

II.

Criminal Copyright Infringement— 17 U.S.C. § 506 and 18 U.S.C. § 2319

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Willful copyright infringement is criminalized by 17 U.S.C. § 506(a) which defines what conduct is prohibited, and 18 U.S.C. § 2319, which sets the punishment. Felony penalties attach when the violation consists of the reproduction or distribution of at least ten copies that are valued together at more than \$2,500, or, under amendments enacted in 2005, when the violation involves distribution of a work being prepared for commercial distribution over a publicly-accessible computer network.

This Chapter provides an overview of copyright law, an analysis of the elements of copyright infringement, a review of the defenses to the crime, and a summary of the statutory penalties arising from convictions. Finally, this chapter explores some of the novel copyright infringement issues presented by new technologies. Forms providing sample indictments and jury instructions for criminal copyright infringement are provided in Appendix B.

Prosecutors may also wish to consult *Nimmer on Copyright*, a leading treatise on copyright law, with many of its sections being cited by courts as if they were black-letter law, including a chapter on criminal offenses. See Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* (2005). Other major treatises and articles that may be instructive include William F. Patry, *Copyright Law and Practice* (1994 & Supps. 1995-2000); *Patry on Copyright* (West Publishing, forthcoming 2006); Sylvia Albert *et al.*, *Intellectual Property Crimes*, 42 Am. Crim. L. Rev. 631 (2005); Michael Coblenz, *Intellectual Property Crimes*, 9 Alb. L.J. Sci. & Tech. 235 (1999).

II.A. Overview

II.A.1. What Copyright Law Protects

Copyright law has two goals: to protect the rights of authors, and, thereby, to foster development of more creative works for the benefit of the public. The Constitution, in granting Congress the power to enact intellectual property laws, describes both these goals and the means to achieve it: “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.” U.S. Const., art. I, § 8, cl. 8. Maintaining an appropriate balance between protecting works and incentives for creators of works, on the one hand, and disseminating knowledge and information to the public, on the other, is a constant theme throughout the history of copyright law. See *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

The creator of an original work of expression, fixed in a tangible medium, is granted for a limited time a copyright, which is the exclusive right to copy, distribute, and make certain other uses of the work. Copyright law protects all “*original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.*” 17 U.S.C. § 102(a) (emphasis added). “Originality” in copyright law is a low threshold: the work need only have

been independently created by the author, as opposed to copied from another, previous work, and it must possess only a minimal degree of creativity. See Section II.B.1.a. of this Chapter.

An important limitation of copyright is that it protects *only* the creative expression of an idea, but not the idea itself. See Section II.B.1.a. of this Chapter. Novel ideas, methods, and processes may enjoy protection under patent law (or other areas of law, such as trade secret protection), but are not copyrightable. For example, consider a microbiologist who invents a new technique for modifying particular genes in a cell, then writes an article for a magazine that describes the technique. The article may be protected by copyright as the author's original expression of his or her ideas regarding this new technique. The technique itself, however, would not be copyrightable, although it may be patentable.

Copyrights are also distinct from trademarks, which protect the exclusive use of certain names, pictures, and slogans in connection with goods or services. They are discussed in Chapter III of this Manual. Trademarks need not be original or creative. Moreover, many trademarks consist of short single words or short phrases that are ineligible for copyright protection. See Section II.B.1.a.ii. of this Chapter. Despite the differences between copyrights and trademarks, some items may be both copyrighted and trademarked, such as the image of Disney's Mickey Mouse.

II.A.2. Legal Basis for Copyright and Related Laws

The Constitution grants Congress the power to regulate copyright: “[t]o 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,” U.S. Const., art. I, § 8, cl. 8. Congress also derives authority to regulate some copyright-related issues from the Commerce Clause, U.S. Const. art. I, § 8, cl. 3.

Copyright protection is principally statutory. *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429-31 (1984). Federal copyright statutes are found primarily in Title 17 of the U.S. Code, of which sections 101 through 1101 are called the “Copyright Act,” and the penalties for criminal infringement are set forth in 18 U.S.C. § 2319.

A number of important copyright provisions that were originally devised by courts, such as the doctrines of fair use and first sale, are now codified in Title 17. *E.g.*, 17 U.S.C. §§ 107, 109. And courts often interpret copyright law in light of new events and technological developments, which in turn creates significant judge-made law that might not otherwise

be obvious from the statutes. *E.g.*, *Metro Goldwyn-Mayer Studios, Inc. v. Gorkster, Ltd.*, 545 U. S. ___, 125 S. Ct. 2764 (2005); *Sony*, 464 U.S. 417.

II.A.3. Relevance of Civil Cases to Criminal Prosecutions

In applying the criminal copyright statutes, civil precedents are often helpful. The vast majority of copyright case law is civil, rather than criminal, and often civil cases provide the only judicial authority available in criminal prosecutions. *See United States v. Wise*, 550 F.2d 1180, 1189 n.14 (9th Cir. 1977) (noting “general principle in copyright law of looking to civil authority for guidance in criminal cases”); *United States v. Manzer*, 69 F.3d 222, 227 (8th Cir. 1995) (same); *United States v. Cross*, 816 F.2d 297, 303 (7th Cir. 1987) (same, with respect to jury instructions); *Kelly v. L.L. Cool J.*, 145 F.R.D. 32, 39 (S.D.N.Y. 1992) (noting that conduct that does not support a civil action for infringement cannot constitute criminal infringement); 4 *Nimmer on Copyright* § 15.01.

But what makes a good civil case does not necessarily make a good criminal case. Civil and criminal copyright law sometimes differ sharply. For example, a defendant can be civilly liable for copyright infringement as a matter of strict liability, with no intent to copy. *See Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*, 420 F. Supp. 177 (S.D.N.Y. 1976) (finding infringement where composer “subconsciously” copied earlier song). By contrast, a criminal copyright defendant can be convicted only if he infringed willfully. *See* Section II.B.2. of this Chapter.

II.A.4. Federal Preemption

In addition to being primarily statutory, copyright law is also primarily a matter of federal law. For most of the history of the United States, state- and common-law copyright protections coexisted with federal copyright laws. *See, e.g.*, *Wheaton v. Peters*, 33 U.S. 591, 597-98 (1834). But the Copyright Act of 1976 amended Title 17 to preempt state laws that provide rights “equivalent to” rights granted under federal copyright law. 17 U.S.C. § 301(a).

Despite this preemption, copyright law continues to be intertwined with state law in certain cases, such as those involving license agreements and other contracts governing ownership and use of copyrighted works. *E.g.*, *Storage Technology Corp. v. Custom Hardware Eng'g & Consulting, Inc.*, 421 F.3d 1307 (Fed. Cir. 2005). State copyright law also continues to apply to sound recordings recorded before 1972, because sound recordings were not protected by federal copyright law until 1972. Consequently, pre-1972 sound recordings may still be protected by state copyrights until 2067. *See*

La Cienega Music Co. v. ZZ Top, 53 F.3d 950 (9th Cir. 1995); 17 U.S.C. § 301(c).

II.A.5. When Copyright Protection Begins and Ends

A work is protected by copyright law from the moment it is created, even if it is not registered. *See* 17 U.S.C. §§ 101-102(a), 408(a). Although registration with the Register of Copyrights is not a prerequisite to copyright *protection*, it generally is a prerequisite to civil *enforcement* and to some *remedies*. Registration is generally a prerequisite to a copyright holder's civil suit for infringement. *See* 17 U.S.C. § 411. If the work was registered only after infringement, the plaintiff may still collect actual damages for infringement committed prior to registration, but generally cannot collect statutory damages or attorneys' fees. *See* 17 U.S.C. § 412. The Department's position that registration is not a prerequisite to criminal enforcement, including CCIPS's recommendation that prosecutors obtain registration certificates before trial, is discussed in Section II.B.1. of this Chapter.

Works created in 1978 or later are protected by copyright for the life of the author plus 70 years. *See* 17 U.S.C. § 302(a). For a work with one or more joint authors, the life of the surviving author is used. § 302(b). Works made for hire (e.g., works made by or at the behest of a corporation) and anonymous works are protected for 95 years from the date of first publication, or 120 years from creation (whichever comes first). 17 U.S.C. § 302(c). Most pre-1978 works are protected for 95 years from the date that copyright was first secured (generally their date of publication). 17 U.S.C. § 304.

II.A.6. The Rights Protected by Copyright

Copyrighted law grants copyright holders six exclusive rights to their works: (1) reproduction, (2) preparation of derivative works based upon the original copyrighted work, (3) public distribution, (4) public performance of certain types of works, (5) public display of certain types of works, and (6) performance of sound recordings by means of digital audio transmission. *See* 17 U.S.C. § 106(1)-(6); 17 U.S.C. § 101 (defining “sound recording” to exclude audiovisual works); 17 U.S.C. § 114(j)(5) (excluding transmission of audiovisual works from the definition of “digital audio transmission”); 17 U.S.C. § 114(d) (limitations including exemptions for certain broadcast transmissions, subscription transmissions, and licensed transmissions).

The exclusive rights set forth in 17 U.S.C. § 106 are subject to a number of exceptions and limitations in §§ 107-122, such as the right to

make limited or “fair use” of a work, to resell one's personal copy of a work, and to reproduce computer software that one owns as an essential step in using it, or to make an archival copy. Those exceptions are addressed throughout this Chapter.

Exercising one of the exclusive rights under § 106 without the copyright holder's authorization or other legal authority is infringement. 17 U.S.C. § 501. But not every unlicensed use constitutes an infringement. “An unlicensed use of the copyright is not an infringement unless it conflicts with one of the specific exclusive rights conferred by the copyright statute.” *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 447 (1984) (citation omitted); *see also* Benjamin Kaplan, *An Unhurried View of Copyright* 57 (1967) (“The fundamental [is] that 'use' is not the same thing as 'infringement,' that use short of infringement is to be encouraged”).

II.A.7. When Infringement is Criminal

Not every infringement is a criminal offense. Criminal copyright penalties have always been the exception rather than the rule. Although criminal copyright law has greatly expanded the scope of the conduct it penalizes over the past century, criminal sanctions continue to apply only to certain types of infringement—generally when the infringement is particularly serious, the infringer knows the infringement is wrong, or the type of case renders civil enforcement by individual copyright owners especially difficult.

Copyright infringement is a crime if the defendant acted *willfully* and either (1) for commercial advantage or private financial gain, (2) by reproducing or distributing infringing copies of works with a total retail value of over \$1,000 over a 180-day period, or (3) by distributing a “work being prepared for commercial distribution” by making it available on a publicly-accessible computer network. 17 U.S.C. § 506(a)(1). Copyright infringement is a felony only if the infringement involved reproduction or distribution of at least 10 copies of copyrighted works worth more than \$2,500 in a 180-day period, or involved distribution of a “work being prepared for commercial distribution” over a publicly-accessible computer network. *See id.*; 18 U.S.C. § 2319.

II.B. Elements

There are three essential copyright crimes:

1. Willful infringement “for purposes of commercial advantage or private financial gain,” 17 U.S.C. § 506(a)(1)(A) (formerly

§ 506(a)(1), before the Family Entertainment and Copyright Act of 2005, Pub. L. No. 109-9 § 103, 119 Stat 218, 220-21 (Apr. 27, 2005) amendments)

2. Willful infringement not for profit, but with “the reproduction or distribution, including by electronic means, during any 180-day period, of 1 or more copies or phonorecords of 1 or more copyrighted works, which have a total retail value of more than \$1,000,” 17 U.S.C. § 506(a)(1)(B) (formerly § 506(a)(2) before the Apr. 27, 2005 amendments)
3. Pre-release piracy, i.e., willful infringement “by the distribution of a work being prepared for commercial distribution, by making it available on a computer network accessible to members of the public, if such person knew or should have known that the work was intended for commercial distribution,” 17 U.S.C. § 506(a)(1)(C) (newly enacted with the Apr. 27, 2005 amendments)

The common factors are that (1) there must be a copyright, (2) there must be an infringement, and (3) the infringement must be willful. Some courts also require that the government prove an extra element, that the infringing items at issue were not permissible “first sales,” but other courts hold first sale to be an affirmative defense. See Section II.C.4. of this Chapter.

Determining the elements to prove a felony (versus a misdemeanor) is slightly more involved. For-profit infringement, § 506(a)(1)(A), is a five-year felony if:

- The defendant infringed by means of “the reproduction or distribution, including by electronic means,” AND
- “during any 180-day period, of at least 10 copies or phonorecords, of 1 or more copyrighted works, which have a total retail value of more than \$2,500.” 18 U.S.C. § 2319(b)(1).
- Otherwise—if the offense violated rights other than reproduction or distribution or the offense did not satisfy the monetary or numerical thresholds—it is a misdemeanor. 18 U.S.C. § 2319(b)(3).

Non-profit infringement, § 506(a)(1)(B), is a three-year felony if

- the defendant infringed by means of “the reproduction or distribution of 10 or more copies or phonorecords of 1 or more copyrighted works, which have a total retail value of \$2,500 or more.” 18 U.S.C. § 2319(c)(1).

- Otherwise—if the offense did not satisfy the monetary and numerical thresholds—it is a misdemeanor. 18 U.S.C. § 2319(c)(3).

Pre-release infringement over a publicly-accessible computer network, 17 U.S.C. § 506(a)(1)(C), is always a felony, but the penalties increase if it is done for commercial advantage or private financial gain. 18 U.S.C. § 2319(d)(1),(2).

In other words, there are four essential elements to a charge of *felony* copyright infringement:

1. A copyright exists (see Section II.B.1. of this Chapter)
2. The defendant acted willfully (Section II.B.2.)
3. It was infringed by the defendant by reproduction or distribution of the copyrighted work, or (for violations of 17 U.S.C. § 506(a)(1)(C)), by distribution (Section II.B.3.a.)
4. The infringement consisted of either of the following:
 - (a) the defendant infringed at least 10 copies of one or more copyrighted works with a total retail value of more than \$2,500 within a 180-day period (Section II.B.3.b.); OR
 - (b) the defendant infringed by
 - (i) the distribution
 - (ii) by making available on a computer network accessible to members of the public
 - (iii) of a “work being prepared for commercial distribution”
 - (iv) the defendant knew or should have known the work was being prepared for commercial distribution (Section II.B.3.c.)

Repeat felonies garner increased penalties. *See* 18 U.S.C. § 2319(b)(2), (c)(2), (d)(3)-(4).

Amendments to the criminal copyright statutes in 1997 and 2005 significantly changed the elements of felony copyright infringement. *See* No Electronic Theft Act (NET) Act, Pub. L. No. 105-147, 111 Stat. 2678 (1997); Family Entertainment and Copyright Act of 2005 (FECA), Pub. L. No. 109-9 § 103, 119 Stat. 218, 220-21 (2005). Cases predating these statutes should not necessarily be relied upon for delineating the elements of current copyright offenses, but they remain useful in interpreting the current law's elements.

II.B.1. Existence of a Copyright

Under 17 U.S.C. § 506(a), the initial element of criminal copyright infringement is that a valid copyright exists in the work or works in question. While on its face this element may appear the simplest to prove, a number of issues can add considerable complexity.

II.B.1.a. Copyrightability

Copyright law protects all “*original* works of authorship *fixed in any tangible medium of expression....*” 17 U.S.C. § 102(a) (emphasis added).

II.B.1.a.i. Original Work Fixed in a Tangible Medium

The subject matter of copyright is defined by two requirements, originality and fixation: a work must be an original, creative expression of an idea or concept, and it must be recorded in tangible form. Thus copyright law protects a novel or poem written on paper or typed in a computer, a song recorded in a studio or written on sheet music, a sculpture modeled in clay or bronze, or a computer program on a PC's hard disk.

For copyright purposes, “original” has two requirements. First, the work must have been independently created by the author, as opposed to copied from another, previous work. A work can be original even if it closely resembles another work, “so long as the similarity is fortuitous, not the result of copying.” *Feist v. Rural Telephone Co.*, 499 U.S. 340, 345-46 (citing *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54 (2d Cir. 1936) (noting that identical poems created by different poets ignorant of one another would both be original and copyrightable)). In practice, the odds against an artist or author or musician creating a new work identical to an existing one, without knowing of the earlier work, are remote, and in cases involving suspiciously-similar works, where the later artist had access or opportunity to learn of the earlier work, courts have found the subsequent work infringing rather than original. *See, e.g., Bright Tunes v. Harrisongs Music*, 420 F. Supp. 177 (S.D.N.Y. 1976). Second, the work must also possess “at least some minimal degree of creativity.” *Feist*, 499 U.S. at 345. The amount of creativity required for originality is extremely low; “a slight amount” of “creative spark” is all that is necessary, “no matter how crude, humble or obvious.” *Id.* (citing 1 *Nimmer on Copyright* §§ 2.01[A], [B] (1990)). What qualifies as “original” for copyright purposes may not be considered “original” by, for example, those assessing the item's artistic, literary, or academic merit. Nor should “originality” be confused with “novelty,”

which is the touchstone of patent law, not copyright. See Chapter VII of this Manual.

A work must also be “fixed,” meaning it is recorded in some tangible medium by the author. So a song that is composed onto sheet music or recorded to tape is fixed and thus copyrightable, but a live performance of the song that is not recorded by the performer (or someone authorized by the performer) would not be fixed, and thus not copyrightable, although the performance might still enjoy protection under other laws. See the discussion of 18 U.S.C. § 2319A in Section II.F. of this Manual.

II.B.1.a.ii. Short Phrases Are Not Copyrightable

Short single words, short phrases, and familiar symbols and designs cannot be copyrighted. 37 C.F.R. § 202.1(a) (2004). They may, however, be trademarked and thus protected under 18 U.S.C. § 2320; see Chapter III of this Manual.

II.B.1.a.iii. Expression of an Idea vs. Idea Itself

An important limitation of copyright is that it protects *only* the creative expression of an idea—but not the idea itself. 17 U.S.C. § 102(b) (“In no case does copyright protection ... extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery”); *see also Feist*, 499 U.S. at 344-45 (1991); *Whelan Assoc. v. Jaslow Dental Lab.*, 797 F.2d 1222 (3d Cir. 1986). Novel ideas, methods, and processes may enjoy protection under patent or trade secret law, but are not copyrightable. See Chapters IV and VII of this Manual. For example, consider a new technique for modifying genes in a cell, which is described in a magazine article. Although the *article* might be copyrightable—as an original expression of the author's ideas about this new technique—the *technique* itself would not. The technique might, however, be patentable.

II.B.1.b. Copyrights vs. Registrations vs. Certificates

The notion of having a valid copyright is easily confused with the issue of whether the work is *registered* with the Copyright Office, or with possession of a valid copyright *certificate* issued by the Copyright Office. Throughout much of U.S. history, copyright protection was predicated on certain formal requirements, such as the need to register published works with the Copyright Office, deposit copies with the Library of Congress, and mark copies of the work with a copyright notice. However, major revisions to copyright law in the 1970s and 1980s now protect a copyrightable work regardless of whether these formalities have been

observed. *See La Resolana Architects, PA v. Clay Realtors Angel Fire*, 416 F.3d 1195, 1198-1205 (10th Cir. 2005). For a work created on or after January 1, 1978, copyright subsists from the moment an original work of authorship is created by “fix[ing it] in any tangible medium of expression.” 17 U.S.C. § 102(a); *see also id.* § 302(a). That is, a work is copyrighted the moment it is created, regardless of whether it has been registered or bears a copyright notice.

A copyright is the author's legal entitlement to the exclusive rights granted under 17 U.S.C. § 106. Neither a copyright registration nor a registration certificate is equivalent to a copyright. A registration certificate signifies the Copyright Office's decision to register the work, which is a limited administrative decision that the work is copyrightable and that the application is proper. *See* 17 U.S.C. § 408(a). That decision to register and the certificate of registration can, however, have legal significance at trial. *See* Sections II.B.1.d.-e. of this Chapter.

II.B.1.c. New Procedure for “Preregistration”

The Family Entertainment and Copyright Act of 2005 created a new procedure, known as “preregistration,” intended to address some problems with works that are pirated before their lawful publication or official release by the copyright owner. *See* Pub. L. No. 109-9 § 104, 119 Stat. 218, 221-22 (Apr. 27, 2005); 17 U.S.C. §§ 408(f) (setting forth basic rules for preregistration), 411(a) (preregistration or registration necessary to institute infringement action in most cases); 37 C.F.R. § 202.16 (Copyright Office rules for preregistration); *see also* Copyright Office Preregistration web page, available at <http://www.copyright.gov/prereg/>. Preregistration is available for certain types of work judged by the Copyright Office to be especially vulnerable to piracy before their lawful release or publication. *See* 37 C.F.R. § 202.16. These include movies, musical compositions and sound recordings, computer software and video games, literary works, and “advertising and marketing photographs.” *Id.* A copyright owner can preregister these types of works if they are unpublished, but “being prepared for commercial distribution,” meaning that the copyright owner has a reasonable expectation that the work will be commercially distributed to the public, and the work, if not finished, has at least been commenced. *Id.* § 202.16(b)(2). Upon submission of an application and fee, the Copyright Office will undertake a limited review of the work, and if approved, it will preregister the work and issue a certificate, much as in the case of copyright registration. *Id.* § 202.16(c).

But preregistration is not a complete substitute for registration. Although preregistration allows an “action for infringement” to be

“instituted” under 17 U.S.C. § 411(a), preregistration, unlike registration, involves only a cursory review by the Copyright Office and consequently preregistration will *not* serve as *prima facie* evidence of the validity or ownership of a copyright. 37 C.F.R. § 202.16(c)(6), (7), (13). See Sections II.B.1.d.-e. of this Chapter.

II.B.1.d. Whether Registration or Preregistration is Required to Prosecute

Section 411 of Title 17 provides that “no action for infringement of the copyright of any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title.” Because either registration or the “preregistration” process satisfies § 411(a), the term “registration” is used below to refer to both registration and preregistration, except as otherwise noted. The term “pre-registration,” including a hyphen, is used to refer to events occurring before registration. Also, § 411 applies only to “United States works,” meaning works first published domestically, or works created by U.S. nationals or “habitual residents.” *See* 17 U.S.C. §§ 101, 411(a). Thus, registration is not required for civil or criminal cases involving *foreign* works.

The Department contends that the registration/preregistration requirement in § 411 applies only to civil lawsuits, not criminal prosecutions. Section 411 refers only to “actions,” a term used elsewhere in the Copyright Act to refer to civil actions, not criminal prosecutions. *See, e.g.,* 17 U.S.C. § 507 (using the term “civil action” in contrast to the term “criminal proceedings”) and does not explicitly refer to criminal prosecutions. *Cf. United States v. Cleveland*, 281 F. 249, 253 (S.D. Ala. 1922) (holding statutory provision governing “action” not applicable to criminal case because “action” is not ordinarily used to describe criminal prosecution). *But see United States v. Backer*, 134 F.2d 533, 535-36 (2d Cir. 1943) (interpreting substantially identical language in the 1909 Copyright Act to require registration as a precondition to any action for infringement, whether civil or criminal because “action” includes both criminal and civil actions in other contexts); 4 *Nimmer on Copyright* § 15.01[A][2] (citing *Backer*); *see also Mason v. United States*, 1 F.2d 279 (7th Cir. 1924) (non-copyright case); *Singleton v. United States*, 290 F. 130 (4th Cir. 1923) (non-copyright case).

The criminal copyright provisions are silent on the issue of registration. Section 507 of Title 17, which sets forth the statutes of limitation for both criminal and civil cases, is entitled “Limitations on Actions,” although § 507(a) refers to “Criminal Proceedings,” not “actions.”

The Department's position is supported by legislative history and dicta from the Supreme Court. Although the Copyright Act's legislative history is largely silent on the question, the Senate Judiciary Committee observed in 1988 that “registration is *not* a statutory precondition for criminal enforcement of copyright.” S. Rep. No. 100-352 (1988), *reprinted in* 1988 U.S.C.C.A.N. 3706, 3743 (emphasis added). Although this isolated legislative statement came long after the registration requirement was first imposed, the legislative history appears to contain no other statements that are directly contrary. Instead, other legislative statements are at best inconclusive. *See, e.g.*, 151 Cong. Rec. S450-01, 494 (daily ed. Jan. 25, 2005) (statement of Sen. Hatch) (stating that the Family Entertainment and Copyright Act “will create a pre-registration system that will permit criminal penalties and statutory-damage awards [and] also provide a tool for law enforcement officials.”) Moreover, that registration is not required for criminal prosecution seems to be the position of at least some past members of the Supreme Court. *See Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 493 n.44 (1984) (Blackmun, J., dissenting on other grounds; Powell, J., Marshall, J., and Rehnquist, J. joining).

The Department's position is also supported by public policy. Admittedly, requiring registration before a civil suit encourages authors to register their works. But that incentive is attenuated in criminal cases because prosecutions are brought by the government, which has no power to register works on behalf of authors. *See* 17 U.S.C. §§ 106, 408. Moreover, criminal copyright prosecutions protect the public interest in preventing infringement. And infringement of an unregistered copyrighted work is infringement nonetheless. *See* 17 U.S.C. § 408(a) (“[R]egistration is not a condition of copyright protection.”); *id.* § 501 (“Anyone who violates any of the exclusive rights of the copyright owner ... is an infringer of copyright”); *id.* § 506(a)(1) (“*Any person who willfully infringes a copyright shall be punished ...*”) (emphasis added). Making registration a prerequisite to criminal prosecution could impede criminal prosecution for the public benefit due to a victim's delay or neglect in completing a ministerial task intended primarily to promote administrative efficiency. *Cf. Nadel & Sons Toy Corp. v. William Shaland Corp.*, 657 F. Supp. 133, 136 (S.D.N.Y. 1987) (“Registration of a copyright is essentially ministerial in nature”) (citation omitted); Douglas Y'Barbo, *On Section 411 of the Copyright Code and Determining the Proper Scope of a Copyright Registration*, 34 San Diego L. Rev. 343, 353 (1997) (“The purpose of section 411(a) is essentially to facilitate judicial resolution of the ownership issue”).

As a practical matter, however, the Department generally recommends that prosecutors introduce certificates of registration at trial. Certificates of

registration are the simplest way to prove a copyright's validity and ownership. Even assuming registration is not required, without it prosecutors will have to prove these elements “from scratch” through testimony and other evidence. See Section II.B.1.e. of this Chapter. Prosecutors should therefore ensure, to the extent possible, that any copyrights on which a prosecution is sought are registered or “preregistered” before the prosecution is commenced. If registration is needed for pending litigation, it can often be expedited for completion within a week. See U.S. Copyright Office, Information Circular 10, “Special Handling,” available at <http://www.copyright.gov/circs/circ10.html>.

This is not to say, however, that copyright registrations are needed earlier than trial. The government can obtain search warrants, grand jury subpoenas, and even indictments before it has certificates of registration in hand, if only because search warrants and grand jury proceedings are based on findings of probable cause.

Although a lack of registration (which may be a mere oversight, or a conscious choice to delay registration until a work is ready for publication) should not bar a criminal prosecution, the circumstances surrounding the absence of registration may militate against the choice to prosecute. A copyright-holder's refusal to register his copyright even when necessary for trial may indicate—or be interpreted—as the victim's intent to allow others to copy the work. The Copyright Office's refusal to register a work may indicate a weak claim of copyrightability or ownership.

If a court requires registration as a prerequisite to a criminal prosecution for infringement, a number of other questions arise, which are discussed below.

II.B.1.d.i. Liability for Infringement Committed Prior to Registration

If a court requires registration, one question prosecutors may face is whether criminal charges may be based on infringement committed prior to registration. While Title 17 clearly allows for civil infringement actions (and recovery of damages) based on pre-registration infringement, and nothing in the statute indicates a contrary intent with respect to criminal prosecutions, in the only reported criminal case on point a district court held that a criminal copyright prosecution cannot be based on pre-registration infringement. See *United States v. Gallo*, 599 F. Supp. 241, 245 n.1 (W.D.N.Y. 1984) (holding, however, that “[e]vidence as to activities involving PENGO before the registration date could perhaps be relevant to other matters, but not to show copyright infringement or wrongful

distribution of PENGO”). The *Gallo* court assumed that “there can be no infringement” until the work in question has been registered—a conclusion that was almost certainly wrong. *See Montgomery v. Noa*, 168 F.3d 1282, 1288 (11th Cir. 1999) (noting that “after 1977, copyright automatically inheres in the work at the moment it is created without regard to whether it is ever registered”); 17 U.S.C. § 302 (1988) (providing copyright protection at the time the work is created); 17 U.S.C. §§ 411-412 (providing registration as prerequisite to initiation of lawsuit and certain types of damages); 2 *Nimmer on Copyright* § 7.16[A][1]; 4 *Nimmer on Copyright* § 15.01[A][2], at 15-4 & n.24 (characterizing *Gallo* as “erroneously assuming that registration is a condition precedent to obtaining copyright rather than to bringing an infringement action”). Moreover, the *Gallo* court’s ruling contrasts sharply with well-settled civil precedents holding that an infringement action may be based on conduct that predates the victim’s copyright registration. *See, e.g., Chuck Blore & Don Richman Inc. v. 20/20 Advertising Inc.*, 674 F. Supp. 671 (D. Minn. 1987); 2 *Nimmer on Copyright* § 7.16[B][1][a], at 7-153; *Washingtonian Pub. Co. v. Pearson*, 306 U.S. 30, 39 (1939).

Given the *Gallo*’s court’s confusing statement, the lack of other relevant criminal case law, and the general principle of applying civil copyright law in criminal copyright cases, the authorities cited above support the Department’s position that even if a court requires registration as a prerequisite to prosecution, defendants can still be held criminally liable for pre-registration acts of infringement.

II.B.1.d.ii. Unpublished or Pre-Release Works

Infringement before registration often involves infringement before lawful publication. *Cf. Salinger v. Random House, Inc.*, 811 F.2d 90 (2d Cir. 1987) (biographer included plaintiff’s unregistered and unpublished letters in biography of plaintiff, after which plaintiff registered letters and sued). A typical case for prosecutors might involve pre-release piracy, where the defendant obtains and distributes on the Internet a copy of a new movie before it has been released in theaters, or a new video game before it has been legitimately distributed to the public. *See, e.g., United States v. Gonzalez* (S.D.N.Y. 2004) (criminal conviction for posting advance copy of movie “The Hulk” on the Internet) (press release available at <http://www.usdoj.gov/criminal/cybercrime/gonzalezPlea.htm>).

Although an unpublished work is protected by copyright, a plaintiff in a civil case may not recover attorneys fees or statutory damages for “any infringement of copyright in an unpublished work commenced before the effective date of its registration.” 17 U.S.C. § 412(1). Given that civil

penalties are limited in such cases, a criminal defendant might argue that criminal penalties for infringement of an unpublished work before registration should similarly be foreclosed. To date, no court appears to have addressed such an argument.

The preregistration procedure available under the Family Entertainment and Copyright Act was designed to address the piracy of certain types of unpublished works, but unfortunately does not resolve whether registration or preregistration of unpublished works is a prerequisite to criminal prosecution for infringement of such works. Nevertheless, the preregistration procedure provides a relatively quick and simple way for a copyright-holder in an unpublished work to satisfy 17 U.S.C. § 411(a). Therefore, prosecutors handling a case involving infringement of unpublished and unregistered works should consider whether preregistration is an option.

II.B.1.d.iii. Registration of Particular Versions of a Work

Should a court hold that registration is a prerequisite to criminal prosecution, the question might arise whether the registration of one version of a work satisfied § 411 if the infringement involved a different, unregistered edition of the work. For instance, computer software is frequently revised and republished in new versions, some registered, some not. If the victim registered version 1.0 but not version 1.5, can the government still pursue a criminal case for infringement of version 1.5? Or, if the circumstances are reversed and the victim registered version 1.5 but not 1.0, can a case be brought for infringement of version 1.0?

Although there is no reported criminal case law on the issue, civil authority suggests that registering a different version of a work will often satisfy § 411. This is especially true if a later version was registered, but earlier versions had not, which is sometimes referred to as a “backward-looking” registration. In those cases, courts generally have allowed a case to proceed based on infringement of the earlier (though unregistered) version. See *Murray Hill Publ'ns v. ABC Commc'ns*, 264 F.3d 622, 650 (6th Cir. 2001); *Streetwise Maps v. VanDam, Inc.*, 159 F.3d 739, 747 (2d Cir. 1998).

On the other hand, if an early version had been registered, but subsequent versions were not (“forward-looking” registration), courts have been less consistent about whether to allow claims for infringement of the later, unregistered versions. Compare *Montgomery v. Noga*, 168 F.3d 1282, 1292-93 & n.17 (11th Cir. 1999); *Liu v. Price Waterhouse LLP*, 182 F. Supp. 2d 666, 675 (N.D. Ill. 2001) (“No registration is necessary for a derivative work, so long as the underlying original work is registered”); *Central Point*

Software, Inc. v. Nugent, 903 F. Supp. 1057, 1060 & n.5 (E.D. Tex. 1995) (allowing infringement claim where plaintiffs registered copyrights in earlier versions of software and defendants copied subsequent versions derived from registered works); and *Video Pipeline v. Buena Vista Home Entertainment*, 275 F. Supp. 2d 543, 556 (D.N.J. 2003) (holding court had jurisdiction over infringement counterclaim where infringement of unregistered derivative work also infringed element of original, registered work) with *Johnson v. Gordon*, 409 F.3d 12, 20 (1st Cir. 2005) (holding claims based on “new elements” present in later, unregistered, “long version” of song could not proceed); *Well-Made Toy Mfg. Corp. v. Goffa*, 354 F.3d 112 (2d Cir. 2003) (holding registration for earlier, 20“ version of doll did not grant jurisdiction for claim of infringement of later, 48” version).

If there is a consistent rule for “forward-looking” registration cases, it appears to be that courts will likely allow an action for infringement of a later, unregistered work that incorporates significant portions of an earlier, registered work if the same entity owns both copyrights and the defendant infringed elements that were present in the old registered version as well as the newer one. *See 2 Nimmer on Copyright* § 7.16[B][2]; *see also Montgomery*, 168 F.2d at 1292.

II.B.1.e. Proof of Copyright at Trial

At trial, the government typically proves the existence of a valid copyright by introducing a certificate of registration. The certificate's probative value depends on whether the work was registered earlier or later than five years after the work was published. A certificate of registration “made before or within five years after first publication of the work shall constitute *prima facie* evidence of the validity of the copyright.” 17 U.S.C. § 410(c) (emphasis added); *see also United States v. Taxe*, 540 F.2d 961, 966 (9th Cir. 1976); *United States v. Moore*, 604 F.2d 1228, 1234 (9th Cir. 1979). Once the certificate of registration is introduced by the government and accepted as authentic by the court, the burden shifts to the defendant to prove that the copyright is not valid or that the registration was obtained fraudulently, *see, e.g., Autoskill, Inc. v. National Educ. Support Sys., Inc.*, 994 F.2d 1476, 1487 (10th Cir. 1993), after which the prosecutor may rebut with evidence showing that the certificate is genuine, the registration was properly obtained, or otherwise that the copyright is valid. If the work was registered more than five years after its first publication, the certificate's probative value is left to the court's discretion. *See* 17 U.S.C. § 410(c); *Religious Tech. Ctr. v. Netcom On-Line Comm. Servs., Inc.*, 923 F. Supp. 1231, 1241 (N.D. Cal. 1995); *Koontz v. Jaffarian*, 617 F. Supp. 1108, 1111-12 (E.D. Va. 1985), *aff'd*, 787 F.2d 906 (4th Cir. 1986).

Certificates of registration should be obtained from the victim. The Copyright Office has an online database of certifications and can provide certified copies. See <http://www.copyright.gov/records/>; U.S. Copyright Office, Information Circular No. 6, “Obtaining Access to and Copies of Copyright Office Records and Deposits,” available at <http://www.copyright.gov/circs/circ6.html>. But copyright owners may be able to respond faster, since they should have retained their registration certificates in the ordinary course of their business.

Although producing a copyright certificate is the preferred method of proving validity and ownership of a valid copyright, it is not the only way to do so. The parties can stipulate to the copyrights' validity. *E.g.*, *United States v. Sherman*, 576 F.2d 292, 296 (10th Cir. 1978). Courts may also take judicial notice of a work's copyright registration. *Island Software and Computer Service, Inc. v. Microsoft Corp.*, 413 F.3d 257, 261 (2d Cir. 2005). See also *United States v. Hux*, 940 F.2d 314, 318 (8th Cir. 1991) (allowing introduction of copyright certificates the morning of trial, but noting other evidence previously given to defense provided ample basis for plaintiff to establish, and defendant to challenge, existence of copyright), *overruled on other grounds by United States v. Davis*, 978 F.2d 415 (8th Cir. 1992); *La Resolana Architects, PA v. Clay Realtors Angel Fire*, 416 F.3d 1195, 1208 (10th Cir. 2005); see also *United States v. Backer*, 134 F.2d 533, 535-36 (2d Cir. 1943) (allowing civil proceeding where Copyright Office had provided plaintiff with certificate due to error; technical irregularities in the registration process should not invalidate an otherwise proper registration). For instance, the government could introduce testimony regarding the copyright owner's creation and fixation of the work, evidence that the work is original, and that it was not a work for hire created for someone else.

II.B.1.f. Copyright Notice

Prosecutors should confirm that the copyright in any work did not lapse for failure to include a copyright notice when the work was first published. The effect of publishing a copyrighted work without a copyright notice depends on whether the work was first published before or after March 1, 1989. For works published on or after March 1, 1989, their publication without a copyright notice is of no moment. See Berne Convention Implementation Act of 1988 (“BCIA”), Pub. L. No. 100-568, 102 Stat. 2853 (enacted October 31, 1988). For works published before March 1, 1989, however, initial publication without a copyright notice would have extinguished their copyright and consigned them to the public domain. See 17 U.S.C. §§ 10, 19 *et seq.* (1909 Act); 17 U.S.C. § 405(a)(2) (1976 Act). Their loss of copyright protection would persist to the present

day, and thus preclude criminal prosecution for their infringement today. *See 2 Nimmer on Copyright* §§ 7.02[C][1]-[3], at 7-16 to 7-17.

As noted in the following Section, copyright notice on an infringed work may be useful in proving a defendant's willfulness.

II.B.2. The Defendant Acted “Willfully”

II.B.2.a. Legal Standard

To establish criminal intent, the government must prove that the defendant infringed the copyright *willfully*. *See* 17 U.S.C. § 506(a) (“Any person who *willfully* infringes a copyright shall be punished”) (emphasis added). “[E]vidence of reproduction or distribution of a copyrighted work, by itself, shall not be sufficient to establish willful infringement.” 17 U.S.C. § 506(a)(2). This was intended to require proof of more than general intent and to ensure that, for instance, “an educator who in good faith believes that he or she is engaging in a fair use of copyrighted material could not be prosecuted under the bill.” 143 Cong. Rec. 26,420-21 (1997).

The Supreme Court has recognized that “willful ... is a word of many meanings, its construction often being influenced by its context.” *Spies v. United States*, 317 U.S. 492, 497 (1943). This was reflected in Congressional debate over the NET Act amendments to the Copyright Act. Senator Hatch, the Chairman of the Senate Judiciary Committee, advocated that in copyright crimes “willful’ ought to mean the intent to violate a known legal duty,” 143 Cong. Rec. 26,420 (1997), because a lower *mens rea* could cause “the net” of criminal sanctions “[to] be cast too widely.” *Id.* Senator Hatch cited several cases in which the Supreme Court had construed “willfulness” in this fashion when the substantive law was complex, such as *Cheek v. United States*, 498 U.S. 192 (1991), in which the Court held that the general principle that “ignorance of the law or a mistake of law is no defense to criminal prosecution,” must yield given the complexity of federal criminal tax statutes. In other words, the defendant's good-faith misunderstanding of the legal duties imposed on him by the tax laws would negate a finding of willfulness. *Id.* at 199. This reasoning has been applied in other contexts as well. *E.g.*, *Ratzlaf v. United States*, 510 U.S. 135 (1994) (failure to report cash transactions in excess of \$10,000).

A lower standard for “willfulness” was advanced by Representatives Goodlatte and Coble, who introduced and sponsored the bill in the House. They rejected the notion that defendant must be familiar with the copyright code and what constitutes infringement. Rather than require “knowledge” of a legal duty not to infringe, they interpreted willfulness to require only that a defendant have “reckless disregard” for copyrights:

The Government should not be required to prove that the defendant was familiar with the criminal copyright statute or violated it intentionally. Particularly in cases of clear infringement, the willfulness standard should be satisfied if there is adequate proof that the defendant acted with reckless disregard of the rights of the copyright holder. In such circumstances, a proclaimed ignorance of the law should not allow the infringer to escape conviction.

143 Cong. Rec. 24,325 (1997).

Aside from clarifying that evidence of infringement, by itself, does not prove willfulness, *see supra*, Congress has left the term's definition to the courts. *See* 143 Cong. Rec. 26,422 (remarks of Sen. Leahy) (“This clarification does not change the current interpretation of the word 'willful' as developed by case law and as applied by [the Department of Justice], nor does it change the definition of 'willful' as it is used elsewhere in the Copyright Act.”); H.R. Rep. No. 102-997, at 4-5, *reprinted in* 1992 U.S.C.C.A.N. 3569, 3572-73 (discussion of Copyright Felony Act, Pub. L. No. 102-561, 106 Stat. 4233 (1992)).

Most courts that have interpreted “willfulness” in criminal copyright cases have adopted the more stringent standard advocated by Senator Hatch: the intentional violation of a known legal duty. *See* 4 *Nimmer on Copyright* § 15.01[A][2], at 15-6 to 15-7; *United States v. Cross*, 816 F.2d 297, 300-01 (7th Cir. 1987) (approving without comment a jury instruction that an act is willful when it is committed “voluntarily, with knowledge that it was prohibited by law, and with the purpose of violating the law, and not by mistake, accident or in good faith,” and affirming conviction because the record amply demonstrated that the defendant “knowingly and voluntarily violated the copyright laws”); *United States v. Moran*, 757 F. Supp. 1046, 1049 (D. Neb. 1991) (holding that willful infringement means a “voluntary, intentional violation of a known legal duty”) (quoting *Cheek v. United States*, 498 U.S. 192, 200 (1991)); *see also* *United States v. Sherman*, 576 F.2d 292, 297 (10th Cir. 1978) (upholding jury's verdict because jury “apparently either disbelieved the genuineness of this contract [which defendants claimed had licensed their conduct], or believed that defendants were not innocent of knowledge that the tapes provided were copies from the original artists' records”, and noting that “willfulness” required proof of specific intent, but without clarifying whether that required proof that the defendants knew their conduct was unlawful, or merely knowledge that they were selling copies). *Cf. United States v. Heilman*, 614 F.2d 1133, 1138 (7th Cir. 1980) (holding that the government had proved willfulness because the defendant “chose to persist in conduct which he knew had 'a

high likelihood of being held by a court of competent jurisdiction to be a violation of a criminal statute”) (quoting trial court).

A minority of courts in criminal copyright cases have apparently applied “willfulness” to set a lower bar for prosecution. *United States v. Backer*, 134 F.2d 533, 535 (2d Cir. 1943) is frequently cited as applying the lower standard, that of merely having the intent to carry out the activities of infringement without knowledge that they constituted infringement. In that case, the defendant had arranged for a manufacturer to duplicate a copyrighted figurine as closely as possible without, in the defendant's words, “copyright trouble.” *Id.* at 535. The Second Circuit found the evidence sufficient to support willful infringement, noting there could not “be any fair doubt that the appellant deliberately had the copies made and deliberately sold them for profit.” *Id.* Some commentators have characterized *Backer* as representing a circuit split. *E.g.*, 4 *Nimmer on Copyright* § 15.01[A][2] at 15-6; Mary Jane Saunders, *Criminal Copyright Infringement and the Copyright Felony Act*, 71 *Denv. U. L. Rev.* 671, 688 (1994); Sylvia N. Albert *et al.*, *Intellectual Property Crimes*, 42 *Am. Crim. L. Rev.* 631, 656-57 (2005).

It is not clear, however, that *Backer* represents a circuit split. The case can also be read as holding the defendant's mention of “copyright trouble” to be sufficient evidence of his knowledge of a legal duty not to infringe. Moreover, more recent civil copyright cases suggest that the Second Circuit interprets willfulness to require either actual knowledge that the infringement violated the law, or perhaps “constructive knowledge” shown by reckless disregard for whether the conduct violated copyright. *Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366, 1382 (2d Cir. 1993) (holding standard for willfulness to be “whether the defendant had knowledge that its conduct represented infringement or perhaps recklessly disregarded the possibility”); *Fitzgerald Publ'g Co. v. Baylor Publ'g Co.*, 807 F.2d 1110, 1115 (2d Cir. 1986) (same); Lydia Pallas Loren, *Digitization, Commodification, Criminalization: The Evolution of Criminal Copyright Infringement and The Importance of the Willfulness Requirement*, 77 *Wash. U. L.Q.* 835, 879 (1999) (arguing that the Second Circuit is actually not in disagreement with other circuits). This approach is consistent the Seventh Circuit's ruling in *United States v. Heilman*, a criminal copyright case holding that the government proved willfulness because the defendant “chose to persist in conduct which he knew had a high likelihood of being held by a court of competent jurisdiction to be a violation of a criminal statute.” 614 F.2d at 1138 (citation and internal quotation marks omitted); *see also* 2 Paul Goldstein, *Copyright* § 11.4.1, at 11:51-11:52 (2d ed. Supp. 1999) (stating that the government must “prove that the defendant knew that his acts

constituted copyright infringement or, at least, knew that there was a high probability that his acts constituted copyright infringement.”).

The majority rule in criminal copyright cases for a higher standard of willfulness is also consistent with civil copyright cases, which likewise hold that willfulness is not just an intent to copy, but rather an intent to infringe. 4 *Nimmer on Copyright* § 14.04[B][3][a]; e.g., *Twin Peaks Prods., Inc.*, 996 F.2d at 1382; *Danjaq, L.L.C. v. Sony Corp.*, 263 F.3d 942, 959 (9th Cir. 2001); *RSO Records, Inc. v. Peri*, 596 F. Supp. 849, 859 (S.D.N.Y. 1984) (holding, in civil action, that defendant's earlier guilty plea to two counts of criminal copyright infringement sufficed to show he knew similar conduct was unlawful). The issue arises in civil cases when plaintiffs attempt to recover increased statutory damages, which are available only for willful infringement. 17 U.S.C. § 504(c). Congress's use of the term “willfulness” in closely proximate sections 504 and 506 of the Copyright Act suggests that the term should be interpreted similarly in both criminal and civil cases.

Given that willfulness requires an intent to infringe, or at least constructive knowledge of infringement plus a reckless disregard of the victim's rights, a finding of willfulness may be precluded if the defendant acted with a good-faith belief that he was not infringing. See Section II.B.2.b. of this Chapter.

II.B.2.b. Proof at Trial

“Willfulness is rarely provable by direct evidence, and most often can be proven only by inference from the evidence introduced.” *United States v. Sherman*, 576 F.2d at 297. Certain types of evidence in criminal copyright cases have been found particularly relevant to determine the defendant's intent:

- **The defendant's acknowledgment that his or her conduct was improper.** See *United States v. Manzer*, 69 F.3d 222, 227-28 (8th Cir. 1995) (defendant's admission in a published interview that selling or giving away copyrighted computer chips was illegal, and software program and packaging bore copyright notice); *United States v. Drebin*, 557 F.2d 1316, 1324 (9th Cir. 1977) (defendant's warning customers of FBI investigation and recommending that customers “really be careful”); *United States v. Hux*, 940 F.2d 314, 319 (8th Cir. 1991) (defendant's admission to FBI that he knew modifying copyrighted descrambler chips was infringement), *overruled on other grounds by United States v. Davis*, 978 F.2d 415 (8th Cir. 1992); *United States v. Taxe*, 540 F.2d 961, 968-69 (9th Cir.

1976) (defendant's solicitation of attorney to lie about legality of tapes).

- **Actual notice to the defendant that his own conduct was illegal.** See *United States v. Cross*, 816 F.2d 297, 300-01 (7th Cir. 1987) (defendant's sale of pirated videotapes after FBI agents told him that selling and renting unauthorized tapes was illegal).
- **Notice to the defendant that another person's similar conduct constituted infringement.** See *United States v. Heilman*, 614 F.2d 1133, 1138 (7th Cir. 1980) (defendant's awareness that government was prosecuting individuals engaged in conduct similar to his own and that conduct had been ruled illegal by four federal and three state courts).
- **The defendant's past manufacture and distribution of pirated works.** See *United States v. Whetzel*, 589 F.2d 707, 712 (D.C. Cir. 1978), *abrogated on other grounds*, *Dowling v. United States*, 473 U.S. 207 (1985).
- **The defendant's statement to Postal Service employee that others were selling illegal DVDs in the area.** *United States v. Draper*, No. 7-05 CR 0004, 2005 WL 2746665, at *2 (W.D. Va. 2005).
- **The defendant's frivolous or bad-faith claim of compliance with copyright laws, which demonstrates a knowledge of copyright laws.** Cf. *United States v. Gardner*, 860 F.2d 1391, 1396 (7th Cir. 1988) (holding that when seller of “black boxes” for receiving unauthorized cable TV gave buyers a “Notice of Warning” that disclaimed liability for illegal uses, it was “establish[ed] that he was well aware that his actions were unlawful”).

Conversely, other factors may be relevant to finding an absence of “willfulness”:

- **Evidence of the defendant's good-faith belief that his conduct was lawful, coupled with rational attempts to comply with the copyright law as supposedly understood by the defendant.** Compare *United States v. Moran*, 757 F. Supp. 1046, 1051-53 (D. Neb. 1991) (court in bench trial finding police officer who operated a “mom-and-pop” video rental business not guilty, because he made single copies of lawfully purchased videos and rented the copies only to prevent vandalism of original tapes, and because his activities were “conducted in such a way as not to

maximize profits, which one assumes would have been his purpose if he had acted willfully”) with *United States v. Sherman*, 576 F.2d 292, 297 (10th Cir. 1978) (affirming conviction of defendants who claimed a good-faith belief that pirated tapes they manufactured and sold were “sound-a-likes,” and thus noninfringing). *See also Danjaq, L.L.C. v. Sony Corp.*, 263 F.3d 942, 959 (9th Cir. 2001) (stating that one who has been notified that his conduct constitutes copyright infringement, but who reasonably and in good faith believes the contrary, has not acted willfully)(citing 4 *Nimmer on Copyright* § 14.04).

- **Acting pursuant to legal counsel, even if the advice was erroneous, if the defendant disclosed all relevant circumstances to his attorney and followed the attorney's advice in good faith.** *See* 4 *Nimmer on Copyright* § 14.04[B][3][a]; David M. Nissman, *Proving Federal Crimes* §§ 27.07-.08 (Corpus Juris Publishing 2004).

Possible alternative charges that require lower mens rea standards are discussed in Section II.F. of this Chapter.

II.B.3. Infringement of the Copyright

The next element is that the defendant infringed a copyright. *See* 17 U.S.C. § 506(a). “Infringement” refers to the violation of one or more of the exclusive rights granted to a copyright owner at 17 U.S.C. § 106. Infringement is implicitly defined in 17 U.S.C. § 501(a):

Anyone who violates any of the exclusive rights of the copyright owner as provided by [17 U.S.C. §§ 106-122] or of the author as provided by [17 U.S.C. § 106A], or who imports copies or phonorecords into the United States in violation of [17 U.S.C. § 602], is an infringer of the copyright.

Consequently, infringement may include more than violation of the rights enumerated in § 106 (and also include violations of the rights to exclude imports under § 602, or the rights of certain authors to attribution and integrity defined in § 106A), and at the same time, may not extend to *all* violations of the rights in § 106 (because the rights enumerated in § 106 are “subject to [the limitations of] §§ 107 through 122”). *See* § 106. For purposes of criminal enforcement, the relevant types of infringement are those enumerated in § 106. (An author's rights to attribution and integrity under § 106A(a) are not enforceable criminally. *See* 18 U.S.C. § 506(f).)

Section 106 of Title 17 sets out the copyright owner's exclusive rights. These rights consist of the rights “to do and to authorize” the following:

- to reproduce a work in copies or phonorecords, § 106(1)
- to prepare derivative works, § 106(2)
- to distribute copies or phonorecords of the work to the public, § 106(3)
- to perform the work publicly (for certain types of works), § 106(4), (6)
- to display a work publicly (for certain types of works), § 106(5)

Sections 107 through 122 limit these rights, the most notable limitations being, for criminal enforcement purposes, the public's right to fair use, the first sale doctrine, limitations on rental of software and musical sound recordings, and exceptions for installing and backing up software, all of which are discussed in detail in Section II.C. of this Chapter.

Felony penalties apply only to infringement of the reproduction or distribution rights. *See* 17 U.S.C. § 506(a). Specifically, felony penalties apply only if the infringement involved either “reproduction and distribution” of a minimum number and value of works, *see* 17 U.S.C. § 506(a)(1)(A) (numbered § 506(a)(1) before the Apr. 27, 2005 amendments) and 18 U.S.C. § 2319(b)(1); 17 U.S.C. § 506(a)(1)(B) (numbered § 506(a)(2) before the Apr. 27, 2005 amendments) and 18 U.S.C. § 2319(c)(1), or if the infringement involved “distribution of a work being prepared for commercial distribution,” by making it available on a publicly-accessible computer network. *See* 17 U.S.C. § 506(a)(1)(C) (enacted Apr. 27, 2005), 18 U.S.C. § 2319(d)(1). *See* Section II.B.4.c. of this Chapter.

Misdemeanor penalties apply to infringement by reproduction or distribution that meet a lower numeric and monetary threshold—one or more copies of one or more copyrighted works, having a total retail value of more than \$1,000. *See* 17 U.S.C. § 506(a)(1)(B), 18 U.S.C. § 2319(c)(3). Misdemeanor penalties also cover willful infringement of *any* of the exclusive rights under § 106, if committed for commercial advantage or private financial gain. *See* 17 U.S.C. § 506(a)(1)(A), 18 U.S.C. § 2319(b)(3), and the discussion in Section II.B.4. of this Chapter.

Criminal prosecutions mainly focus on reproduction and distribution, because these are generally the most serious infringements and they incur the most significant penalties. This is not to say, however, that the Department would not or could not investigate and prosecute copyright

misdeemeanors for a profit-motivated public performance, public display, or derivative work.

II.B.3.a. Infringement by Reproduction or Distribution

Felony penalties are provided for willful infringement committed “by the reproduction or distribution” of ten or more copies (or phonorecords) of one or more copyrighted works, with a total retail value of \$2,500 or more. There are actually two separate combinations of statutory provisions that provide felony penalties for this type of conduct.

Infringement committed with or without the purpose of commercial advantage or private financial gain can fall under 17 U.S.C. § 506(a)(1)(B) (numbered § 506(a)(2) before the Apr. 27, 2005 amendments), if the willful infringement was committed “by the reproduction or distribution, including by electronic means, during any 180-day period, of 1 or more copies or phonorecords of 1 or more copyrighted works, which have a total retail value of more than \$1000.” For these offenses, 18 U.S.C. § 2319(c)(1) provides felony penalties “if the offense consists of the reproduction or distribution of 10 or more copies or phonorecords of 1 or more copyrighted works, which have a total retail value of \$2,500 or more.” The statutory maximum penalty is 3 years' imprisonment, 6 for repeat offenders. *See* § 2319(c).

Infringement committed for commercial advantage or private financial gain can also fall under 17 U.S.C. § 506(a)(1)(A) (numbered § 506(a)(1) before the Apr. 27, 2005 amendments), which is a felony if the offense “consists of the reproduction or distribution, including by electronic means, during any 180-day period, of at least 10 copies or phonorecords, of 1 or more copyrighted works, which have a total retail value of more than \$2,500.” 18 U.S.C. § 2319(b)(1). The statutory maximum penalty is 5 years' imprisonment, 10 for repeat offenders.

There is a slight variation in language between the two provisions that set forth a \$2,500 felony threshold: 18 U.S.C. § 2319(c)(1) requires a total retail value of “\$2,500 or more,” whereas § 2319(b)(1) requires “more than \$2,500.” It is unclear whether this variation was intentional.

In addition to the felony penalties discussed in the prior paragraphs, there are also felony penalties in 17 U.S.C. § 506(a)(1)(C) (enacted Apr. 27, 2005) for distribution over a computer network accessible by the public. See Section II.B.3.b. of this Chapter.

The reproduction and distribution rights are set forth in 17 U.S.C. § 106(1) (exclusive right “to reproduce the copyrighted work in copies or

phonorecords”) and § 106(3) (exclusive right “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”).

- **Definition of Copies and Phonorecords**

The term “copies” is often used to refer generically to any material object in which a copyrighted work has been fixed. However, the Copyright Act reserves the term “copies” only for works other than sound recordings. “Copies” are defined as “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.” 17 U.S.C. § 101. “Phonorecords are what we think of as copies of sound recordings, and are defined as ”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.* Thus, examples of a “phonorecord” would include an audio tape or CD, or an MP3 file. Examples of “copies” would include a book, a painting, a piece of sheet music, or a sculpture. A software program on disc or in a file on a computer, or a movie on DVD or videotape, would also be “copies,” even though these objects might also include an audio sound track.

Somewhat confusingly, the terms “copy” and “phonorecord” can also refer to the *original* object in which the copyrighted work was fixed, such as a handwritten manuscript, or original studio tapes for a sound recording.

- **“Stealing”**

Infringement is often referred to as a form of theft. For example, 18 U.S.C. § 2319 is located in a chapter of the criminal code entitled, “Stolen Property.” Yet infringement is distinct from common-law theft, and requires no showing that the defendant “stole” or deprived another person of a physical copy of a work. Making additional copies of a book, movie, or other work may constitute infringement, even if the defendant obtained his original source for additional copies lawfully. Likewise, although publicly distributing copies that were stolen from the copyright owner could constitute infringement, it is not always necessary to show that copies were “stolen” in order to show infringing distribution.

II.B.3.a.i. Reproduction

Reproduction encompasses a wide array of conduct, ranging from a novelist's plagiarizing substantial portions of someone else's book or a musician's sampling several notes from a previously-recorded song, to using a computer to rip an audio track into MP3 format or making a bit-for-bit copy of a movie on DVD. In most criminal cases, infringing reproduction involves the production of exact, or nearly-exact, duplicates through digital means, as with computer programs and movies on DVD. Copying need not be so blatant or literal to qualify as infringement, but criminal cases rarely involve defendants who have copied only a small portion of a copyrighted work. Disputes over whether one song sounds too alike another, or whether a movie screenplay copies dialogue or characters from an earlier screenplay, are generally best left to civil lawsuits. Nevertheless, some cases of less-than-wholesale, verbatim copying of an entire work may deserve criminal prosecution.

- **Proof of Infringement by Reproduction**

The best evidence of infringement by reproduction is direct evidence that the defendant copied the victim's work, including (for example) eyewitness testimony, or even computer logs indicating the copying of particular discs or files. Typically, criminal copyright cases will involve complete, verbatim copying of many copyrighted works, and defendants are generally unlikely to challenge this issue credibly. In fact, defendants often even advertise or otherwise mark the infringing copies as being copies. However, when the copies alleged to be infringing are not essentially identical to the original work, prosecutors may need to prove infringement in greater depth.

Direct evidence of copying is best, but circumstantial evidence may suffice. The circumstantial test is whether (1) the defendant had access to the copyrighted work and (2) that defendant's work is “substantially” or “probatively” similar to the copyrighted material. *See Taylor Corp. v. Four Seasons Greetings, LLC*, 403 F.3d 958 (8th Cir. 2005); *Dam Things from Denmark v. Russ Berrie & Co.*, 290 F.3d 548, 562 (3d Cir. 2002); *Kepner-Tregoe, Inc. v. Leadership Software, Inc.*, 12 F.3d 527, 532 (5th Cir. 1994).

The test of “substantial” or “probative similarity” is whether, considering the two works as a whole, including both the copyrightable elements and the uncopyrightable ones (such as basic ideas or public-domain expressions that are not eligible for copyright), a reasonable person would conclude that the defendant had actually copied the work from the original. *See Positive Black Talk Inc. v. Cash Money Records, Inc.*, 394 F.3d 357, 370 n.9 (5th Cir. 2004); *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 318-

19 (9th Cir. 1987), *disagreed with on other grounds*, *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994); *Atari, Inc. v. North American Philips Consumer Elec. Corp.*, 672 F.2d 607, 614 (7th Cir. 1982). This standard focuses on the works' similarities rather than their differences. Thus, “[i]t is enough that substantial parts [of a copyrighted work] were lifted; no plagiarist can excuse the wrong by showing how much of his work he did not pirate.” *United States v. O’Reilly*, 794 F.2d 613, 615 (11th Cir. 1986) (affirming conviction for infringement of copyright in video games where approximately 70% of defendant's code was identical to copyrighted original) (quoting *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 56 (2d Cir. 1936) (L. Hand, J.)).

Note that this test is designed to determine whether *copying* occurred, not necessarily whether that copying constituted *infringement*. If the court determines that actual copying has occurred, only then does it assess whether the copying was substantial enough to constitute infringement. Unfortunately, many courts also refer to this test as one of “substantial similarity,” which can lead to confusion. *See, e.g., Sid & Marty Krofft Television Prods., Inc. v. McDonald’s Corp.*, 562 F.2d 1157, 1164-65 (9th Cir. 1977) (referring to the test of whether copying occurred as an “extrinsic” test of substantial similarity, while calling the test of whether infringement occurred, i.e., whether copyrightable elements were copied, an “intrinsic” test of substantial similarity). To avoid this confusion, many courts prefer to use the term “probative” similarities to show “actual copying,” and “substantial similarity” to show “actionable copying.” *See Positive Black Talk Inc. v. Cash Money Records, Inc.*, 394 F.3d 357, 370 (5th Cir. 2004); *Dam Things from Denmark*, 290 F.3d at 562 & n. 19.

If the copyrighted work and the defendant's work are “strikingly similar,” the first element of access may be assumed without proof (at least in civil copyright cases), especially when the copyrighted work was widely available. *See, e.g., Playboy Enters. v. Frena*, 839 F. Supp. 1552, 1556 (M.D. Fla. 1993) (holding proof of access unnecessary when defendant made “essentially exact” copies of copyrighted photos that appeared in nationally-circulated magazine).

In practice, the government demonstrates “substantial” or “probative” similarity, as well as infringement, by comparing the suspect copy side-by-side against an authentic original. Although it is generally better to compare against the original maintained on file at the Register of Copyrights, it is not absolutely necessary—an authenticated duplicate of the original work will suffice. *See O’Reilly*, 794 F.2d at 615; *United States v. Shabazz*, 724 F.2d 1536, 1539 (11th Cir. 1984). Victims may assist the government with these comparisons. *See* Chapter X of this Manual; *cf. United States v. Sherman*, 576

F.2d 292, 295 (10th Cir. 1978) (mentioning that suspected pirated tapes were checked by record company before search warrant issued).

- **Statutory Exceptions for Reproduction**

As noted above, copyright owners' rights are limited in 17 U.S.C. §§ 107-122. Several of these provisions particularly limit the reproduction right, including § 107 (“fair use”), § 108 (certain copying by libraries and archives), § 115 (compulsory license for making phonorecords of musical works), and § 117 (certain limited copying of software). See Section II.C. of this Chapter.

II.B.3.a.ii. Distribution

Section 106(3) of Title 17 grants copyright owners the exclusive right “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.” 17 U.S.C. § 106(3). The distribution right is implicated by a wide variety of conduct, including the sale of books at a bookstore, used CDs at a garage sale, and pirated DVDs at a flea market; the lending of books by a library; and transferring pirated software to users from “warez” websites on the Internet. Distribution is not limited to sales, but also includes other transfers of ownership such as gifts or barter. *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.2d 277, 299 (3d Cir. 1991) (citing H.R. Rep. No. 94-1476, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5675-76 *and* 17 U.S.C.A. § 106 (West 1997) (historical note)).

- **“To the Public”**

Although often referred to merely as “distribution,” the right protected by § 106 is the right to distribute copies or phonorecords of the work “*to the public.*” § 106(3) (emphasis added). Giving a single copy of a work to a family member or close friend may not qualify as a “distribution” for copyright purposes, although courts have found under some circumstances that even the giving of a single copy to one person may constitute “distribution to the public.” *Ford Motor Co.*, 930 F.2d at 299-300.

The Copyright Act does not expressly define “distribution” or “public,” except through definitions of other closely-related terms. The term “publication” is defined in § 101, and is often used interchangeably with distribution, and courts have noted that the two terms are “for all practical purposes synonymous.” *Ford Motor Co.*, 930 F.2d at 299; *see also Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 552 (1985); 2 *Nimmer on Copyright* § 8.11[A], at 8-148 to 8-149. Section 101 also defines the term “publicly,” with respect to performances and display of works, as

referring to “place[s] open to the public or any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.” “Distribution” is not limited to sales, but also includes other transfer of ownership such as gifts or barter. *Ford Motor Co.*, 930 F.2d at 299 citing H. Rep. 94-1476, 94th Cong., 2d Sess. 62, *reprinted in* 1976 U.S. Code Cong. & Admin. News 5659, 5675-76).

For cases discussing whether distribution “to the public” in several contexts, such as computer networks and subscription based services, see Section II.B.3.c.ii. of this Chapter.

- **Importation**

Infringing articles are often manufactured overseas and then shipped into the United States for distribution. Under 17 U.S.C. § 602, importation of infringing copies into the United States without permission of the copyright owner generally constitutes infringement of the distribution right. Although § 602 specifies that unauthorized importation is “actionable under § 501,” it does not mention criminal actions under § 506. In cases involving importation, prosecutors may also consider charging the defendant with bringing goods into the United States by false statements, 18 U.S.C. § 542, or with smuggling goods, 18 U.S.C. § 545.

- **Making Works Available Without Transferring Them**

It is unclear whether a defendant who merely makes copyrighted material available to others has infringed the distribution right without any evidence of an actual transfer of infringing works. This question might arise if a defendant on a peer-to-peer file-sharing network made copyrighted movies, music, or software available to the public by placing them in a shared area of his networked desktop computer, but his computer contained no records of whether or how many times these files were downloaded by others. If there is no evidence that the copyrighted works the defendant “made available” were actually transferred to another computer (or indeed, if there is evidence that no such transfers actually occurred, despite the defendant's having made the files available), has the defendant nevertheless infringed the distribution right in the works?

Several civil cases addressing online infringement state, or at least suggest, that the distribution right is infringed at the point when the defendant makes a file publicly available. *See A&M Records v. Napster*, 239 F.3d 1004, 1014 (9th Cir. 2001) (noting that “Napster users who upload file names to the search index for others to copy violate plaintiffs' distribution rights. Napster users who download files containing copyrighted music violate plaintiffs' reproduction rights.”); *Playboy Enters. v. Chuckleberry Publ'g*,

Inc., 939 F. Supp. 1032, 1039 (S.D.N.Y. 1996) (uploading content on Internet and inviting users to download it violates exclusive publication right); *Playboy Enters. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503, 513 (N.D. Ohio 1997) (“Defendants disseminated unlawful copies of PEI photographs to the public by adopting a policy in which RNE employees moved those copies to the generally available files instead of discarding them.”); *Getaped.Com, Inc. v. Cangemi*, 188 F. Supp. 2d 398, 402 (S.D.N.Y. 2002) (holding that material on website was published when it was placed on website and available for viewing or downloading).

A case frequently cited for the proposition that “making available” violates the distribution right is *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199, 203 (4th Cir. 1997). At issue in *Hotaling* was whether a church library open to the public had distributed the plaintiff’s work by having it in its collection and listing it in its card catalog, even though no evidence indicated that the work had actually been borrowed or viewed by library patrons. The defendant argued that holding the work in its collection constituted a mere offer to distribute, at most, not an actual distribution. The court sided with the plaintiffs:

When a public library adds a work to its collection, lists the work in its index or catalog system, and makes the work available to the borrowing or browsing public, it has completed all the steps necessary for distribution to the public. At that point, members of the public can visit the library and use the work. Were this not to be considered distribution within the meaning of § 106(3), a copyright holder would be prejudiced by a library that does not keep records of public use, and the library would unjustly profit by its own omission.

Id. at 203. At least one court considering *Hotaling* focused on the opinion’s concern with potential prejudice from a library that kept no records, and suggested that the same logic might apply in online cases where no records are kept. In *Arista Records, Inc. v. MP3Board, Inc.*, No. 00CIV.4660(SHS), 2002 WL 1997918, at *4 (S.D.N.Y. Aug. 29, 2002) (citing *Hotaling*, 118 F.3d at 204), the court considered that “a copyright holder may not be required to prove particular instances of use by the public when the proof is impossible to produce because the infringer has not kept records of public use,” but declined to find that an actual distribution had occurred based on the facts before it (in which investigators for the record industry had determined that hyperlinks on the defendant’s website pointed to infringing audio files). *Id.*

Only one criminal decision has addressed this question, albeit in the context of deciding whether state court charges were preempted by federal

copyright law: “Posting software on a bulletin board where others can access and download it is distribution which is governed by the [federal] copyright laws.” *State v. Perry*, 697 N.E.2d 624, 628 (Ohio 1998).

The Copyright Office states that U.S. copyright law includes a “making available” right that covers making files available on the Internet. *See* U.S. Copyright Office, *DMCA Section 104 Report*, at 93-95 (August 2001). This, however, does little to resolve the issue for criminal cases, because the Copyright Office characterizes this “making available right” as resulting from a combination of the distribution, reproduction, public display, and public performance rights. *Id.* at 94. Because the felony copyright provisions apply only to infringement of the distribution and reproduction rights, it is unclear whether “making available” (as the Copyright Office interprets it) can support a felony charge.

Moreover, a number of federal courts have held that no distribution occurs unless and until an infringing copy is actually disseminated. *See Obolensky v. G.P. Putnam's Sons*, 628 F. Supp. 1552, 1555 (S.D.N.Y.) (directing verdict for defendants after jury trial because the right to distribute is not violated “where the defendant offers to sell copyrighted materials but does not consummate a sale” or “where there is copying, but no sale of the material copied”), *aff'd*, 795 F.2d 1005 (2d Cir. 1986); *accord Paramount Pictures Corp. v. Labus*, No. 89-C-797-C, 1990 WL 120642, at *4 (W.D. Wis. Mar. 23, 1990); *National Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc.*, 991 F.2d 426, 430 (8th Cir. 1993) (holding that distribution requires the transfer of an actual copy, as § 106(3) grants the copyright owner the “exclusive right publicly to sell, give away, rent or lend any *material embodiment* of his work”) (quoting 2 *Nimmer on Copyright* § 8.11[A], at 8-123 (emphasis added by *National Car Rental*)) *cf. In re: Aimster Copyright Litig.*, 252 F. Supp. 2d 634, 643 (N.D. Ill. 2002) (noting, without analysis, that a peer-to-peer user “with copyrighted music files on his hard drive available for download can [once another user searches for and locates a file on the first user's computer] thereafter become an unauthorized distributor of that copyrighted music as soon as another Aimster user initiates a transfer of that file.”) *aff'd*, 334 F.3d 693 (7th Cir. 2003) (_____ discussing point). The leading copyright treatise also supports this view. *See* 2 *Nimmer on Copyright* § 8.11[A] at 8-149 (“Infringement of [the right to distribute] requires an actual dissemination of either copies or phonorecords.”).

To date, the only case to squarely address “making available” in the context of peer-to-peer networks and the new “making available” offense in 17 U.S.C. § 506(a)(1)(C) is *In re Napster, Inc. Copyright Litig.*, 377 F. Supp. 2d 796 (N.D. Cal. 2005). In that opinion, the court considered the

plaintiffs' motion for summary judgment on their claims that Napster had directly infringed the plaintiffs' copyrights by creating and maintaining an indexing system that allowed users to upload and download infringing music files. *Id.* at 802. The key question was “whether the Copyright Act requires proof of the actual dissemination of a copy or phonorecord in order to establish the unlawful distribution of a copyrighted work in violation of 17 U.S.C. § 160(3).” *Id.* The court concluded that distribution did not include the mere offer to distribute a copyrighted work, given the plain meaning and legislative history of the terms “distribution” and “publication.” *See id.* at 803-04. The court concluded that “to the extent *Hotaling* suggests that a mere offer to distribute a copyrighted work gives rise to liability under section 106(3), that view is contrary to the weight of [the] above-cited authorities.” *Id.* at 803 (citations omitted). Finally, the court rejected the argument that the “making available” language in the new offense at 17 U.S.C. § 506(a)(1)(C), discussed in Section II.B.3.c.ii. of this Chapter, evinced Congress's intent that “making available” was a type of distribution, concluding that § 506(a)(1)(C) made willful copyright infringement and “making available” two separate elements. *Napster*, 377 F. Supp. 2d at 805.

Given this backdrop, courts deciding criminal cases would likely require proof of actual dissemination of copies, as opposed to evidence that the defendant merely “made [infringing works] available,” if only to satisfy the rule of lenity. *See United States v. Wiltberger*, 18 U.S. 76, 95 (1820); *Dowling v. United States*, 473 U.S. 207, 213, 228-29 (1985) (applying rule of lenity to construe stolen property laws narrowly in light of copyright law). Moreover, courts might consider Congress's choice not to punish attempts in § 506 as further evidence that distribution, in criminal cases, requires an actual transfer of an infringing copy to the public.

Some of the civil cases in which proof of actual dissemination has not been required suggest an alternative rule—that where, due to the defendant's actions, no records exist of actual transfers, the court may infer or presume that actual dissemination took place. *See Hotaling*, 118 F.3d 199; *Arista Records*, 2002 WL 1997918. That rule, however, might not be adopted in criminal cases, in which infringing distribution must be proven beyond a reasonable doubt.

As a practical matter, evidence of actual infringing transfers strengthens other aspects of the case. Even if a theory of distribution without dissemination were accepted by the court, a jury might nevertheless reject it—either in sympathy toward a defendant who ostensibly copied nothing, or by concluding that the defendant could not have understood that his conduct constituted infringement sufficiently to

establish willful behavior. See the discussion of willfulness in Section II.B.2. of this Chapter.

When proving that the defendant actually distributed infringing copies, distributions to law enforcement officers or to agents working for the victim should suffice, as a matter of law. *See Gamma Audio & Video v. Ean-Chea*, No. 91-11615-2, 1992 WL 168186 at *3 n.5 (D. Mass. July 3, 1992), *rev'd in part on other grounds*, 11 F.3d 1106 (1st Cir. 1993); *Paramount v. Labus*, 1990 WL 120642 at *5.

The government need not prove an actual dissemination if the charge is conspiracy to violate the criminal copyright laws by means of distribution. Conspiracy is an inchoate crime, so the government need not prove that the underlying crime of distribution was completed.

- **First Sale**

Under 17 U.S.C. § 109, it is not an infringement for the owner of a particular, lawfully-acquired copy or phonorecord of a work to sell or otherwise dispose of that copy. This exception is often referred to as the “first sale” doctrine. So, for example, a person who purchases a book at a bookstore may later resell the book at a yard sale or donate it to a library, without the copyright-holder's permission. Although first sale is treated as a defense in civil cases, some criminal copyright cases have held that the government must plead and prove the absence of a first sale as an element of the offense. See Section II.C.4.c. of this Chapter.

II.B.3.b. Infringement of at Least 10 Copies of 1 or More Copyrighted Works With a Total Retail Value Exceeding \$2,500 Within a 180-Day Period

II.B.3.b.i. Generally

The final element for felony offenses under 17 U.S.C. § 506(a)(1)(A) and (B) (numbered § 506(a)(1),(2) before the Apr. 27, 2005 amendments) is that the infringement consisted of the “reproduction or distribution, including by electronic means, during any 180-day period, of at least 10 copies or phonorecords, of 1 or more copyrighted works, which have a total retail value of more than \$2,500.” 18 U.S.C. § 2319(b)(1); *see also* 18 U.S.C. § 2319(c)(1) (alternative felony provision, applying when value is “\$2,500 or more”). For definition of “copies” and “phonorecords,” see Section II.B.3.a. of this Chapter (discussing 17 U.S.C. § 101).

Congress reserved felony penalties for those who copy or distribute a minimum of 10 copies to exclude from felony prosecution low-level infringement such as “children making copies for friends as well as other

incidental copying of copyrighted works having a relatively low retail value,” and also to avoid having the criminal provisions used as a “tool of harassment” in business disputes involving issues such as reverse engineering or the scope of licenses. H.R. Rep. No. 102-997, at 6 (1992), *reprinted in* 1992 U.S.C.C.A.N. 3569, 3574.

Congress used the phrase “of one or more copyrighted works” as a way “to permit aggregation of different works of authorship to meet the required number of copies and retail value.” *Id.* Congress gave as an example a defendant who reproduces 5 copies of a copyrighted word-processing computer program with a retail value of \$1,300 and 5 copies of a copyrighted spreadsheet computer program also with a retail value of \$1,300. Aggregating these reproductions “would satisfy the requirement of reproducing 10 copies having a retail value of at least \$2,500, if done within a 180-day period.” *Id.*

II.B.3.b.ii. Definition of “Retail Value” in this Context

Congress left the term “retail value” “deliberately undefined, since in most cases it will represent the price at which the work is sold through normal retail channels.” *Id.*

Under both the plain meaning of the statutory text and the legislative history of the 1992 Copyright Felony Act, “retail value” in this provision was intended to refer to the retail value of the infringed item, i.e., the authentic item that was infringed, in the market in which it is sold. By contrast, the sentencing guidelines use either the value of the “infringed item” or the “infringing item” to compute the sentencing offense level, depending on the circumstances of the crime. See the discussion of U.S.S.G. § 2B5.3 cmt. n.2(C) in Section VIII.C.1.c.iii. of this Manual.

Determining the retail value of a pre-release work can be challenging because pre-release works have no legitimate retail value. Congress acknowledged the problem and offered several solutions:

At the same time, the Committee recognizes that copyrighted works are frequently infringed before a retail value has been established, and that in some cases, copyrighted works are not marketed through normal retail channels. Examples include motion pictures [*sic*] prints distributed only for theatrical release, and beta-test versions of computer programs. *In such cases, the courts may look to the suggested retail price, the wholesale price, the replacement cost of the item, or financial injury caused to the copyright owner.*

H.R. Rep. No. 102-997, at 7 (1992) (emphasis added), *reprinted in* 1992 U.S.C.C.A.N. 3569, 3575. If the infringed item has no retail value, the important consideration is the harm to the copyright owner, rather than the (presumably smaller value of) profits to the infringer. *See id.*, 1992 U.S.C.C.A.N. at 3574-75 (statement of Sen. Hatch); 138 Cong. Rec. 34,371 (1992). Although the Family Entertainment and Copyright Act (“FECA”) created a new felony offense to address piracy of “work[s] being prepared for commercial distribution” when committed online, the Act does not specify how the “retail value” of such works should be determined (and although the new offense at 17 U.S.C. § 506(a)(1)(C) does not require proof of a minimum value, pre-release piracy may still be charged under the other felony copyright provisions in § 506(a)(1)(A),(B), which, in conjunction with 18 U.S.C. § 2319, do).

By way of comparison, the sentencing guidelines now specify that pre-release works—“work[s] being prepared for commercial distribution,” in the guideline's parlance—should be valued for sentencing purposes at the anticipated retail value of legitimate works upon legitimate commercial release. *See* U.S.S.G. § 2B5.3 cmt. n.2(A)(vi) (amended Oct. 24, 2005). However, in pre-release cases the guidelines also provide for a 2-level enhancement. *See id.* § 2B5.3(b)(2) (amended Oct. 24, 2005). *See* Section VIII.C.1.c.iii. of this Manual.

Calculating a work's retail value can be more complicated when the work has been published in multiple versions—which often occurs with software—especially if the court determines that registration or preregistration is a precondition to criminal prosecution. *See* Section II.B.1.d. of this Chapter. As noted there, civil actions for infringement are permitted only for registered works. Courts addressing the infringement of an unregistered version of a software program of which earlier versions had been registered, have allowed damages only to the extent that the infringed material consists of material from earlier, registered versions. The theory behind this limitation is that an unauthorized copy of the unregistered version is, in reality, not an infringement of the unregistered version itself, but rather an infringement of the earlier registered version *through* the copying of the unregistered version. *See, e.g., Montgomery v. Noga*, 168 F.3d 1282, 1292 (11th Cir. 1999); *Well-Made Toy Mfg. Corp. v. Goffa Intern. Corp.*, 210 F. Supp. 2d 147, 158 (E.D.N.Y. 2002); 2 *Nimmer on Copyright* § 7.16[B][2].

On the other hand, the Eleventh Circuit in *Montgomery v. Noga* upheld a jury instruction that permitted the jury to calculate the plaintiff's actual damages by considering the market value of the unregistered version:

Having held that the defendants infringed Montgomery's registered copyright in VPIC 2.9a by placing VPIC 4.3 on FLD discs, ... it follows that the jury properly could consider evidence of the injury that the defendants' infringement caused to the value of subsequent unregistered VPIC versions derived from version 2.9a—such as VPIC 4.3—in order to determine the extent of the injury to the value of Montgomery's registered copyright at the time of infringement.

* * *

Obviously, Montgomery's damages could not adequately be measured solely by reference to the market value of VPIC 2.9a as a stand-alone computer program; this value presumably was quite low at the time of the infringement given that revised versions of the program were then available.

168 F.3d at 1294-95. Although the court reviewed the instruction under the highly deferential “plain error” standard because the defendants had not objected to it at trial, *see id.*, the holding should nevertheless support the analogous proposition that if the infringed work is an unregistered version of software that had been derived from an earlier registered version, the appropriate measure for purposes of 18 U.S.C. § 2319 should be the value of the unregistered version.

To charge a criminal copyright violation as a felony, the government must also prove that the total retail value of the infringing copies exceeded \$2,500. This threshold has one minor complication: the felony threshold is “more than \$2,500” when the defendant acted with a profit motive, 18 U.S.C. § 2319(b)(1), but only “\$2,500 or more” when the defendant acted without a profit motive, 18 U.S.C. § 2319(c)(1). To be safe, each felony indictment should simply charge a value greater than \$2,500.

These technical requirements are sometimes difficult to prove. For example, if a defendant operated a video store that rented only pirated videos, but kept no records that describe who did what and at what time, it might be difficult to prove that the defendant himself reproduced or distributed the videos, or that he did so within a particular 180-day period. If faced with such a case, the government may wish to consider alternative charges—such as conspiracy to commit felony criminal copyright infringement; misdemeanor copyright infringement (which reduces the number of copies to 1 and the retail value threshold to \$1,000; see Section II.B.5. of this Chapter); 18 U.S.C. § 2318 (counterfeit or illicit labels, documentation, or packaging for copyrighted works); or 18 U.S.C. § 2320 (trafficking in goods, services, labels, documentation, or packaging with counterfeit marks)—that have no numerical or monetary thresholds.

Section 2320 also has the advantage of punishing attempts, which can be proved when the government lacks records of the completed crime

II.B.3.c. Distribution of a Work Being Prepared for Commercial Distribution, by Making It Available on a Publicly-Accessible Computer Network, if the Defendant Knew or Should Have Known the Work Was Intended for Commercial Distribution

Effective April 27, 2005, Congress added an additional felony offense to address the online infringement of pre-release works. *See* Family Entertainment and Copyright Act of 2005 (FECA), Pub. L. No. 109-9 § 103, 119 Stat 218, 220-21 (Apr. 27, 2005) (codified at 17 U.S.C. § 506(a)(1)(C)). (This provision is part of Title I of FECA, also known as the “Artists Rights and Theft Prevention Act of 2005” or the “ART Act.”) Congress enacted this provision to target two phenomena that it deemed particularly harmful to copyright-holders, especially in combination—“pre-release” piracy and Internet piracy (especially peer-to-peer file-sharing). *See, e.g.*, Remarks on Introduction of Bill in Senate, 151 Cong. Rec. S494 (daily ed. Jan. 25, 2005); Judiciary Committee Report, H.R. Rep. No. 109-33(I), at 4, *reprinted in* 2005 U.S.C.C.A.N. 220. Section 506(a)(1)(C) makes it a felony to willfully infringe “[i] by the distribution of [ii] a work being prepared for commercial distribution, [iii] by making it available on a computer network accessible to members of the public, [iv] if such person knew or should have known the work was intended for commercial distribution.” 17 U.S.C. § 506(a)(1)(C) (small Roman numerals added for purposes of illustration).

The new offense eliminates the government's need to prove monetary and numeric thresholds for the copies involved if the defendant distributed pre-release works on a computer network.

II.B.3.c.i. Distribution

The offense defined under 17 U.S.C. § 506(a)(1)(C) applies only to infringement by distribution (as opposed to the copyright felonies in 17 U.S.C. § 506(a)(1)(A),(B) that apply to infringement by distribution or reproduction). For discussion of proving distribution, see Section II.B.3.a.ii. of this Chapter.

Section § 506(a)(1)(C)'s use of the term “making available” does not resolve the issue of whether “distribution” requires an actual dissemination of infringing copies. As of this writing, the only reported case that has discussed this issue, a civil copyright case, stated that “distribution” and

“making available on a publicly-accessible computer network” are two separate elements of the § 506(a)(1)(C) offense. See *In re Napster, Inc. Copyright Litig.*, 377 F. Supp. 2d 796, 805 (N.D. Cal. 2005). The inclusion of “making available” did not, according to this court, redefine distribution to include making available. See Section II.B.E.A.ii and the following Section of this Chapter.

II.B.3.c.ii. Making the Work Available on a Computer Network Accessible to Members of the Public

The next element is “making [the work] available on a computer network accessible to members of the public.” See 17 U.S.C. § 506(a)(1)(C).

Although the statute does not define “computer network” or “accessible to members of the public,” the bill was clearly intended to address piracy over the Internet. See H.R. Rep. No. 109-33(I), reprinted in 2005 U.S.C.C.A.N. 220; 151 Cong. Rec. S499-500 (daily ed. Jan. 25, 2005) (statement of Sen. Cornyn). Clear examples of “making the work available on a computer network accessible to members of the public” would include posting the work on a website or placing it in a desktop computer's shared file directory so that peer-to-peer users around the world could access and download it.

“[A] computer network accessible to the public” should be read to include large networks available to substantial numbers of people, even if the network is not immediately accessible to all members of the public, such as a university's campus-wide network, a large but proprietary service like AOL, or a password-protected site on the Internet. This would be consistent with the right at issue (“distribution to the public”), and the statutory definition of “publicly” in the context of displays and performances, which refers to “any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.” See 17 U.S.C. § 101; *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1557 (M.D. Fla. 1993) (holding that displaying infringing photographs over a computer bulletin board to audience limited to paying subscribers constituted display “to the public”); accord *Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc.*, 192 F. Supp. 2d 321, 332 (D.N.J. 2002), *aff'd on other grounds*, 342 F.3d 191 (3d Cir. 2003); *Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc.*, 275 F. Supp. 2d 543, 554 (D.N.J. 2003). See also Section II.B.3.a.ii. of this Chapter (discussing “to the public”). *But cf. Andersen Consulting LLP v. UOP*, 991 F. Supp. 1041, 1042-43 (N.D. Ill. 1998) (discussing meaning of electronic communications service “to the public” under the Electronic Communications Privacy Act); *Konop v. Hawaiian Airlines, Inc.*, 302 F.3d 868, 875 (9th Cir. 2002) (same).

II.B.3.c.iii. Work Being Prepared for Commercial Distribution

The next element of an offense under § 506(a)(1)(C) is that the infringed work must be a “work being prepared for commercial distribution,” which is defined as:

(A) a computer program, a musical work, a motion picture or other audiovisual work, or a sound recording, if, at the time of unauthorized distribution—

(i) the copyright owner has a reasonable expectation of commercial distribution; and

(ii) the copies or phonorecords of the work have not been commercially distributed; or

(B) a motion picture, if, at the time of unauthorized distribution, the motion picture—

(i) has been made available for viewing in a motion picture exhibition facility; and

(ii) has not been made available in copies for sale to the general public in the United States in a format intended to permit viewing outside a motion picture exhibition facility.

17 U.S.C. § 506(a)(3). Thus, the definition includes only four types of works: software, musical works, audiovisual works such as movies, and sound recordings. Although these categories make up most of the works pirated online, other types that could also be infringed online—such as books, photographs and other works of visual art—are not included.

When Congress created these provisions, it also created the “preregistration” process discussed in Section II.B.1.c. of this Chapter. The preregistration process sets forth a basic framework and directs the Copyright Office to establish specific rules for preregistration of “works being prepared for commercial distribution.” *See* Family Entertainment and Copyright Act, Pub. L. No. 109-9 § 104(a) (amending 17 U.S.C. § 408(f)). However, prosecutors should be aware that the scope of the term “works being prepared for commercial distribution” is narrower for purposes of the criminal offense under § 506(a)(1)(C) than the scope that term was given by the Copyright Office in its preregistration regulations. First, as of this writing, the Copyright Office's interim rules for preregistration cover not only movies, music, and software, but also literary works and advertising or marketing photographs. *See* 37 C.F.R. § 202.16 (2005). This is broader than the four classes specified by 17 U.S.C. § 506(a)(3). Second,

the Copyright Office allows for the preregistration of a work if the work has only been started: for example, for motions pictures, filming must have commenced, and for a computer program, at least some of the computer code must have been fixed. *See* 37 C.F.R. § 202.16(b)(2) (2005). Although these standards may suffice for preregistration, prosecutors should generally exercise caution in situations that concern works that are substantially incomplete. Cases involving a mere fragment of a work or a substantially incomplete work are more likely to face difficulties in proving copyrightability and infringement, as well as proving “retail value” and perhaps willfulness as well.

Although the pre-release offense and the preregistration process were enacted at the same time, the plain language of 17 U.S.C. § 506(a)(1)(C) does not require that the “work being prepared for commercial distribution” be preregistered before an infringer can be prosecuted. Nor does the legislative history indicate that Congress intended § 506(a)(1)(C) to apply only to “preregistered” works. Therefore, the FECA amendments do not appear to have foreclosed the government's power to prosecute infringement that occurs before preregistration or registration of a work.

II.B.3.c.iv. The Defendant Knew or Should Have Known that the Work Was Intended for Commercial Distribution

A 17 U.S.C. § 506(a)(1)(C) offense requires proof of a lower degree of mens rea as to the defendant's awareness that the work was “being prepared for commercial distribution” than the other elements of the offense, which require proof of “willfulness.” Under § 506(a)(1)(C), the government need not demonstrate that a defendant had actual knowledge that the infringed work was a pre-release work, but rather, need only show that the defendant “knew or should have known” that the work was “intended for commercial distribution,” which is essentially a negligence standard.

II.B.4. Additional Element for Enhanced Sentence: Purpose of Commercial Advantage or Private Financial Gain

Proving that the defendant acted “for purposes of commercial advantage or private financial gain” is often either a primary element of the crime or a secondary element that can enhance the defendant's maximum sentence. These issues are covered in Sections II.B. (setting out elements) and VIII.C.1.f. (sentencing factors) of this Manual.

II.B.4.a. History

Before 1997, the government had to prove the defendant's intent to seek commercial advantage or private financial gain in every criminal copyright prosecution. In *United States v. LaMacchia*, 871 F. Supp. 535, 539-40 (D. Mass. 1994), the court noted that the government could not have charged the defendant with criminal copyright infringement because he had operated his Internet site for trading pirated works without a profit motive.

But Congress found this unacceptable. When *LaMacchia* was decided, times had already changed. Now, as then, the Internet allows people to engage in large-scale electronic piracy with little expense, time or complexity. The ease of Internet piracy reduces (and perhaps eliminates) infringers' need for a financial return even as it significantly affects the market for legitimate goods. *See* Committee Report on No Electronic Theft Act, H.R. Rep. No. 105-339, at 4 (1997). Willful infringers can act out of a variety of motives unrelated to profit—including a rejection of the copyright laws, anti-corporate sentiments, or bragging rights in the piracy community—yet cause substantial financial harm regardless of their motive. *Id.*

To close what was called the *Lamacchia* “loophole,” Congress passed the No Electronic Theft Act, Pub. L. No. 105-147, 111 Stat. 2678 (1997), which, among other things, eliminated the government's requirement to prove “commercial advantage or private financial gain” for a felony conviction. *See* 143 Cong. Rec. 24,324 (1997) (remarks of Rep. Coble); H.R. Rep. No. 105-339, at 4-5 (1997). By enacting what was then 17 U.S.C. § 506(a)(2) (renumbered § 506(a)(1)(B) by the Apr. 27, 2005 amendments), Congress created a felony that only requires proof of willful infringement above certain monetary and numerical thresholds.

Even though a profit motive is no longer required in all cases, it should nonetheless be charged when possible because it increases the defendant's maximum statutory sentence (by turning a 17 U.S.C. § 506(a)(1)(B) offense into a § 506(a)(1)(A) offense with its higher penalties, or by increasing the sentence for a § 506(a)(1)(C) offense), increases his guideline sentencing range, increases jury appeal, and can help defeat baseless claims of fair use. *See* Sections II.C.5., II.E.1, and VIII.C.1.f. of this Manual.

II.B.4.b. Legal Standard

Essentially, a defendant acts for commercial advantage and private financial gain if he sought a profit. *Cf.* 4 *Nimmer on Copyright* § 15.01[A][2] (discussing legislative history to copyright statute).

“Financial gain” is broadly defined to include not only a monetary transaction, but also the “receipt, or expectation of receipt, of anything of value, including the receipt of other copyrighted works.” 17 U.S.C. § 101. Bartering schemes are included, where people trade infringing copies of a work for other items, including computer time or copies of other works. Congress added this definition of financial gain in the NET Act specifically to address bartering. *See* No Electronic Theft Act (NET) Act, Pub. L. No. 105-147, 111 Stat. 2678 (1997); 143 Cong. Rec. 24,421 (1997) (statement of Sen. Hatch); 143 Cong. Rec. 24,326 (1997) (statement of Rep. Goodlatte). For example, federal prosecutors have successfully charged “commercial advantage or private financial gain” in cases where defendants ran a closed peer-to-peer file-trading network that required new users to contribute pirated material in order to join. *See, e.g.*, Department of Justice Press Release, *Final Guilty Plea in Operation Digital Gridlock, First Federal Peer-to-Peer Copyright and Piracy Crackdown* (May 31, 2005), available at <http://www.usdoj.gov/criminal/cybercrime/tannerPlea.htm>.

Although courts have had few occasions to consider the scope of “commercial advantage,” the plain meaning of the term and case-law in other areas suggest that “commercial advantage” includes not only obtaining payment for infringing products, but also using infringing products in a business internally to obtain an advantage over a competitor. This is true even if the defendant charged nothing for the infringing copies. *See Herbert v. Shanley Co.*, 242 U.S. 591, 593-94 (1917) (Holmes, J.) (holding that the performance of a copyrighted musical composition in a restaurant or hotel without charge for admission to hear it infringes the exclusive right of the owner of the copyright to perform the work publicly for profit); *A&M Records v. Napster*, 239 F.3d 1004, 1023 (9th Cir. 2001) (holding that “[f]inancial benefit exists where the availability of infringing material acts as a draw for customers,” even when the infringing material is offered for free) (internal quotation marks and citation omitted), *aff’g in pertinent part* 114 F. Supp. 2d 896, 921 (N.D. Cal. 2000) (noting that Napster anticipated deriving revenues from users by offering copyrighted music for free); *Twentieth Century Music Corp. v. Aiken*, 356 F. Supp. 271, 275 (W.D. Pa. 1973) (holding that a business that merely plays background music to relax its employees so that they will be efficient is infringing for profit), *rev’d on other grounds*, 500 F.2d 127 (3d Cir. 1974), *aff’d* 422 U.S. 151, 157 (1975) (assuming that restaurant owner acted for profit); *Associated Music Publishers v. Debs Mem’l Radio Fund*, 141 F.2d 852 (2d Cir. 1944) (holding that a radio station that without permission broadcasts a copyrighted work for free in order to get, maintain, and increase advertising revenue has done so for profit). Examples of infringement for commercial advantage include an engineering firm's using pirated drafting software to keep overhead low, a

website that offers free pirated software to generate advertising revenue when down loaders visit the site, and a business that gives away counterfeit goods to draw in customers to whom it then sells legitimate services. In these cases, although the infringer may not expect to receive money or other items of value in exchange for the infringing copies, the infringement saves the business the money it would have spent on authorized copies or licenses. The savings allow the infringer to gain a commercial advantage over competitors who use only licensed copies of copyrighted works.

Whether a defendant actually makes a profit is beside the point: what matters is that he intended to profit. *See* 17 U.S.C. § 101 (defining “financial gain” to include “expectation of receipt” of anything of value); *id.* § 506(a)(1)(A) (“for purposes of commercial advantage or private financial gain”) (emphasis added); 18 U.S.C. § 2319(d)(2) (same); *United States v. Taxe*, 380 F. Supp. 1010, 1018 (C.D. Cal. 1974) (“‘Profit’ includes the sale or exchange of the infringing work for something of value in the hope of some pecuniary gain. It is irrelevant whether the hope of gain was realized or not.”), *aff’d in part and vacated in part on other grounds*, 540 F.2d 961 (9th Cir. 1976); *United States v. Shabazz*, 724 F.2d 1536, 1540 (11th Cir. 1984) (same); *United States v. Moore*, 604 F.2d 1228, 1235 (9th Cir. 1979) (holding that acting “for profit,” as required by earlier version of Copyright Act, includes giving infringing work to a prospective buyer to evaluate for free before purchasing); *United States v. Cross*, 816 F.2d 297, 301 (7th Cir.1987); *Herbert v. Shanley*, 242 U.S. at 595 (Holmes, J.) (holding that under the copyright statute the performance of a copyrighted work at a hotel or restaurant was for profit, even if customers did not pay specifically for the performance, because “[w]hether it pays or not, the purpose of employing it is profit and that is enough”).

Prosecutors should generally refrain from alleging that a defendant obtained financial gain by getting free or discounted infringing works solely as a result of copying or downloading works for himself. This benefit is common to all infringement, and to hold that mere infringement equals private financial gain would convert every infringement case into one for private financial gain and thus erase important distinctions in the civil and criminal copyright statutes. Although there are apparently no reported opinions on this question in criminal copyright cases, a number of courts have followed this reasoning in interpreting a related statute with criminal and civil penalties for using and trafficking in unauthorized satellite and cable television decoders “for purposes of commercial advantage or private financial gain.” 47 U.S.C. § 553(b)(2). These courts held that the mere purchase and use of such a device for the defendant's own benefit and that of his family and friends does *not* constitute “gain” within the meaning of

that statute. *See, e.g., Comcast Cable Commc'n v. Adubato*, 367 F. Supp. 2d 684, 693 (D.N.J. 2005) (holding that to qualify as commercial advantage or private financial gain, the defendant must have used the device “to further some commercial venture or profited in some way from the device beyond simply sitting by himself or with his family and friends around a television set using the illegal device to watch programs for which payment should have been made”); *American Cablevision of Queens v. McGinn*, 817 F. Supp. 317, 320 (E.D.N.Y. 1993) (holding that “private financial gain” should not be read to encompass defendant's “gain” from receiving broadcasts himself: such an interpretation would render “gain” enhancement superfluous because all violations would result in gain). *But see Charter Commc'ns Entm't I, LLC v. Burdulis*, 367 F. Supp. 2d 16 (D. Mass. 2005) (holding that defendant who violated § 553 to receive unauthorized cable broadcasts did so for purposes of “financial gain” within the statute); *Cablevision Sys. New York City Corp. v. Lokshin*, 980 F. Supp. 107, 113 (E.D.N.Y. 1997) (same).

A profit motive can be proved by circumstantial evidence. *See United States v. Cross*, 816 F.2d 297, 301 (7th Cir. 1987) (“[T]he presence of these seventeen second-generation videocassettes on [the defendant's] business premises may rationally give rise to the inference that they were maintained for commercial advantage or private financial gain.”).

II.B.5. Misdemeanor Copyright Infringement

To obtain a misdemeanor conviction under 17 U.S.C. § 506(a) and 18 U.S.C. § 2319, the government must demonstrate that:

1. A copyright exists;
2. It was infringed by the defendant;
3. The defendant acted willfully; and
4. The infringement was done EITHER
 - (a) for purposes of commercial advantage or private financial gain, 17 U.S.C. § 506(a)(1)(A) (numbered § 506(a)(1) before the Apr. 27, 2005 amendments); 18 U.S.C. § 2319(b)(3); OR
 - (b) by reproduction or distribution of one or more copyrighted works with a total retail value of more than \$1,000 within a 180-day period, 17 U.S.C. § 506(a)(1)(B) (numbered § 506(a)(2) before the Apr. 27, 2005 amendments); 18 U.S.C. § 2319(c)(3).

Although the misdemeanor and felony crimes share some elements—all require proving willful infringement—the need to prove

scope or scale is lessened for misdemeanors. In cases without commercial advantage or private financial gain that involve the reproduction or distribution of infringing copies, the threshold number of copies and monetary value for a misdemeanor are lower than those required for a felony under 18 U.S.C. §§ 2319(b)(1) or (c)(1): all that is required is one or more copies, with a total retail value of \$1,000 or more. And in cases of for-profit infringement, the misdemeanor has no numerical or monetary prosecutorial thresholds. 18 U.S.C. § 2319(b)(3). Thus, misdemeanor copyright infringement can be charged when a defendant clearly profited or intended to profit, but where the government cannot prove the exact volume or value of the infringement due to a lack of business records or computer logs.

A misdemeanor charge can also apply to willful, for-profit, infringement of rights other than reproduction or distribution, such as the performance right or digital audio transmissions. Although the felony penalties are reserved for infringing reproduction and distribution, the misdemeanor provisions apply “in any other case,” *see* 18 U.S.C. § 2319(b)(3), such as the infringement of the other rights.

II.C. Defenses

II.C.1. Statute of Limitations: 5 years

The criminal copyright statute has a five-year statute of limitations. 17 U.S.C. § 507(a). The five-year limitations period was first established by the NET Act, Pub. L. No. 105-147 § 2(c), 111 Stat. 2678 (1997), before which the limitations period had been three years, the same as for civil copyright claims. *See* Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (1976).

II.C.2. Jurisdiction

U.S. copyright law generally has no extraterritorial effect. Although many foreign countries protect United States copyrights against infringement in foreign lands, and domestic law similarly protects foreign copyrighted works against infringement within the United States, 17 U.S.C. § 411(a), U.S. law generally “cannot be invoked to secure relief for acts of [copyright] infringement occurring outside the United States.” *Palmer v. Braun*, 376 F.3d 1254, 1258 (11th Cir. 2004); *see also Subafilms, Ltd. v. MGM-Pathe Communc'ns*, 24 F.3d 1088, 1091 (9th Cir. 1994) (en banc); *Update Art, Inc. v. Modiin Pub'g, Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988) (“It is

well established that copyright laws generally do not have extraterritorial application.”).

This means that some copyright cases cannot be brought in the United States, even when the victims are U.S. companies or nationals and the infringed works are copyrighted in the United States. For example, U.S. law does not grant U.S. courts jurisdiction over a manufacturing plant in southeast Asia that produces pirated DVDs for sale in Europe, if the infringing conduct occurs solely abroad. *See Palmer*, 376 F.3d at 1258.

In addition, in civil copyright cases, most courts hold that a defendant in the United States who authorizes acts of reproduction or distribution that occur outside the country, standing alone, does not violate United States copyright law sufficient to grant United States courts subject-matter jurisdiction. *See Subafilms*, 24 F.3d at 1091; *Armstrong v. Virgin Records, Ltd.*, 91 F. Supp. 2d 628, 634 (S.D.N.Y. 2000) (reviewing cases and concluding that the *Subafilms* position is more accepted). *But see Curb v. MCA Records, Inc.*, 898 F. Supp. 586, 593 (M.D. Tenn. 1995); *Expeditors Int'l of Washington, Inc. v. Direct Line Cargo Mgmt. Servs., Inc.*, 995 F. Supp. 468, 476 (D.N.J. 1998).

However, these rules do not bar a United States copyright case if an infringing act *does* occur in the United States in whole or in part. *Palmer*, 376 F.3d at 1258; *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939) (holding that court had power over profits made from showing a copied film outside the country, because negatives from which the film was printed were made in the United States); *P & D Int'l v. Halsey Pub'g Co.*, 672 F. Supp. 1429, 1432-33 (S.D. Fla.1987) (finding subject-matter jurisdiction over copyright action because complaint alleged that defendant copied U.S.-copyrighted film in Florida and then showed the film in international waters aboard cruise ship) (citing 3 *Nimmer on Copyright* § 17.02, at 17-5).

Although no reported criminal cases address this issue, the cases cited above provide a sound legal basis for prosecuting criminal infringement domestically when at least a part of the defendant's infringing conduct occurred within the U.S. Charging conspiracy also gives domestic jurisdiction over criminal copyright co-conspirators located outside the United States if their co-conspirators act inside the country. *See, e.g., Ford v. United States*, 273 U.S. 593, 624 (1927) (holding that a conspiracy charge need not rely on extraterritorial principles if its object crime is in the U.S. and a co-conspirator commits an act in the U.S. to further the conspiracy); *United States v. Winter*, 509 F.2d 975, 982 (5th Cir. 1975).

For more on the lack of extraterritorial application of U.S. copyright law, see United States Copyright Office, *Project Looking Forward Sketching the*

Future of Copyright in a Networked World, Final Report, 1998 WL 34336436, at *132 (1998).

II.C.3. Venue

Crimes “begun in one district and completed in another, or committed in more than one district, may be inquired of and prosecuted in any district in which such offense was begun, continued, or completed.” 18 U.S.C. § 3237(a). Few reported cases have directly addressed this issue in criminal copyright prosecutions. *See United States v. Tucker*, 495 F. Supp. 607, 618 (E.D.N.Y. 1980) (holding that although defendant resided outside district, venue was proper for grand jury investigation into defendant's sales of counterfeit sound recordings because “middleman” in defendant's scheme resided, and purchaser was headquartered, in district). Cases addressing venue in analogous cases suggest that venue would be proper in any district where reproduction or distribution occurred, or through which pirated works were shipped. *Cf. United States v. DeFreitas*, 92 F. Supp. 2d 272, 276-77 (S.D.N.Y. 2000) (holding in criminal trademark case involving importation and distribution of counterfeit “Beanie Babies” that offense was a continuing offense and thus venue was proper in any district where the offense was begun, continued, or completed, i.e., where products entered the U.S., were shipped, or sold); *United States v. Rosa*, 17 F.3d 1531, 1541 (2d Cir.1994) (holding that in conspiracy to transport stolen goods, venue was proper where the agreement was entered into, or where any overt act in furtherance of the conspiracy was committed).

II.C.4. The First Sale Doctrine—17 U.S.C. § 109

II.C.4.a. Operation of the Doctrine

A common defense to a claim of infringement of the distribution right is the “first sale” doctrine, codified in 17 U.S.C. § 109, which provides that “[n]otwithstanding the provisions of section 106(3), 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.” In other words, once a copyright-holder sells or gives a specific copy to another person, the copyright-holder generally cannot control how that particular copy is subsequently sold or transferred. *See United States v. Moore*, 604 F.2d 1228, 1232 (9th Cir. 1979); *see also 2 Nimmer on Copyright* § 8.12[B] (discussing first sale); *4 Nimmer on Copyright* § 15.01[A][2] (discussing application of “first sale” in criminal cases). Putting it in terms of the purchaser's rights, the first purchaser and any

subsequent purchaser of that specific copy may further distribute or dispose of that particular copy without the copyright- holder's permission.

The first sale doctrine does *not* grant the purchaser or anyone else the right to make additional copies of the work he has. Making unauthorized copies of a lawfully-obtained work still violates the law. 4 *Nimmer on Copyright* § 15.01[A][2], at 15-10. Consequently, the first sale doctrine is a defense only against an allegation of infringement by means of distribution.

Moreover, the first sale doctrine may be invoked by a defendant *only* for the distribution of *lawfully-made* copies. If copies were pirated, the first sale doctrine does not apply. See *United States v. Drum*, 733 F.2d 1503, 1507 (11th Cir. 1984) (citing *Moore*, 604 F.2d at 1232); *United States v. Powell*, 701 F.2d 70, 72 (8th Cir. 1983). Additionally, a person may not sell or give away his lawful copy while retaining a backup copy, even a backup copy of software that is authorized by 17 U.S.C. § 117. See 17 U.S.C. § 117(a)(2) (requiring destruction of archival copies if continued possession of original copy ceases to be rightful); see also 17 U.S.C. § 117(b) (allowing transfer of exact archival copies only with a complete transfer of rights in the original copy). An unlawfully retained backup copy can be an infringing reproduction. See Section II.C.6. of this Chapter for a discussion of the “archival” exception codified at 17 U.S.C. § 117(a)(2).

The first sale doctrine protects a defendant only if he owned his copy, not if he merely borrowed or rented it. In fact, the first sale doctrine does not “extend to [protect] any person who has acquired possession of the copy or phonorecord from the copyright owner, *by rental, lease, loan, or otherwise, without acquiring ownership of it.*” 17 U.S.C. § 109(d) (emphasis added). This is an important distinction for works such as motion picture film reels, which are typically distributed to movie theaters under a lease or similar arrangement, and business software, which is often distributed subject to a licensing agreement.

It is not always clear, however, whether a commercial transaction of copyrighted works is legally a sale or a licensing agreement, which can make or break a first sale defense. How the parties characterize the transaction to themselves or others may not be controlling as a matter of law. When a computer user “purchases” a copy of software through a retail channel or other means, the licensing agreement may actually assert that the arrangement is not an outright purchase of a copy but merely a license to use the work. Were these licensing agreements the last word on the subject, § 109 would not allow the licensee to resell his software. Yet many courts have recharacterized a software publisher's shrinkwrap licensing agreement as a sale when the publisher distributes its software through

retail channels. See *Softman Prods. Co. v. Adobe Sys., Inc.*, 171 F. Supp. 2d 1075 (C.D. Cal. 2001); *Novell, Inc. v. Network Trade Ctr., Inc.*, 25 F. Supp. 2d 1218, 1230 (D. Utah 1997), *vacated in part on other grounds*, 187 F.R.D. 657 (D. Utah 1999); *ProCD, Inc. v. Zeidenberg*, 908 F. Supp. 640 (W.D. Wis. 1996), *rev'd on other grounds*, 86 F.3d 1447 (7th Cir. 1996); see also *Krause v. Titleserv, Inc.*, 402 F.3d 119 (2d Cir. 2005); Mark Lemley, *Intellectual Property and Shrinkwrap Licenses*, 68 S. Cal. L. Rev. 1239, 1244 n.23 (1995) (discussing cases). Other courts have taken the opposite position, however, holding that a copy of software obtained subject to license is not subject to the first sale doctrine or other benefits of “ownership.” See *Adobe Sys., Inc. v. Stargate Software Inc.*, 216 F. Supp. 2d 1051, 1058 (N.D. Cal. 2002); *Adobe Sys. Inc. v. One Stop Micro, Inc.*, 84 F. Supp. 2d 1086, 1089 (N.D. Cal. 2000); *Microsoft Corp. v. Software Wholesale Club, Inc.*, 129 F. Supp. 2d 995, 1002 (S.D. Tex. 2000) (citing *Microsoft Corp. v. Harmony Computers & Elec., Inc.*, 846 F. Supp. 208 (E.D.N.Y. 1994)); see also Lemley, 68 S. Cal. L. Rev. at 1244 n.23.

Although no reported criminal cases to date appear to have addressed this issue, the question may yet arise in cases involving “repackaged” software, in which some elements of the software package are genuine, while others are copied or altered. See, e.g., *Adobe Systems, Inc. v. Stargate Software Inc.*, 216 F. Supp. 2d at 1058 (rejecting argument that first sale doctrine should apply to academic versions of software repackaged and sold as retail versions). In such cases, prosecutors may wish to consider other charges, such as 18 U.S.C. § 2318 (counterfeit or illicit labels, documentation, or packaging for copyrighted works).

II.C.4.b. Affirmative Defense or Part of the Government's Case-in-Chief?

Courts disagree as to whether the government must prove absence of “first sale” as part of its case-in-chief in a criminal case. See 4 *Nimmer on Copyright* § 15.01[A][2], at 15-8 to 15-9. In civil cases, “first sale” is an affirmative defense. See 2 *Nimmer on Copyright* § 8.12[A]; H.R. Rep. No. 94-1476, at 81 (1976) (“It is the intent of the Committee, therefore, that in an action to determine whether a defendant is entitled to the privilege established by section 109(a) and (b), the burden of proving whether a particular copy was made or acquired should rest on the defendant.”), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5695.

The better rule is to apply the civil rule in criminal cases. See, e.g., *United States v. Larracuenta*, 952 F.2d 672, 673-74 (2d Cir. 1992); *United States v. Goss*, 803 F.2d 638, 643-44 (11th Cir. 1986); *United States v. Drum*, 733 F.2d 1503, 1507 (11th Cir.), *cert. denied* sub nom., *McCulloch v. United States*, 469 U.S. 1061 (1984). There is no good reason for shifting an affirmative

defense in civil cases to an element of the offense in criminal cases, given that the government must already prove that the defendant engaged in infringement willfully. Yet several cases state the opposite, that in criminal cases the government must negate first sale as an element of the offense. *See, e.g., United States v. Cohen*, 946 F.3d 430, 434 (6th Cir. 1991); *United States v. Sachs*, 801 F.2d 839, 842 (6th Cir. 1986); *United States v. Powell*, 701 F.2d 70, 72 (8th Cir. 1983); *United States v. Moore*, 604 F.2d 1288, 1232 (9th Cir. 1979); *United States v. Wise*, 550 F.2d 1180, 1191-92 (9th Cir. 1977); *United States v. Atherton*, 561 F.2d 747, 749 (9th Cir. 1977); *United States v. Drebin*, 557 F.2d 1316, 1326 (9th Cir. 1977); *United States v. Wells*, 176 F. Supp. 630, 633 (S.D. Tex.1959).

II.C.4.c. Disproving First Sale at Trial

The easiest way to negate the first sale doctrine is to introduce evidence of reproduction of unauthorized copies. Two types of circumstantial proof typically suffice. First, the government can introduce evidence that the defendant obtained his copies illegitimately. *See United States v. Moore*, 604 F.2d 1228, 1232 (9th Cir. 1979) (holding that government may establish absence of first sale by circumstantial evidence, as well as by tracing distribution); *United States v. Whetzel*, 589 F.2d 707, 711-12 (D.C. Cir. 1978) (holding that tapes' illicit origin was shown by labels on tapes listing a manufacturer with a non-existent address, tapes' low price, and the circumstances of their sale), *abrogated on other grounds, Dowling v. United States*, 473 U.S. 207 (1985). Factors indicating that copies were obtained illicitly include the sale of copies at a price far below the legitimate market value, the distribution of copies of inferior quality, the existence of copies with identical serial numbers, and the presence of false information on the copies, such as a false address for the manufacturer, fictitious labels, or sales under suspicious circumstances. *See, e.g., United States v. Drum*, 733 F.2d 1503, 1507 (11th Cir. 1984) (rebuttal of first sale defense included direct and circumstantial evidence concerning fictitious labels, low prices, and clandestine sale); *Whetzel*, 589 F.2d at 712 (sale of copies of tapes from the back of a van in a parking lot).

Second, the government can introduce evidence that the copyright holder never sold copies of the work at all, which shows that the defendant could not have obtained ownership of legitimate copies. *See United States v. Sachs*, 801 F.2d 839 (6th Cir. 1986) (holding that government negated the first sale doctrine with respect to movie videotapes with evidence that the original movies had never been sold legitimately in same format); *United States v. Drebin*, 557 F.2d 1316 (9th Cir. 1977) (holding that government proved the absence of first sale through evidence that copyrighted movies

had never been sold or transferred and that licenses transferring limited rights for distribution and exhibition of the films for a limited time were not “sales” for purposes of the first sale doctrine). *But see United States v. Atherton*, 561 F.2d 747 (9th Cir. 1977) (holding that government failed to prove the absence of first sale because, although the copyright owner never “sold” film copies, it permitted a major television network to permanently retain copies and sold scrap film to salvage company for consideration, all of which fell within the definition of first sale and could have been the defendant's source).

The government need not account for the distribution of *every* copy of a work. *See, e.g., Moore*, 604 F.2d at 1232 (“[T]he Government can prove the absence of a first sale by showing that the [copy] in question was unauthorized, and it can establish this proof . . . by circumstantial evidence from which a jury could conclude beyond a reasonable doubt that the recording was never authorized and therefore never the subject of a first sale.”); *see also Sachs*, 801 F.2d at 843 (holding that the government need not trace every single copy to its origins, because “[t]he other recognized method of satisfying [the first sale] doctrine is for the government to . . . show that the copies in question have illegitimate origins”); *Drum*, 733 F.2d at 1507 (“The government may prove the absence of a first sale by direct evidence of the source of the pirated recordings or by circumstantial evidence that the recording was never authorized.”) (citations omitted); *Whetzel*, 589 F.2d at 711 (“It was not required to disprove every conceivable scenario in which appellant would be innocent of infringement.”).

II.C.4.d. Special Rules for Rental, Lease, and Lending

Although the first sale doctrine extends to almost all types of copyrighted works, it has some limitations with respect to some types of sound recordings and computer programs, which generally may be resold or given away but cannot be rented, leased, or loaned without the copyright-owner's permission. *See* 17 U.S.C. § 109(a), (b)(1)-(2) (describing exception and the types of computer programs that do not qualify for the exception); *but see* § 109(b)(2)(A) (providing that this does not apply to the rental, lease, or loan of a phonorecord for nonprofit purposes by a nonprofit library or educational institution). Regardless, the unauthorized (and thus infringing) rental or lending of sound recordings and computer programs is not subject to criminal penalties. *See* § 109(b)(4).

Although unauthorized rental or leasing of certain types of works is not directly subject to criminal sanctions, businesses that advertise or engage in this type of conduct might still be subject to criminal copyright

infringement penalties. For example, assume that a business rents CDs containing music and tells its customers to “burn it and return it,” i.e., to make a copy before bringing it back. Would the above rules exempt this business from criminal prosecution? On the one hand, the answer appears to be “yes,” since 17 U.S.C. § 109(b)(4) states that the unauthorized rental of sound recordings “shall not be a criminal offense.” On the other hand, this conduct may extend beyond mere “unauthorized rental” to active solicitation, aiding-and-abetting, or conspiracy to commit criminal copyright infringement. No published cases have yet addressed this issue.

II.C.5. Fair Use

The fair use doctrine allows people in certain circumstances to use copyrighted material in ways the copyright owner has not authorized and might even forbid if asked. Fair uses are generally limited uses for useful or beneficial purposes with minimal impact on the market for the work. Codified at 17 U.S.C. § 107, the fair use doctrine allows people to reproduce or otherwise use copyrighted works “for purposes such as criticism, comment, news reporting, teaching ..., scholarship, or research” and other, unspecified, purposes and uses.

Fair use is designed to ensure that the rights of authors are balanced with the interest of the public in the free flow of information. *See, e.g.,* Pierre Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1103, 1110 (1990). Congress has noted that fair use is the most important limitation on the exclusive rights granted copyright owners, H.R. Rep. No. 94-1476, at 66 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5680, and the Supreme Court has characterized fair use as one of copyright law's built-in accommodations to the First Amendment. *See Eldred v. Ashcroft*, 537 U.S. 186, 219-20 (2003).

By design, the fair use doctrine is fluid and applies not according to definite rules, but rather according to a multi-factor balancing test. *See* H.R. Rep. 94-1476, at 66 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5680. The statute cites four non-exclusive factors:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107. Other unspecified factors may be appropriate. It would be difficult to articulate a more determinate set of fair use rules, given the variety of copyrighted works, their uses, and the situations in which they can be used. Consequently, both through case law and statutory codification, fair use has historically been decided on a case-by-case basis looking at the totality of the facts at hand. *See* H.R. Rep. No. 94-1476, at 65-66 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5679. Although the fair use doctrine has developed primarily in civil cases, those cases have precedential weight in criminal cases too.

The first listed factor to consider is the purpose and character of the use. 17 U.S.C. § 107(1). A commercial use is presumptively unfair, whereas for a noncommercial, nonprofit activity, “[t]he contrary presumption is appropriate.” *Sony Corp. v. Universal Studios*, 464 U.S. 417, 449 (1984). Nevertheless, “the mere fact that a use is educational and not for profit does not insulate it from a finding of infringement, any more than the commercial character of a use bars a finding of fairness.” *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 584 (1994). Another consideration is whether the use is “transformative,” or adds something new or different beyond a mere repackaging or restatement of the original: “Although such transformative use is not absolutely necessary for a finding of fair use, the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works.” *Acuff-Rose*, 510 U.S. at 579 (citation omitted); *see also* Leval, 103 Harv. L. Rev. at 1111 (“The use must be productive and must employ the quoted matter in a different manner or for a different purpose from the original. A quotation of copyrighted material that merely repackages or republishes the original is unlikely to pass the test.”). If a work is transformative, other factors that normally weigh against finding of fair use, such as the commercial nature of the use, bear less weight. *See Acuff-Rose*, 510 U.S. at 579.

The second listed factor is the nature of the copyrighted work. *See* 17 U.S.C. § 107(2). “This factor calls for recognition that some works are closer to the core of intended copyright protection than others.” *Acuff-Rose*, 510 U.S. at 586. Fair use is more difficult to establish in the use of fictional or purely creative or fanciful works, as opposed to more factual or historical (yet still copyrightable) works, such as recollections of public figures, or depictions of newsworthy events. *See id.* at 586. “The law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy.” *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 563 (1985).

The third factor is the amount and substantiality of the use in relation to the copyrighted work as a whole. *See* 17 U.S.C. § 107(3). A defense of fair use is less likely to succeed if the portion of the copyrighted material used is substantial in quantity or importance. *See Harper & Row*, 471 U.S. at 564-66 (holding news magazine's 300-word excerpt of book not to be fair use because quoted sections were key passages). However, a use can be fair even if it copies the entire work. *See Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195 (N.D. Cal. 2004) (granting summary judgment to group that had published voting machine manufacturer's entire e-mail archive to publicly expose machines' flaws); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003) (holding defendant's copying of entire images to create online searchable database of "thumbnails" was fair use).

The fourth factor is how substantially the use affects the potential market for the copyrighted work or the work's actual value. *See* 17 U.S.C. § 107(4). "[T]o negate fair use one need only show that if the challenged use 'should become widespread, it would adversely affect the potential market for the copyrighted work.' This inquiry must take account not only of harm to the original but also of harm to the market for derivative works." *Harper & Row*, 471 U.S. at 568 (citations omitted). The Supreme Court has emphasized the importance of this factor in cases of noncommercial use. *Sony*, 464 U.S. at 451 ("A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work."). *See Harper & Row*, 471 U.S. at 540-41 (finding that harm to potential market was indicated by fact that magazine cancelled its contract to reprint segment of book after defendant published article quoting extensively from book).

Again, these are non-exclusive factors that may be supplemented as technology and circumstances require. *See* 17 U.S.C. § 107.

II.C.5.a. Unpublished Works

A defendant's use of an unpublished copyrighted work may qualify as a fair use. Earlier decisions focused on the fact that a work was unpublished (or not yet published) in finding against fair use. The Supreme Court then held that the unpublished nature of work is a "key, though not necessarily determinative, factor" tending to negate a defense of fair use." *Harper & Row*, 471 U.S. at 552-54 (quoting S. Rep. No. 94-473 at 54 (1976)). In 1992, however, Congress amended 17 U.S.C. § 107 to make explicit that "[t]he fact that work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors [in § 107(1)-(4)]." Act of Oct. 24, 1992, Pub. L. No. 102-492,

106 Stat. 3145 (1992). In fact, this act's sole purpose was to amend 17 U.S.C. § 107 with this provision. The act's legislative history repeatedly underscores that Congress intended there to be no *per se* rule barring the fair use of unpublished works. H.R. Rep. No. 102-836, at 1 (1992), *reprinted in* 1992 U.S.C.C.A.N. 2553, 2553. This was primarily, but not exclusively, out of concern for the needs of biographers, historians, and publishers concerned with court decisions that suggested that they could not use unpublished material of historical interest—such as the unpublished letters and diaries of major authors or public figures—in books or other serious treatments of historical figures and events. *See* H.R. Rep. No. 102-836 (citing *Salinger v. Random House, Inc.*, 650 F. Supp. 413 (S.D.N.Y. 1986), *rev'd*, 811 F.2d 90 (2d Cir.), *cert. denied*, 484 U.S. 890 (1987); *New Era Publ'ns Int'l, ApS v. Henry Holt & Co.*, 684 F. Supp. 808 (S.D.N.Y. 1988); *New Era Publ'ns Int'l, ApS v. Henry Holt & Co.*, 695 F. Supp. 1493 (S.D.N.Y. 1988), *aff'd on other grounds*, 873 F.2d 576 (2d Cir. 1990)). Congress heeded this testimony and thereafter amended the fair use statute to include the fair use of unpublished works, not limiting it to works of historic value.

II.C.5.b. Fair Use in Criminal Cases

Although the fair use doctrine has been developed mainly through civil cases, it is a defense to a charge of infringement, and thus a legitimate defense in criminal cases too. However, fair use has rarely been developed in criminal cases, most likely because prosecutors are reluctant to prosecute where fair use is a serious issue. A fair use is not an infringing use, and without an infringement there are no grounds for copyright prosecution. *See* 17 U.S.C. § 107 (“[T]he fair use of a copyrighted work ... is not an infringement of copyright.”); 17 U.S.C. § 506(a) (specifying grounds for prosecuting “[a]ny person who *infringes* a copyright”) (emphasis added). Moreover, a defendant who believed in good faith that he was engaging in fair use has a complete defense to the mens rea element, which requires the government to prove that the defendant infringed willfully. *See* Section II.B.2.a. of this Chapter. (As indicated in Section II.B.2.b., a bad-faith claim of fair use, on the other hand, might help establish willfulness.) Prosecutors are—and generally should be—reluctant to seek charges where the defendant acted “for purposes such as criticism, comment, news reporting, teaching ..., scholarship, or research” or any other use with a beneficial public purpose. *See* 17 U.S.C. § 107.

When the defendant is charged with violating 17 U.S.C. § 506(a)(1)(A)—infringement for purposes of commercial advantage or private financial gain—fair use will ordinarily not be a defense because commercial uses are presumptively unfair. *Sony*, 464 U.S. at 449. On the

other hand, some commercial uses, such as commercial parodies of other works, have been found to be fair. *See Acuff-Rose, supra*.

Because of the fair use doctrine's concern with noncommercial uses, fair use is more likely to pose a significant defense in criminal cases that do not allege a profit motive, such as large-scale infringement under § 506(a)(1)(B) and certain § 506(a)(1)(C) offenses. However, at least one court has rejected fair use arguments in a civil case against peer-to-peer file-traders who had no direct commercial motive. *See BMG Music v. Gonzalez*, 430 F.3d 888, 890 (7th Cir. 2005) (finding that a peer-to-peer user who downloaded at least 30 and as many as 1300 songs, and kept them, did “not engage[] in a nonprofit use” for purposes of fair use analysis).

That said, there is a wide gulf between the typical criminal copyright case and the typical case in which fair use is a legitimate defense. In most criminal cases, the defendant does not even arguably act “for purposes such as criticism, comment, news reporting, teaching ..., scholarship, or research.” *See* 17 U.S.C. § 107. Furthermore, many criminal prosecutions involve the wholesale piracy of commercially popular works, in which a fair use defense would be undercut by the fair use factors concerning “the amount and substantiality of the portion used in relation to the copyrighted work as a whole,” and “the effect of the use upon the potential market for or value of the copyrighted work.” § 107(3),(4). The works are generally copied in their entirety, and the wide availability of the free, pirated copies (which suffer no degradation in quality in digital form) can have a drastic effect on the potential market for legitimate works. A strong showing on these factors will help overcome the presumption that noncommercial use is fair.

II.C.6. “Archival Exception” for Computer Software— 17 U.S.C. § 117

Section 117 of Title 17 provides a limited exception to the blanket rule against copying, by allowing one who owns a copy of a computer program to copy the program as necessary to use the program or do machine maintenance or repair, and as an archival backup, subject to certain limitations. Specifically, § 117(a) provides that “it is not an infringement of copyright for the owner of a copy of a computer program to make or authorize the making or adaptation of that computer program” under two circumstances. The first is if the making of the copy or adaptation is “an essential step in the utilization of the computer program in conjunction with a machine, and that [the copy] is used in no other manner.” 17 U.S.C. § 117(a)(1). Essentially, this allows the lawful owner of a piece of software to install it on his machine, even if doing so requires copying the program

from a CD-ROM to the hard drive or loading it from the hard drive into RAM, both of which are considered reproduction under copyright law. *See Micro-Sparc, Inc., v. Amtype Corp.*, 592 F. Supp. 33 (D. Mass. 1984) (holding that purchasers of programs sold in printed form do not infringe copyright by typing code into computer in order to use the programs); *Summit Tech., Inc. v. High-Line Med. Instruments Co.*, 922 F. Supp. 299 (C.D. Cal. 1996) (holding that owners of ophthalmological laser system did not infringe copyright by turning on system to use it, causing copy of manufacturer's data table to be loaded into system RAM). *Cf. MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993) (holding that loading of copyrighted software into RAM by service company constitutes reproduction).

The second circumstance in which § 117 allows copying is if the copy 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.” 17 U.S.C. § 117(a)(2). This provision allows one who owns a piece of software to make a backup copy for safekeeping, but requires him to destroy his backup copies if he sells or otherwise transfers his original copy or if his ownership otherwise ceases to be rightful.

A third subsection of Section 117 provides it is not an infringement for a machine's owner or lessee to make or authorize the making of a copy of a computer program if the copy is made solely as a result of the activation of a machine containing a lawful copy of the software, and the copy is used solely to repair or maintain the machine, and is destroyed immediately thereafter. 17 U.S.C. § 117(c); *see also Storage Tech. Corp. v. Custom Hardware Eng'g & Consulting, Inc.*, 431 F.3d 1374, 1375 (Fed. Cir. 2005).

Section 117's exceptions benefit the “owner of a copy of a computer program” or, in the case of machine repair and maintenance, “the owner or lessee of a machine.” 17 U.S.C. § 117(a),(c). However, because most computer software is distributed subject to a license, rather than a conventional outright sale, the question arises (in much the same way as it does in the context of “first sale” under § 109) whether § 117 allows copying by a person who has legally obtained a copy of a computer program, but licenses rather than “owns” the software. See the discussion of first sale in Section II.C.4. of this Chapter. As with the analogous first sale question, courts are split on the issue. *Compare Krause v. Titleserv, Inc.*, 402 F.3d 119 (2d Cir. 2005) (holding client to be an “owner,” for § 117(a) purposes, of copies of computer programs written for it by consultant despite lack of formal title in copies, because it had paid consultant to develop programs for its sole benefit, copies were stored on client's server, and client had right to use or discard copies as it saw fit) *with*

CMAX/Cleveland, Inc. v. UCR, Inc., 804 F. Supp. 337 (M.D. Ga. 1992) (holding that licensee of copyrighted computer software system and its employees were not entitled to computer program owner's defense to copyright-holder's copyright infringement action, because the licensee and employees never "owned" copy of the program, and there was evidence that the licensee was going to market its program); *cf. ISC-Bunker Ramo Corp. v. Altech, Inc.*, 765 F. Supp. 1310 (N.D. Ill. 1990) (holding defendant not entitled to § 117 exception because it acquired copy from competitor and possession was unauthorized).

Some sellers of pirated software display a disclaimer or other notice claiming that their distribution of unauthorized copies is somehow permitted under 17 U.S.C. § 117. Such claims are baseless. Although there are no reported criminal cases addressing this defense, courts have interpreted § 117 narrowly. *See, e.g., Micro-Sparc, Inc.*, 592 F. Supp. at 35 (while § 117 allowed owners of written copy of source code to type it in to their own computers, it did not permit third-party business to type in source code and sell it on diskette). Moreover, the fact that a defendant was sufficiently aware of copyright issues to make a frivolous or bad-faith claim of compliance with § 117 may help establish willfulness. *Cf. United States v. Gardner*, 860 F.2d 1391, 1396 (7th Cir. 1988) (holding "Notice of Warning" by seller of "black boxes" for receiving unauthorized cable television, disclaiming liability for any illegal uses, "establish[es] that he was well aware that his actions were unlawful"); *United States v. Knox*, 32 F.3d 733, 753 (3d Cir. 1994) (rejecting argument that disclaimers in brochure stating that child pornography videos were legal disproved the *mens rea* element and because "[i]f anything, the need to profess legality should have alerted [defendant] to the films' dubious legality"); *Rice v. Palladin Enters., Inc.*, 128 F.3d 233, 254 (4th Cir. 1997) (holding that jury could find the "For academic study only!" disclaimer in promotional sales catalog for "Hit Man" book "to be transparent sarcasm designed to intrigue and entice").

II.D. Special Issues

Most of the special issues in criminal copyright law concerning registration, Internet piracy, and pre-release piracy have been addressed throughout the substantive sections of this chapter. Prosecutors who encounter special issues that are not otherwise addressed in this chapter should contact CCIPS at (202) 514-1026 to suggest them for an update to be published in the electronic edition of this Manual.

II.E. Penalties

II.E.1. Statutory Penalties

Whereas the substantive crime of copyright infringement is set forth at 17 U.S.C. § 506(a), the penalties for that conduct are set forth at 18 U.S.C. § 2319. *See* 17 U.S.C. § 506(a) (“Any person who infringes a copyright willfully ... shall be punished as provided under section 2319 of title 18, United States Code.”).

A misdemeanor carries a sentence of up to one year of imprisonment and a \$100,000 fine or twice the monetary gain or loss. *See* 18 U.S.C. §§ 2319(b)(3),(c)(3), 3571(b)(5). For the crimes that qualify as misdemeanors, see Section II.B.5. of this Chapter.

A first-time felony conviction under 17 U.S.C. § 506(a)(1)(A) (numbered § 506(a)(1) before the April 27, 2005 amendments) carries a five-year maximum sentence of imprisonment and a fine up to \$250,000 or twice the monetary gain or loss; repeat offenders face the same fine and ten years of imprisonment. 18 U.S.C. §§ 2319(b)(1),(2), 3571(b)(3),(d) (specifying fines for Title 18 offenses where the fine is otherwise unspecified).

A first-time felony conviction under 17 U.S.C. § 506(a)(1)(B) (numbered § 506(a)(2) before the April 27, 2005 amendments) carries a three-year maximum sentence of imprisonment and a fine up to \$250,000 or twice the monetary gain or loss; repeat offenders face the same fine and six years' imprisonment. 18 U.S.C. §§ 2319(c)(1),(2), 3571(b)(3),(d).

A first-time felony conviction under 17 U.S.C. § 506(a)(1)(C) (newly enacted on April 27, 2005) carries a three-year maximum sentence—five years if the offense was committed for purposes of commercial advantage or private financial gain—and a fine of \$250,000 or twice the monetary gain or loss; repeat offenders face the same fine and twice the jail time (six or ten years, depending on whether the offense was committed for purposes of profit. 18 U.S.C. §§ 2319(d), 3571(b)(3), (d).

II.E.2. Sentencing Guidelines

All sentencing guideline issues concerning the criminal copyright statute are covered in Chapter VIII of this Manual.

II.F. Other Charges to Consider

Prosecutors may wish to consider the following crimes in addition to or in lieu of criminal copyright charges.

- **Aiding-and-abetting, inducement, and conspiracy**

Prosecutors may, for the usual strategic reasons, wish to bring accessory charges, such as aiding-and-abetting or inducement, 18 U.S.C. § 2, or conspiracy, 18 U.S.C. § 371. *See, e.g., United States v. Sachs*, 801 F.2d 839 (6th Cir. 1986) (affirming conviction for aiding-and-abetting, and conspiring to infringe, in motion picture copyright infringement case); *United States v. Allan*, No. 95-CR-578-01, 2001 WL 1152925 (E.D. Pa. Sept. 18, 2001) (denying motion to vacate sentence on defendant's convictions for, among other things, copyright infringement, aiding-and-abetting, and conspiracy).

Aiding-and-abetting or inducement of criminal copyright infringement under 18 U.S.C. § 2 are similar to the “inducement” theory of secondary liability the Supreme Court recently endorsed in *MGM v. Grokster*, 545 US ___, 125 S. Ct. 2764 (2005). Although *Grokster* is a civil case, further decisions in the case on remand, as well as subsequent civil litigation on the same topic, will likely provide further guidance on how an inducement theory may be applied in criminal copyright cases.

- **Trafficking in recordings of live musical performances, 18 U.S.C. § 2319A**

As discussed in Section II.B.1.a. of this Chapter, a work must be fixed in a tangible medium in order to enjoy copyright protection. Thus, live musical performances are not protected by copyright unless they are “fixed” by an audio recording authorized by the performer. However, the law provides copyright-like protections for live musical performances by prohibiting unauthorized recordings of such performances, and trafficking in such recordings. *See* 17 U.S.C. § 1101 (providing civil remedies); 18 U.S.C. § 2319A (criminal sanctions). These protections were enacted in 1994 in part to comply with obligations under international copyright treaties that require protection for musical performances. *See* Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994). Specifically, 18 U.S.C. § 2319A(a) subjects to criminal sanctions

[w]hoever, without the consent of the performer or performers involved, knowingly and for purposes of commercial advantage or private financial gain - (1) fixes the sounds or sounds and images of a live musical performance in a copy or phonorecord, or reproduces

copies or phonorecords of such a performance from an unauthorized fixation; (2) transmits or otherwise communicates to the public the sounds or sounds and images of a live musical performance; or (3) distributes or offers to distribute, sells or offers to sell, rents or offers to rent, or traffics in any copy or phonorecord fixed as described in paragraph (1), regardless of whether the fixations occurred in the United States.

Although some unauthorized recordings or trade in unauthorized recordings might be prosecuted as infringement of the underlying musical composition performed in the recording, § 2319A specifically targets the making and distribution of these so-called “bootlegged” musical recordings.

Each of § 2319A's three subsections protects a different right of the performing artist. Paragraph (a)(1) prohibits fixing the sounds or images of a live musical performance in a tangible medium. *See* 17 U.S.C. § 101 (defining fixation). *But see United States v. Moghadam*, 175 F.3d 1269, 1274 (11th Cir. 1999) (declining to decide whether a live performance is fixed at the time of performance). Paragraph (a)(2) prohibits transmitting the sounds or images of a live musical performance to the public. This subsection was intended to apply to the unauthorized transmission of bootleg performances through radio or television, and not to the unauthorized reproduction of previously recorded but unreleased performances, i.e., studio out-takes. The latter should be considered for prosecution as criminal copyright infringement or, if labeled, trafficking in counterfeit labels, documentation, or packaging. *See* Chapter VI of this Manual. Paragraph (a)(3) prohibits distributing to the public or trafficking in any fixed recording of a live musical performance.

Under each subsection, the government must also prove that the defendant acted: (1) without authorization from the performer involved; (2) knowingly; and (3) for purposes of commercial advantage or private financial gain. *See* Section II.B.4. of this Chapter for a detailed discussion of the commercial motivation element.

Section 2319A is a five-year felony (ten years for repeat offenders) with a fine of \$250,000 or twice the monetary gain or loss, *see* 18 U.S.C. §§ 2319A(a), 3571(b)(3),(d), and is sentenced under the same guideline as are copyright crimes, U.S.S.G. § 2B5.3. The statute provides for mandatory forfeiture and destruction of all infringing items upon a defendant's conviction. *See* 18 U.S.C. § 2319A(b),(c). Further, a violation of § 2319A is listed in 18 U.S.C. § 1961(1)(B) as a RICO predicate. It was inserted into

RICO by the Anticounterfeiting Consumer Protection Act, Pub. L. No. 104-153 § 3, 110 Stat. 1386 (1996).

The constitutionality of 18 U.S.C. § 2319A (and the related civil statute, 17 U.S.C. § 1101) has been challenged on the basis that, in the area of copyright, Congress may regulate only “writings” and only for “limited times,” *see* U.S. Const., art. I, § 8, cl. 8, and that § 2319A (which has no time limit and applies to live performances) exceeds those limits. *See Moghadam*, 175 F.3d at 1274-77; *United States v. Martignon*, 346 F. Supp. 2d 413, 430 (S.D.N.Y. 2004); *KISS Catalog, Ltd. v. Passport Int'l Prods., Inc.*, 405 F. Supp. 2d 1169 (C.D. Cal. 2005). The cases have reached different results. In *Moghadam*, the court rejected the defendant's claim that § 2319A was invalid because it regulated performances that were not “writings,” and upheld the constitutionality of § 2319A as a valid exercise of Congress's Commerce Clause power. *See* 175 F.3d at 1282. However, the court also acknowledged without deciding (because the question was not preserved on appeal) that the statute may face “another constitutional problem under the Copyright Clause,” which allows Congress to protect works only for “limited times.” *Id.* at 1274 n.9, 1281. The *Martignon* court held the statute unconstitutional, concluding that Congress may not exercise its Commerce Clause power to enact a “copyright-like” statute not subject to the constitutional restrictions on copyright laws. *Martignon*, 346 F. Supp. 2d at 422. In *Kiss Catalog*, the district court initially found 17 U.S.C. § 1101 unconstitutional, citing *Martignon*, but on rehearing vacated its decision and upheld the statute, relying on *Moghadam*. *See Kiss Catalog v. Passport Int'l Prods.*, 350 F. Supp. 2d 823, 837 (C.D. Cal. 2004); *Kiss Catalog*, 405 F. Supp. 2d at 1172-73.

Various states also criminalize trafficking in bootleg recordings.

- **Unauthorized recording of motion pictures in a motion picture exhibition facility (“Camcording”), 18 U.S.C. § 2319B**

The Family Entertainment and Copyright Act, Pub. L. No. 109-9, 119 Stat. 218 (enacted April 27, 2005), created a new criminal offense that targets “camcording,” the use of camcorders and similar devices to record movies playing in public movie theaters. “Camcorded” copies of movies are a significant source of pirated movies, and sales of camcorded copies of movies can be especially harmful to copyright owners, because they typically are created and distributed when the movie is available only in theaters and not on DVD or other formats. H.R. Rep. No. 109-33(I), *reprinted in* 2005 U.S.C.C.A.N. 220.

The elements of an offense under 18 U.S.C. § 2319B are that the defendant (1) knowingly, and (2) without the authorization of the copyright owner, (3) used or attempted to use an audiovisual recording device, (4) to transmit or make a copy of a motion picture or other audiovisual work protected under Title 17, (5) from a performance of such work in a motion picture exhibition facility. 18 U.S.C. § 2319B(a). The maximum punishment for the offense is three years (six years for repeat offenders). *Id.*

Section 2319B's mens rea requirement is lower than the “willfulness” requirement for criminal copyright offenses: a § 2319B defendant need only act “knowingly.” Additionally, it is not necessary to show infringement of a copyright. Rather, the government need only show that the defendant was transmitting or copying (or attempting to transmit or copy) a copyrighted motion picture without the copyright owner's permission. Although the defenses to infringement set forth in Title 17 would not apply to a prosecution under 18 U.S.C. § 2319B, the statute's legislative history indicates that Congress intended prosecutors to avoid prosecuting cases that would be deemed “fair use” under copyright law. *See* H.R. Rep. No. 109-33(I), at 4, *reprinted in* 2005 U.S.C.C.A.N. 220, 223.

An “audiovisual recording device” is defined as a “digital or analog photographic or video camera, or any other technology or device capable of enabling the recording or transmission of a copyrighted motion picture or other audiovisual work, or any part thereof, regardless of whether audiovisual recording is the sole or primary purposes of the device.” 18 U.S.C. § 2319B(g)(2). This would appear to apply to camera-phones, PDA phones, and digital cameras (especially those capable of recording video). Congress, however, intended that the offense should not cover incidental uses of these devices in a theater, even though such uses could violate other statutes (such as the copyright laws). *See* H.R. Rep. No. 109-33(I), at 2-3, *reprinted in* 2005 U.S.C.C.A.N. 221-22.

The offense applies only to camcording in a “motion picture exhibition facility,” which is defined by reference to that same term in 17 U.S.C. § 101: “a movie theater, screening room, or other venue that is being used primarily for the exhibition of a copyrighted motion picture, if such exhibition is open to the public or is made to an assembled group of viewers outside of a normal circle of family and its social acquaintances.” The term includes commercial movie theaters and may also apply to generally non-public or quasi-public spaces such as a university auditorium, but only when such a venue is being used as a “public” exhibition facility at the time of the offense. *See* H.R. Rep. No. 109-33(I), at 3, *reprinted in* 2005 U.S.C.C.A.N. 222 (stating that “open to the public” is intended to refer to the particular exhibition rather than the venue generally).

- **Trafficking in counterfeit and illicit labels, and counterfeit documentation and packaging, 18 U.S.C. § 2318**

This is covered in Chapter VI of this Manual.

- **Trafficking in goods and services with counterfeit trademarks, service marks, and certification marks, 18 U.S.C. § 2320**

See Chapter III of this Manual.

- **Digital Millennium Copyright Act (DMCA), 17 U.S.C. §§ 1201-1204**

The DCMA provides criminal penalties for dismantling the electronic locks that are intended to prevent people from accessing or copying copyrighted works without permission, for trafficking in “electronic lockpicks,” and for falsifying or removing copyright management information. See Chapter V of this Manual.

- **Unauthorized reception of cable and satellite service, 47 U.S.C. §§ 553, 605 and 18 U.S.C. § 2511**
- **Economic Espionage Act, 18 U.S.C. §§ 1831-1839**

For stealing trade secrets, whether copyrighted or not. See Chapter IV of this Manual.

- **Mail and wire fraud, 18 U.S.C. §§ 1341, 1343, 1346**

Although fraud schemes can involve copyrighted works, prosecutors should be wary of charging mail or wire fraud as a substitute for a criminal copyright charge in the absence of evidence of any misrepresentation or scheme to defraud. In one copyright case, in which a wire fraud charge was brought because the facts were insufficient to support a criminal copyright charge, no misrepresentation was alleged, and the district court dismissed the charge. *See United States v. LaMacchia*, 871 F. Supp. 535 (D. Mass. 1994). The judge in *LaMacchia* reasoned that the bundle of rights conferred by copyright is unique and carefully defined, precluding prosecution under the general wire fraud statute, at least when there is no fraudulent conduct on the part of the defendant. *Id.* at 544-45. The court in *LaMacchia* relied heavily on the Supreme Court's decision in *Dowling v. United States*, 473 U.S. 207 (1985). In *Dowling*, the Court overturned the defendant's conviction for interstate transportation of stolen property under 18 U.S.C. § 2314 because it found Congress' actions to be preemptive. *See Dowling*, 473 U.S. at 207; *see also 4 Nimmer on Copyright* § 15.05[A] at 15-34 (1999) (“*Dowling's* lesson is that Congress has finely calibrated the reach of criminal copyright

liability, and therefore, absent clear indication of Congressional intent, the criminal laws of the United States do not reach copyright-related conduct.”).

While *LaMacchia* suggests that courts are unlikely to be receptive to a wire or mail fraud charge brought as a substitute for a criminal copyright charge in a case where some element of the criminal copyright charges is missing, wire or mail fraud charges may still be viable and appropriate in infringement cases that involve actual misrepresentations or schemes to defraud. *Cf. United States v. Manzer*, 69 F.3d 222, 226 (8th Cir. 1995) (holding that sale to a third party of illegal cable television descrambling devices violated federal fraud statutes); *United States v. Coyle*, 943 F.2d 424, 427 (4th Cir. 1991) (holding sale of cable television descramblers to be a scheme to defraud “because it wronged the cable companies in their 'property rights by dishonest methods or schemes'”) (quoting *United States v. McNally*, 483 U.S. 350, 358 (1987)). Nevertheless, in the absence of strong evidence of misrepresentation, prosecutors should avoid a wire or mail fraud charge if an infringement crime can be proved.

For a more detailed discussion of 18 U.S.C. §§ 1341 and 1343, refer to USAM Chapter 9-43.000. The Criminal Division's Fraud Section at (202) 514-7023 can provide further information and guidance.

- **Interstate transportation and receipt of stolen property or goods, 18 U.S.C. §§ 2314-2315**

The Interstate Transportation of Stolen Property Act (“ITSP”) punishes “[w]hoever transports, transmits, or transfers in interstate or foreign commerce any goods, wares, merchandise, securities or money, of the value of \$5,000 or more, knowing the same to have been stolen, converted or taken by fraud,” 18 U.S.C. § 2314, and “[w]hoever receives, possesses, conceals, stores, barter, sells, or disposes” stolen property that has crossed a state or federal boundary, 18 U.S.C. § 2315.

Although ITSP can be used under certain circumstances to prosecute theft of proprietary information or other types of intellectual property, the Supreme Court has rejected the use of the ITSP statute to prosecute copyright infringement cases, at least when the infringement does not involve the actual theft of a tangible good. *Dowling v. United States*, 473 U.S. 207 (1985). In *Dowling*, the Court reversed a conviction for the interstate transportation of infringing copies of Elvis Presley records, holding that Congress did not intend § 2314 to criminalize copyright infringement. The Court reasoned that a copyright infringer neither assumed physical control over the copyright nor wholly deprived the owner of its use. The statute “seems clearly to contemplate a physical identity between the items

unlawfully obtained and those eventually transported, and hence [requires] some prior physical taking of the subject goods.” *Dowling*, 473 U.S. at 216.

Despite *Dowling*, an ITSP charge may be appropriate for acts of infringement that involve the actual transportation of tangible objects across state lines. For more on these issues, see Section IV.F. of this Manual.

- **Racketeer Influenced and Corrupt Organizations Act (RICO), 18 U.S.C. §§ 1961-1968**

The criminal copyright and bootleg recordings of live music performances offenses are RICO predicates. *See* 18 U.S.C. § 1961(1)(B). RICO charges must be approved by the Department's Organized Crime and Racketeering Section, which can be reached at (202) 514-3594.

- **Money laundering, 18 U.S.C. § 1956**

Criminal copyright infringement is a specified unlawful activity for purposes of the money laundering statute. *See* 18 U.S.C. § 1956(c)(7)(D).