II.C. above, after a consumer's initial use of a non-Prebate cartridge, the technological measure does not prevent access to the Printer Engine Program and the Toner Loading Program. Thus, the technological measure utilized by the microchips on Lexmark's non-Prebate cartridges does not prevent the remanufacture and reuse of those non-Prebate cartridges.

Moreover, Lexmark's technological measure actually benefits the public by making Lexmark's computer programs available at a lower cost than if the technological measure were not in place. Lexmark sells its Prebate cartridges at a lower price than the cartridges that it sells through its non-Prebate program. In exchange for this discount, the customer agrees to return the

60. Only four of these five factors have relevance in this discussion, and only those four will be considered.

Prebate cartridge only to Lexmark. If the customer pays a third party to refill the Prebate cartridge with toner and subsequently tries to reuse that cartridge, Lexmark's technological measure will prevent that consumer from accessing and using the Printer Engine Program to print and the Toner Loading Program to monitor toner status.

In this respect, Lexmark's technological measure encourages the customer to return the Prebate cartridge to Lexmark, and thus, provides Lexmark with a constant supply of cartridges for its remanufacturing program. This lowers Lexmark's manufacturing costs, which in turn, lowers the cost of the cartridges that Lexmark offers to its customers. Moreover, the technological measure prevents remanufacturers from buying used Prebate cartridges, re-filling them with toner, and then selling the unauthorized cartridges in direct and unfair competition with Lexmark's cartridges. If Lexmark were unable to prevent this type of "cartridge cannibalism," it would be unable to sell its Prebate cartridges at a discounted price. Thus, Lexmark's technological measure actually benefits the public by creating a "use-facilitating" model that allows the public to obtain printers and toner cartridges (and the computer programs that are embedded therein) at a lower cost than what they would pay if this measure were not in place.⁶¹

(2) The Impact that the Prohibition on the Circumvention has on Criticism, Comment, News Reporting, Teaching, Scholarship, or Research

SCC does not deny that Lexmark's technological measure has had no impact on criticism, comment, news reporting, teaching, scholarship, and research. Nevertheless, SCC has asked the

Librarian of Congress to create a special exemption that would allow SCC to circumvent the technological measure that protects Lexmark's computer programs. While reverse engineering certainly qualifies as a "research" activity, SCC's request is not what the educators and librarians had in mind when they lobbied Congress for this "safety valve" provision. Even so, there is no need to create a special exemption in this case, because Congress has already created a statutory exemption (*i.e.*, section 1201(f)) that specifically addresses reverse engineering.⁶² As the Copyright Office explained in the prior rulemaking proceeding, "the exemption in 1201(f) shields this activity for purposes of discovering functional elements necessary for interoperability."⁶³ Therefore, this factor weighs against the proposed exemption.

(3) The Effect of Circumvention of Technological Measures on the Market for or Value of Copyrighted Works

SCC's circumvention activities have an adverse effect on the value of Lexmark's printers and toner cartridges, as well as the computer programs that they contain. Lexmark has expended a significant amount of time and money to develop its Printer Engine Program and its Toner Loading Programs, as well as the technological measure that prevents the unauthorized access of those copyrighted programs. As discussed above, SCC pirated a verbatim copy of Lexmark's Toner Loading Programs, made tens of thousands of infringing copies, and sold (and

61. See 67 Fed. Reg. at p. 63,580 (Availability of Works in Unprotected Formats) (noting that "[a]nother consideration relating to the availability for use of copyrighted works is whether the measure supports a model that is likely to benefit the public").

62. SCC's assertion that an additional special exemption is necessary is belied by the fact that SCC and other cartridge remanufacturers can access and use Lexmark's copyrighted computer programs, without circumventing Lexmark's technological measure in violation of Section 1201(a)(1)(A), by purchasing and using non-Prebate cartridges. See *supra* Sections II.C. & III.B. at pp. 15-16.

63. 65 Fed. Reg. at p. 64,570 (Video Games in Formats Playable Only on Dedicated Platforms).

significantly profited from) those infringing copies on its SMARTEK microchips. In addition, SCC sold tens of thousands of its SMARTEK microchips to consumers for the purpose of circumventing the technological measure that controls access to Lexmark's copyrighted Toner Loading Programs and Printer Engine Programs. The District Court has concluded that these acts violate §§ 106 and 1201 of the Copyright Act, and that they could harm Lexmark in a number of ways.⁶⁴

Lexmark sells most of its toner cartridges through its Prebate program. As discussed above, Lexmark sells these cartridges at a price that is substantially lower than the cost of its non-Prebate cartridges. In exchange for this discount, the consumer agrees to return the Prebate cartridge only to Lexmark for remanufacturing.

Lexmark's technological measure preserves the integrity of its Prebate program by preventing third party remanufacturers from reusing Lexmark's Prebate cartridges in violation of the Prebate agreement between Lexmark and its consumers. SCC's SMARTEK microchip circumvents this measure, and thus, allows remanufacturers to refill and reuse Lexmark's Prebate cartridges. These unauthorized cartridges contain a pirated version of Lexmark's Toner Loading Programs, and are sold in direct competition with Lexmark's cartridges. Thus, the sale of these unauthorized cartridges undermines the market for Lexmark's Prebate cartridges, and by extension, Lexmark's computer programs. The District Court concluded that SCC's circumvention activities have an adverse effect on the value of Lexmark's printers and toner cartridges, as well as the computer programs that they contain. Therefore, the court issued a

64. *Lexmark International Inc. v. Static Control Components, Inc.*, at pp. 49, 50, ¶¶ 102-104.

preliminary injunction that prevents SCC from engaging in those activities.⁶⁵ As a result, this factor weighs against SCC's request for an exemption.

(4) Such Other Factors as the Librarian Considers Appropriate

SCC erroneously argues that the Librarian should adopt the proposed exemption because Lexmark's technological measure harms the environment and undermines competition.⁶⁶ Lexmark respectfully submits that Congress did not give the Librarian the authority to consider broad public policy arguments. As the Copyright Office explained in the last rulemaking proceeding, these types of arguments "are more appropriately directed to the legislator rather than to the regulator who is operating under the constraints imposed by section 1201(a)(1)."⁶⁷ The goal of this proceeding is far more circumscribed. The Librarian must determine whether the implementation of Lexmark's access control measure has adversely affected the public's ability "to make noninfringing uses under this title of a particular class of copyrighted works."⁶⁸ While the copyright laws promote competition and increase consumer options in the free market,

65. *Id.*

66. SCC has not provided any evidence to support these allegations. In fact, Lexmark's technological measures are pro-competitive and they help to protect the environment. As discussed above, Lexmark gives its customers a number of purchasing options. If customers want to save money, they can buy a cartridge through Lexmark's Prebate program, as long as they are willing to return the Prebate cartridge only to Lexmark. If customers want to refill their cartridges through a third party re-manufacturer, they can buy a non-Prebate cartridge directly from Lexmark or from another cartridge dealer. SCC's environmental arguments are similarly misplaced. When a consumer buys a toner cartridge through Lexmark's Prebate program, that consumer agrees to return the empty cartridge only to Lexmark for remanufacture. Lexmark encourages the consumer to return the cartridge by providing him with a postage pre-paid, pre-addressed box. Since Lexmark introduced its Prebate program, the number of cartridges that it has received for remanufacturing has increased significantly. Therefore, it is not surprising that the District Court rejected SCC's broad public policy arguments. *See Id.*, at p. 50-51, ¶¶ 106-107. Lexmark respectfully submits that the Librarian should do the same.

67. 65 Fed. Reg. at p. 64,562 (Conclusions Regarding this Rulemaking and Summary of Recommendations).

68. *Id.* at p. 64,558 (Purpose of the Rulemaking).

Congress did not give the Librarian the task of sorting out these considerations in a § 1201 proceeding. In any case, a copyright is, by definition, an exclusive right that allows the copyright owner to keep others out of the market for his or her work. If that is a problem, there is the safety valve of independent creation.⁶⁹ Therefore, even if SCC could provide evidence that Lexmark's technological measure has an adverse effect on the environment or on competition (which it does not and cannot), the Librarian should not consider any such effects because they fall outside the scope of this rulemaking.⁷⁰

Finally, SCC has argued that the Librarian should adopt the proposed exemption in order to prevent copyright misuse.⁷¹ This area of inquiry exceeds the Librarian's scope of review, and rests solely with the courts. Even so, to establish copyright misuse, SCC must prove that Lexmark has violated the antitrust laws, or that Lexmark extended its monopoly beyond the scope of its copyright or that it violated the public policies underlying the copyright laws. Significantly, SCC made the very same argument in the recent proceedings before the U.S. District Court in Lexington, Kentucky. The District Court thoroughly considered and rejected these arguments.⁷² First, the District Court found that SCC did not provide any factual or legal

69. SCC has recently filed an antitrust lawsuit against Lexmark in the U.S. District Court for the Middle District of North Carolina in which SCC raises the same anti-competition and antitrust arguments. *Static Control Components, Inc. v. Dallas Semiconductor Corp. and Lexmark International, Inc.*, Civil Action No. 1:02CV01057. Thus, there simply is no need for the Librarian to consider SCC's anti-competition and antitrust arguments until the court in the Middle District of North Carolina has considered and ruled on those arguments.

70. *Cf. id.* at p. 64,559 (The Necessary Showing) (noting that the Librarian must disregard any adverse effects that are caused by factors other than the prohibition against circumvention); H.R. Rep. No. 105-551 (Part II) at p. 38 ("Adverse impacts that flow from other sources, or that are not clearly attributable to the implementation of a technological measure, are outside the scope of the rulemaking.").

71. Petition of Static Control Components at pp. 12-13.

72. *Lexmark International Inc. v. Static Control Components, Inc.*, at pp. 38, 39, ¶¶ 56-62.

basis to suggest that Lexmark has violated the antitrust laws.⁷³ Second, the District Court found that Lexmark has not sought to extend its copyright monopoly; it has simply sought to enforce its rights under §§ 106 and 1201 of the Copyright Act.⁷⁴ “Lexmark’s copyright infringement claim against a party that has engaged in the wholesale copying of Lexmark’s copyrighted computer programs cannot be considered misuse.”⁷⁵ Likewise, “Lexmark’s efforts to enforce the rights conferred to it under the DMCA cannot be considered an unlawful act undertaken to stifle competition.”⁷⁶ Therefore, it would be inappropriate for the Librarian to consider the issue of copyright misuse in this DMCA proceeding, because there is no factual or legal basis for SCC’s arguments.⁷⁷

D. THE LIBRARIAN OF CONGRESS SHOULD NOT CONSIDER SCC’S PROPOSED EXEMPTIONS AT THIS TIME

As discussed above, Lexmark is currently suing SCC in U.S. District Court for violating §§ 106 and 1201 of the Copyright Act. The arguments that SCC made in that case are precisely the same as the arguments that it is making in this rulemaking proceeding. The Copyright Office has made it clear that when a circumvention claim is pending in federal court, the Librarian should proceed with caution before he creates an exemption that goes beyond the scope of a statutory exemption that may apply in that case.⁷⁸ SCC has argued that its activities should be

73. *Id.*

74. *Id.*

75. *Id.*, at p. 39, ¶ 60.

76. *Id.*, at p. 39, ¶ 61.

77. *Id.*, at pp. 38, 39, ¶¶ 56-62.

78. 65 Fed. Reg. at p. 64,569 (Audiovisual Works on Digital Versatile Discs (DVDs)).

protected under § 1201(f). The District Court considered these arguments, and rejected them.⁷⁹ In the unlikely event that the court's decision is reversed, then presumably there would be no need to create a special exemption under § 1201(a)(1)(C). Therefore, to the extent that it is not outright denied, Lexmark submits that SCC's request for a special exemption is premature, and that the Office should stay this proceeding until the Court of Appeals has ruled on the District Court's decision.

IV. CONCLUSION

“Ultimately, the task in this rulemaking proceeding is to balance the benefits of technological measures that control access to copyrighted works against the harm caused to users of those works, and to determine, with respect to any particular class of works, whether an exemption is warranted because users of that class of works have suffered significant harm in their ability to engage in noninfringing uses.”⁸⁰

As discussed above, SCC has not identified any lawful uses that have been adversely affected by Lexmark's technological measure. Moreover, SCC has not provided any evidence to indicate that this measure is likely to affect the public's ability to use any class of copyrighted works at some point in the future. In effect, SCC simply wants the Librarian to create a special exemption that would allow SCC to circumvent Lexmark's technological measure. There is no need for such an exemption. In sum, the Librarian of Congress should reject SCC's request for a special exemption from the prohibitions of section 1201(a)(1)(A).

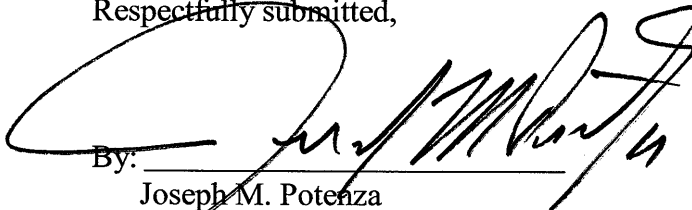
79. *Lexmark International Inc. v. Static Control Components, Inc.*, at pp. 47, 48, ¶¶ 91-96.

80. 65 Fed. Reg. at p. 64,563 (Conclusions Regarding this Rulemaking and Summary of Recommendations).

Alternatively, Lexmark respectfully submits that SCC's request is premature, and that the Office should stay this proceeding until the Court of Appeals has ruled on the District Court's decision.

Respectfully submitted,

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