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

Inquiry Regarding Sections 109 and 117) Docket No. 000522150-0150-01

Reply Comments of the Library Associations

These Reply Comments are submitted on behalf of the American Library Association, Association of Research Libraries, American Association of Law Libraries, Medical Library Association and Special Libraries Association (the "Libraries), in response to comments submitted pursuant to the Copyright Office's Request for Public Comment dated June 5, 2000.

The June 5, 2000 Request for Public Comment inquires about the effects of the amendments made by title 1 of the Digital Millennium Copyright Act ("DMCA") and the development of electronic commerce and associated technology on the operation of sections 109 and 117 of title 17, United States Code, and the relationship between existing and emerging technology and the operation of those sections. The Libraries would like to address several issues raised by interested parties, as well as respond herein to questions regarding Section 117 of the DMCA.

I. Section 109 of the Copyright Act should be updated to clarify that the first sale doctrine limits the copyright owner's right of distribution without regard to the method by which that right is exercised.

Contrary to the assumption embodied in Question 1(g) of the Request for Comments and advanced in the comments of Time Warner and the Copyright Industry

Organizations, the first sale doctrine does not need to be "expanded" to apply to digital transmissions. The Libraries believe, and caselaw confirms, that the *doctrine* itself, as it currently exists, attaches to such transmissions because it applies according to the scope of a property interest, not according to the object of that interest. See also Report to Congress, Comments of Karen Coyle for Computer Professionals for Social Responsibility. It is the *codification* of that doctrine that needs to be updated to ensure consistency with the purposes for which it was originally enacted.

A. The first sale doctrine applies to digital transmissions and streamed content

Time Warner and the Copyright Industry Organizations both argue that the first sale doctrine does not and should not apply to works distributed by digital transmission or streaming, because the owner of the tangible copy of the work does not transfer lawful possession of such copy. Time Warner Comments at 1; Comments of Copyright Industry Organizations at 2 and 4. The Libraries disagree.

First, as conceded by Time Warner, digital transmissions can result in the fixation of a tangible copy.[1] By intentionally engaging in digital transmissions with the awareness that a tangible copy is made on the recipient's computer, copyright owners are indeed transferring ownership of a copy of the work to lawful recipients. Second, the position advanced by Time Warner and the Copyright Industry Organizations is premised on a formalistic reading of a particular codification of the first sale doctrine. When technological change renders the literal meaning of a statutory provision ambiguous, that

[1] Time Warner notes: "The initial downloading of a copy, from an authorized source to a purchaser's computer, can result in lawful ownership of a copy stored in a tangible medium. If the purchaser does not make and retain a second copy, further transfer of that copy on such medium would fall within the scope of the first sale doctrine." Time Warner Comments at 3.

provision "must be construed in light of its basic purpose" and "should not be so narrowly construed as to permit evasion because of changing habits due to new inventions and discoveries." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156-158 (1975).

The basic purpose of the first sale doctrine is to facilitate the continued flow of *property* throughout society. The common law doctrine pre-dates even the 1909 Copyright Act, and judicial analysis has consistently focused on the scope of the property interest that has been transferred, not the nature of the land or chattel that is the object of that property interest.[2] The provision in section 109(d) that the rights under the section do not "extend to any person who has acquired possession of the copy or phonorecord . . . without acquiring ownership of it" further confirms that the first sale doctrine applies according to the scope of the property interest that has been transferred, rather than according to the object of that interest. 17 U.S.C. §109(d).

While section 109 of the Copyright Act appears to limit application of the first sale doctrine to "copies" and "phonorecords," this language is a result of publishing history, not doctrine. Historically, the public access to works of authorship that is the purpose of the copyright laws was facilitated by the distribution of physical "copies" and "phonorecords." In that context, the tangible copy-intangible copyrighted work distinction was an efficient proxy for distinguishing the copyright owner's exclusive

[2] *See, e.g., Henry Bill Publishing Co. v. Smythe*, 27 F. 914, 925 (S.D. Ohio 1886) ("The owner of the copyright may not be able to transfer the entire property in one of his copies, and retain for himself an incidental power to authorize a sale of that copy…and yet he may be entirely able, so long as he retains the ownership of a particular copy for himself, to find abundant protection under the copyright statute for his then incidental power of controlling its sale….A genuine copy…carries with it the ordinary incidents of alienation belonging alike to all property."); *Step-Saver Data Systems, Inc. v. Wyse Technology and The Software Link, Inc.*, 939 F. 2d 91 (3d Cir. 1991) (applying a functional analysis to determine the scope of the property interest transferred and invalidating a box-top software license on grounds that it was properly considered proposed—but rejected—contract terms.)

rights in his work from the right to access and use that work that passes to a consumer in a first sale. As publishing technology and the law have evolved to allow for the rights of access and use to be marketed directly instead of in conjunction with possession of a tangible "copy," this proxy has lost some of its effectiveness.[3] Principled (as opposed to formalistic) application of the first sale doctrine now requires looking directly to the property interest for which the copyright owner or publisher has been compensated in an initial transaction.

In *United States v. Masonite Corp.*, the Supreme Court held that whether a particular disposition of a patented article is equivalent to a "first sale" is not governed by "the form into which the parties chose to cast the transaction. The test has been whether or not there has been such a disposition of the article that it may fairly be said that the patentee has received his reward for the use of the article." *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942). This rule has been widely applied in the copyright context, *see, e.g., Platt & Munk Co., Inc. v. Republic Graphics, Inc.*, 315 F. 2d 847 (2d Cir. 1963); *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F. Supp. 881 (E.D. Pa. 1964). The "disposition-reward" rule clarifies that when a copyright owner exercises the right of distribution, the owner is not merely distributing physical objects: *the owner is effectively distributing the right to the end consumer to access copyrighted content that is fixed therein*. In other words, the right to access the copyrighted content must not be confused with the incidental possession of the object that facilitates practical exercise of the right. *It is access to the copyrighted material which has been parted with by the*

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[3] Streaming technologies allow for copyrighted content to be transmitted in such a way that only a few seconds worth of content is "fixed" in a receiving device at any given time. Nevertheless, during the course of transmission, an entire work can be sent, stored and viewed.

copyright owner in first sale, and it is that right of access which is alienable under the first sale doctrine, regardless of whether it is facilitated by tangible or intangible means.

B. When a material object is sold or licensed for the specific purpose of facilitating access to a copyrighted work, the right to use that work is not separable from the material object

Consistent with their position that the first sale doctrine applies to tangible objects rather than property interests, the Copyright Industry Organizations argue that section 109 provides for the alienability of the material chattel in which digital content is fixed, but not for the alienability of the authorization to access that content. Copyright Industry Organizations comments at 4. This interpretation converts the first sale doctrine into a provision that allows consumers to alienate solely the tangible disc, floppy, or hard drive in which copyrighted content has been fixed, while the copyright owner maintains perpetual control over the right to access and use the encoded content that is fixed therein. This position contravenes both copyright law and the common law history of the first sale doctrine, not to mention common sense.

When a consumer purchases a book, he purchases more than just a physical object consisting of printed words on bound paper. "A book is … a particular kind of 'copy' of a work of authorship." Senate Report on the Copyright Act of 1976 at 52 (1975), *reprinted in* 8 Nimmer On Copyright at App. 4A-98 (defining the term "book"). This "copy" has been marketed for the specific purpose of facilitating access to the copyrighted content; indeed, the right to access the content is a fundamental and inseparable part of the value for which a copyright owner is compensated in a first sale. Accordingly, few people would argue that the first sale right to lend or sell a book extends only to the bound paper on which words have been fixed, but not to the right to

read those words. Similarly, when a consumer acquires copyrighted material in a pre-fixed digital form, he acquires a "copy" of a work of authorship, not merely an optical or floppy disc or an encoded digital file. It is this "copy" and all the rights it was intended by the Copyright Act to facilitate that are alienable under the first sale doctrine.

The Copyright Act defines "copies" as "material objects in which a work *is* fixed," not as material objects in which a work *may be* fixed. 17 U.S.C. §101. Technology that allows access to a copy to be separated from physical possession of that copy did not exist when this definition was written, and Congress cannot be understood to have sanctioned such a practice. Anyone who holds otherwise may be misreading the section 202 provision that "transfer of ownership of any material object . . . does not of itself convey any rights in the copyrighted work embodied in the object." 17 U.S.C. §202. Rights in a "copyrighted work" are not equivalent to rights in a "copy" of that copyrighted work. The "rights in the copyrighted work" that are retained by the copyright owner after the first sale are the six exclusive rights enumerated under section 106 of the Act. 17 U.S.C. §106. A "right to control access and use" of the copyrighted work is notably absent from the section. To the extent that the anti-circumvention provisions of chapter twelve have been interpreted as granting the copyright owner a functional "right to control access," the legislative history of the DMCA suggests that the right was intended to facilitate the distribution of access "keys" as an *alternative* to tangible copies. Ensuring against a "pay-per-use society" requires clarification that the right to "distribute access" is extinguished according to the terms of the first sale doctrine.

To ensure that application of the first sale doctrine remains consistent with the purpose it was intended to serve—*ensuring against restraints on the continued flow of useful knowledge throughout society*—section 109(a) of title 17, United States Code should be updated to clarify that first sale rights attach according to the scope of the property interest that has been transferred in a first sale, without regard to the tangible or intangible object of that interest:

> Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, *or the owner of any right of access to the copyrighted work*, or any person authorized by such an owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy, phonorecord, *or right of access*.

II. A copy made in the course of an authorized download of a copyrighted work is transferable under the first sale doctrine

The comments submitted by Time Warner concede that downloading digital content from an authorized source may result in ownership of a copy "lawfully made under the Copyright Act." However, Time Warner also argues that the first sale doctrine permits this copy to be alienated only in conjunction with the physical disc or hard drive in which it is fixed. The Libraries disagree.

The legislative history of section 109(c) demonstrates that the copyright owner's reproduction right is properly limited for the purpose of allowing consumers to exercise traditional rights in new technological environments. In the House Report on the 1976 Act, Congress recognized that indirect display of a copy of a copyrighted work by means of television, cable, opaque projection, or optical transmission entailed copying that

ordinarily would infringe the reproduction right unless permitted under fair use or another statutory exemption. H.R. Rep. No. 94-1476, at 79-80 (1976), as corrected in 122 Cong. Rec. H. 10727-8 (daily ed. Sept. 21, 1976), *reprinted in* 8 Nimmer on Copyright at App. 4-55. Nonetheless, the public display provision of the first sale doctrine allows consumers to indirectly display a copy, provided that only one image is projected at a time to viewers located in the place where the copy is located. *See* 17 U.S.C. §109(c). The expressed intention of the Judiciary Committee was "to preserve the traditional privilege of the owner of a copy to display it directly, but to place reasonable restrictions on the ability to display it indirectly in such a way that the copyright owner's market for reproduction and distribution of copies would be affected." *Id.* at 80.

The incidental copying privilege that is implicit in section 109(c) is properly extended to the entire first sale doctrine. Formalistic application of the exclusive reproduction right must not prevent consumers from utilizing new technologies, and it must not prevent traditional user rights from being replicated in new technological environments. The potential for incidental copies to harm the interests of copyright owners should instead be addressed by legislating "reasonable restrictions" on the use of such copies. Requiring that the original copy of a digital work be deleted or disabled at substantially the time of transfer under the first sale doctrine is one such "reasonable restriction." *See* Comments of the Digital Futures Coalition ("DFC"). A deletion requirement would allow a reproduction that is incidental to a transfer under the first sale doctrine to be distinguished from copies that infringe upon the copyright owner's legitimate market for distribution of his work. Failure to delete or disable the original copy would convert the incidental copy into an infringing copy. Accordingly, along with

the DFC and others, the Libraries strongly support amendment of the Copyright Act by addition of the following to the end of section 109 of title 17, United States Code:

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

We note that this proposal was part of the Boucher-Campbell Bill, H.R. 3048 (105th Congress), that was co-sponsored by 53 members. This legislation reflected many of the concerns of interested parties to digital copyright issues that were unresolved by the DMCA.

III. Federal copyright policy should make clear that the first sale doctrine and other limitations on copyright monopolies pre-empt contrary non-negotiated license terms

While federal copyright law is not generally intended to preclude private contracts, pre-emption of contract terms for the purpose of effectuating a compelling federal policy is proper. *See, e.g., Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F. 2d 150, 153 (2d Cir. 1967), *cert. denied*, 393 U.S. 826 (1968) (applying state law to a question of the parties' intent with regard to an assignment contract because "a federal common law of contracts is justified only when required by a distinctive national policy…"). Maintaining the copyright balance that promotes public access to copyrighted works is a compelling federal policy. This balance is currently being

undermined by uncertainty resulting from the interplay between copyright law, para-copyright law such as the anti-circumvention provisions, and state contract law. This uncertainty will only be compounded as the anti-circumvention provisions take effect and as the Uniform Computer Information Transactions Act ("UCITA") is enacted at the state level.

The Libraries believe that much of this uncertainty is attributable to lack of consensus regarding the circumstances in which a distribution that has purportedly been made under license is properly construed as a sale. As described in the comments of Charles Lee Thomason, courts have assessed factors ranging from course of performance to the number of payments to the permitted term of possession of the physical "copy." However, these factors have not been applied in any uniform way and judicial analysis has sometimes been vague. *See* Comments of Charles Lee Thomason at 8. The Libraries support the position taken by the National Association of Recording Merchandisers and Video Software Dealers Association that "care must be taken…to distinguish between the lawful licensing of a copyright, and the purported licensing of 'rights' not recognized by copyright…." Comments of National Association of Recording Merchandisers and Video Software Dealers Association at 18. Federal recognition of this distinction is especially appropriate now given that evidence has already indicated that the federal anti-circumvention provisions are being utilized to force abrogation of the very laws they were intended to uphold.

The balance between the remuneration interest of copyright owners and the public's interest in access to copyrighted works will be significantly undermined and will continue to be unreasonably skewed in favor of copyright owners unless there is a

clarification of federal copyright policy, as well as enactment of remedial and preventative legislation. Accordingly, the Copyright Act should state unambiguously that non-negotiated license terms are pre-empted to the extent that they conflict with the Act. Consistent with the model from the Boucher-Campbell Bill cited above (in Section II of these comments) and supported by the Libraries and a broad coalition of interested parties, H.R. 3048, section 301(a) of the title 17, United States Code should be amended by adding the following at the end thereof:

> When a work is distributed to the public subject to non-negotiable license terms, such terms shall not be enforceable under the common law or statutes of any state to the extent that they:
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> (1) limit the reproduction, adaptation, distribution, performance, or display, by means of transmission or otherwise, of material that is uncopyrightable under section 102(b) or otherwise; or
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> (2) abrogate or restrict the limitations on exclusive rights specified in sections 107 through 114 and sections 117, 118 and 121 of this title."

IV. Comments on Section 117

The Libraries also wish to respond at this time to the questions posed with regard to Section 117. Section 117 provides critical incidental and archival copying rights to the owners of copies of computer programs. Because many more categories of works are now being published in digital formats, section 117 must be updated to clarify that the rights therein apply to all rightfully possessed digital media.

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

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

Some media and consumer electronics companies are planning or implementing access control technologies to enforce the private license terms that are incorporated into Copyright Management Information. *See* Comments of John M. Zulauf at 1-2. The Libraries' first response in this inquiry demonstrated the extent to which these license terms systematically restrict the copyright limitations that are codified in section 117 and throughout the Act. Consumers may ultimately be exposed to criminal prosecution and civil liability merely for exercising the archival and incidental copying rights that have been granted under section 117 and other provisions of the Act.

The distribution of works in encrypted form promises to become widely used as the anti-circumvention laws make the technology more attractive to publishers. Access to an encrypted work may be gained only by separately acquiring the intellectual property "key" that is necessary to de-scramble the work. When the work is fixed into a tangible object prior to distribution (i.e., a CD-ROM or DVD), the key is typically incorporated into a playback device. This essentially means that copies of copyrighted digital works are usable only in playback devices that have been licensed by the copyright owner. As a condition of that license, these playback devices also incorporate the technology to read and enforce Copyright Management Terms. Because of this linking of decryption keys, playback devices, and copyrighted works, consumers may be unable to make archival copies or "space shift" content to a new format as playback technologies evolve. Long-term access to a particular digital work may require continually repurchasing access in

new formats. Some works may become unavailable as publishers cease operations or discontinue sales of the "keys" to older works that have lost mass appeal.

The prohibitions on circumvention and falsification also affect the operation of section 117 when copyrighted works are distributed by transmission. When digital content is distributed by transmission, the decryption key may be transmitted separately—sometimes only temporarily—upon payment of a per-view license fee, entry of a password, or dial-in from a particular terminal. Because an archival copy of a scrambled work is unusable without a copy of the decryption key, allowing the copyright owner to maintain perpetual control over decryption "keys" may render the archival copying rights provided under section 117 meaningless. Libraries of the future may be left with archival copies that have become unavailable for actual use because the access "key" is no longer available or has been made available only upon payment of an exorbitant fee.

c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of section 117?
d) What is the relationship between existing and emergent technology, on one hand, and section 117, on the other?
e) To what extent, if any, is section 117 related to, or premised on, any particular technology?

The language of section 117, which limits application of the section to "computer programs," reveals that it was legislated in the particular technological environment of 1980. 17 U.S.C. §117. However, the principle that is implicit in the section is that consumers must have the legal rights to make copies that are essential to using copyrighted material in conjunction with a computer.[4] The Libraries believe that

[4] Section 117 embodies the recommendations of the Commission on New Technological Works with respect to the application of copyright law to computer software. H.R. Rep. No. 96-1307 (Part I), reprinted in 1980 U.S. Code Congressional and Administrative News 6460, 6482. The CONTU Final Report noted

application of this principle to the current technological environment warrants clarifying that the rights provided under section 117 extend to all digital media, not just "computer programs" as defined under section 101.

Since the section was enacted, the development of electronic commerce has increased the categories of works for which incidental and archival copying rights are essential to meaningful use. Many types of works that were formerly distributed in print and analog formats are now being distributed only in digital formats. While the Libraries believe that the copying rights at issue already exist under fair use, making them explicit could help to eliminate some of the uncertainty that is currently preventing these rights from being fully and consistently exercised.

Maintaining the proper copyright balance requires clarification of several copying rights. First, virtually all devices on which digital content can be played back process that content by loading all or some portion of it into memory. Even copyrighted material that is distributed by streaming is very temporarily copied into a "buffer" section of the playback device's RAM. Temporary copies of this nature have been held to infringe copyright. *See MAI Sys. Corp. v. Peak Computer*, 991 F. 2d 511 (9th Cir. 1993). The Comments of Time Warner at 1 endorse the argument that the copy made during a transmission is not a "lawful copy." However, because the copyright owner has authorized the transmission of the copy of the work to the recipient and because the owner is aware that it is inherent to the computer technology that a copy will be made on the recipient's machine, then the intentional act of authorizing the transmission should

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that using a computer program required loading it into the memory of a computer, which by definition involved "copying." CONTU Final Report, p. 13. The Report recognized that "one who rightfully possesses a copy of the program" should be provided with a legal right to make a copy as an essential step in using it. *Id*.

make the recipient's copy "lawful." Copyright law, as well as policy, should make clear that incidental copying rights are essential to the ability of consumers to make meaningful use of digital works without risking liability.

Second, all digital content is prone to deletion, corruption, and loss due to system crashes. Consumers must be permitted to protect their investments. Archival copying rights are as critical today to the growth of digital publishing as they were to the growth of the computer software industry in the 1980s. Third, computer hardware and software operating systems are subject to rapid technological evolution. The fair use right to "space shift" to new formats for personal use should be codified to protect against abrogation of that right by licensing terms incorporated into CMI. Fourth, temporary copying rights should be extended to individuals who are in rightful possession of copies lawfully made under the Copyright Act. A measure of this nature would enable practical exercise of the first sale right to sell, lend or otherwise dispose of rights in a digitally published work.

The Libraries believe that these essential copying rights could be protected within the framework initially proposed in H.R. 3048, which would have amended section 117 as follows:

- The title of section 117 of title 17 United States Code would be amended to read: "Limitations on exclusive rights: Computer programs and digital copies."
- Section 117 of title 17 United States Code would be amended by inserting "(a)" before "Notwithstanding" and by inserting the following as a new

subsection (b): "Notwithstanding the provisions of section 106, it is not an infringement to make a copy of a work in a digital format if such copying

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

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

IV. Conclusion

The first sale doctrine and the limitations on computer program are two of the crucial stilts in the balancing act of copyright law. Questions have now arisen regarding the application of the doctrine and the limitation in the digital era to the making of copies and the alienability of certain copies lawfully received in the course of digital transmissions. While the DMCA intended to deal effectively with related digital era issues, the need for clarification of copyright policy has become more apparent and urgent. The Libraries urge the Copyright Office and NTIA to address these matters directly and forthrightly in its report and advise the Congress on remedial steps, including those proposed herein, to ensure maintenance of the essential balance of copyright law.

Respectfully submitted,

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

Date: September 5, 2000