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Beware of the Highwayman on the Information Superhighway: A Balanced Proposal to Protect Copyrights Within the National Information Infrastructure

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Beware of the Highwayman on the Information Superhighway: A Balanced Proposal to Protect Copyrights Within the National Information Infrastructure

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VI. CONCLUSION .................................................. 202
I was a highwayman, along the coach roads I did ride, with sword and pistol by my side.

Many a young maid lost her baubles to my trade, many a soldier shed his life-blood on my blade.

The bastards hung me in the spring of '25, but I am still alive...

I fly a starship, across the universe divide.

And when I reach the other side, I'll find a place to rest my spirit, if I can.

Perhaps I may become a highwayman again...

But I will remain, and I'll be back again and again and again.

INTRODUCTION

During the days of the Wild West, the California Gold Rush brought unforeseen wealth and unlimited opportunities for those who were willing to brave the new frontier. The Gold Rush also brought danger in the guise of the highwayman. The highwayman "originated among bad men of the gold mining camps.... [H]e first robbed prospectors and miners on route on foot to stage stations, of their gold dust and nuggets, becoming bolder, looting stages and eventually after the railroads were built, he 'held-up' railway trains and robbed express cars." Highwaysmen were thieves and robbers who stole from innocent people; but they did not necessarily view themselves that way. One highwayman, in a letter to a banker, sought to justify his activities by emphasizing that he stole chiefly from corporations.

"I do not think," he wrote, "that your Company should be too hard on me. I have never directed against them particularly any matured scheme for plunder, or in fact against anyone, and indeed I have had no definite idea in regard to the matter, unless it was that I should try to live honestly within the pale of society, and if at any time compelled to trespass to supply my immediate wants, I would aim at affluent corporations and never molest poor persons or private individuals."

After the West became civilized, the establishment of law and order made the highwayman a relic of the past. Has the highwayman returned to the new frontier?

On the new frontier, highwaymen do not hold up stagecoaches with pistols. Instead, they ply their trade on electronic boulevards armed with

1. WAYLON JENNINGS ET AL., Highwayman, on HIGHWAYMAN (Columbia Records 1985).
computers and modems. These highwaymen are not pillaging for gold. They are plundering for information and looting the wealth of the electronic frontier. Jesse James has returned. But this time he is not riding a horse. This highwayman is waiting by the road on his PC, hoping to pirate content from those who drive the Information Superhighway.

As we advance into the digital age, there is widespread fear that copyright owners will be robbed of their "gold" by a society with no respect for intellectual property rights and the effortless ability to infringe these rights. Recent testimony at hearings on the Information Superhighway indicates that most content providers fear superhighway robbery.4 One executive explained that "[they] are particularly concerned that the thieves, thugs, and highwaymen, if you will, will be more difficult than ever to both identify and to apprehend in the new cyberspace."5

This concern is fueled by the increasing importance of copyright industries to the United States economy. From 1977 to 1991, copyright industries grew "at close to three times the rate of the economy as a whole;"6 by 1991, copyright industries employed 5.5 million people in the United States.7 In 1993, copyright industries accounted for 6% of the United States gross domestic product and contributed $40 billion to the balance of trade.8 Because copyright industries are becoming more valuable, there is increasing apprehension about new technologies that may jeopar-

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5. Working Group Hearing III, supra note 4, at 75 (statement of John Kamp, Senior Vice President, American Association of Advertising Agencies).

6. Id. at 49 (statement of Ann Harkins, Co-Director, Creative Incentive Coalition).

7. Id. at 50.

dize them. Nowhere is this fear more prevalent than on the Information Superhighway.

This Comment discusses the implications of the Information Superhighway, also known as the National Information Infrastructure (NII), on the copyrights of content providers. Section I explains what the NII is and how the Clinton Administration is confronting the emerging issues. Section II will discuss the need for additional copyright protection in the digital age. Section III surveys how current law and proposed changes affect the bundle of rights associated with copyright on the Information Superhighway. Section IV discusses infringement liability and proposals for modifying liability standards. Section V examines the remedies, both civil and criminal, available to the copyright owner and what additional remedies may be necessary to protect copyrights.

I. WHAT IS THE NATIONAL INFORMATION INFRASTRUCTURE?

The NII encompasses current and future communications. "It is a broadband, multimedia electronic network through which digitally coded information (voice, video, text, data, graphics, etc.) runs to and from any point in the network." The NII will be a "seamless web of communications networks, computers, databases, and consumer electronics that will put vast amounts of information at users' fingertips." By connecting people, via their computers, directly to other people and places, the NII will allow access to information in unprecedented volumes—easily and inexpensively. The NII will allow people to exchange information anytime, anywhere. People will be able to use the NII for a myriad of purposes "including education, research, entertainment, sales, leisure, health care, transportation, and banking." The NII is expected to revolutionize information and change our lives forever.

9. See infra notes 14-43 and accompanying text.
10. See infra notes 48-113 and accompanying text.
11. See infra notes 114-355 and accompanying text.
12. See infra notes 356-553 and accompanying text.
13. See infra notes 554-88 and accompanying text.
17. Id.
18. Id. at 223.
19. Id. at 221; see also Al Gore, Remarks, 1994 COMM.LAW CONSPECTUS 1 (1994) ("[T]he NII will forever change the way all of us live, work, and learn . . . . It will transform our lives.").
A. How the NII has Developed

The primary model for the NII is the Internet.\(^20\) The Internet evolved from several government sponsored projects, including Advanced Research Projects Agency Network (ARPAnet) and National Science Foundation Network (NSFnet).\(^21\) The first computer network which forms part of the Internet's backbone is ARPAnet, which was created in 1969 for the Department of Defense.\(^22\) Because one of ARPAnet's purposes was to provide computer-to-computer communications in the event of a disaster, such as a nuclear war, it did not require a central computer to function.\(^23\) The NSFnet is another decentralized computer system that forms the core of the Internet.\(^24\) The NSFnet was established in the early 1980s to facilitate the speedy exchange of information between researchers and distant academic and governmental institutions.\(^25\)

The federal government furthered development of the NII when it adopted the High Performance Computing Act of 1991.\(^26\) One of the Act's purposes was to "establish a high-capacity and high-speed National Research and Education Network."\(^27\) The Act provided nearly $3 billion in federal funds to assist government agencies in developing the National Research and Education Network (NREN).\(^28\) Even in these early stages, lawmakers recognized the need for promoting intellectual property protection and providing payment methods for use of copyrighted materials on computer networks.\(^29\)
Today, the Internet and other on-line communications networks are booming. As of November 1995, the Internet connected thirty-seven million adults in the United States and Canada, with one million persons added each month worldwide. Roughly four million people subscribe to the three largest private on-line service providers—at least one million to America Online, two million to CompuServe, and more than one million to Prodigy. The public and private sectors have begun to develop what will be our NII.

B. How the Clinton Administration is Aiding Further Development of the NII

The Clinton Administration is working with the private sector to cultivate the National Information Infrastructure by sponsoring the NII initiative. The NII initiative has nine goals aimed at promoting the development of the NII. In order to implement these goals, the Administration

The Network shall—
(5) be designed and operated so as to ensure the continued application of laws that provide network and information resources security measures, including those that protect copyright and other intellectual property rights, and those that control access to databases and protect national security;
(6) have accounting mechanisms which allow users or groups of users to be charged for their usage of copyrighted materials available over the Network and, where appropriate and technically feasible, for their usage of the Network.

Id.


33. See Agenda for Action, supra note 15, at 49,027 (“[G]overnment action can compliment and enhance the benefits of these private sector initiatives.”).

34. The nine goals are to:
(1) Promote private sector investment;
(2) Extend the “universal service” concept to ensure that information resources are available to all at affordable prices;
(3) Promote technological innovation and new applications;
(4) Promote seamless, interactive, user-driven operation;
(5) Ensure information security and network reliability;
established a federal interagency Information Infrastructure Task Force (IITF).  

The IITF consists of three committees: the Telecommunications Policy Committee, the Information Policy Committee, and the Applications Committee. Within the Information Policy Committee there are three working groups: the Working Group on Intellectual Property Rights, the Working Group on Privacy, and the Working Group on Government Information. The Working Group on Intellectual Property Rights (the Working Group) is responsible for evaluating intellectual property protections on the NII.

The Working Group is "simply trying to adopt traditional principles which are balanced in our country to modern technology." To help accomplish this purpose, the Working Group solicited public comment regarding adequacy of copyright law for the NII, fair use, labeling and encoding, interoperability, licensing, technical protection, and public awareness and education. In July 1994, the Working Group published a

(6) Improve management of the radio frequency spectrum;

(7) Protect intellectual property rights. The Administration will investigate how to strengthen domestic copyright laws and international intellectual property treaties to prevent piracy and to protect the integrity of intellectual property;

(8) Coordinate with other levels of government and with other nations;

(9) Provide access to government information and improve government procurement.

Id. at 49,027-31 (emphasis added).

35. Id. at 49,035.

36. Id.

37. Id.

38. Id.

39. Working Group Hearing III, supra note 4, at 64 (statement of Bruce A. Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, Chair).

preliminary draft of their report on these issues, which they followed by
holding public hearings and soliciting written comments on the report’s
findings. The Working Group released the final draft of the report on
September 5, 1995. In response to the final report, Congress intro-
duced several bills to implement the Working Group’s recommendations
for changes to the Copyright Act.

Since their release, the Working Group reports have been a spring-
board for heated debate on the copyright issues surrounding the NII. The
rest of this Comment will focus on four areas of this debate: (1) Is there
a need for additional copyright protection on the NII; (2) What rights
are affected by the NII and what additional legislation is needed to pro-
tect those rights; (3) Who should be responsible for infringement of
those rights; and (4) What remedies are necessary to protect those
rights.

II. THE NEED FOR COPYRIGHT PROTECTION IN THE DIGITAL AGE

Do we really need added copyright protection for the NII? The Copy-
right Reform Act of 1976 was enacted with the hope that the new copy-
right laws would be elastic enough to expand with new technologies.

41. Working Group Draft, supra note 20; Working Group Hearings I-IV, supra
note 4.
42. Information Infrastructure Task Force, Intellectual Property and the National
43. See H.R. 2441, 104th Cong., 1st. Sess. (introduced Sept. 29, 1995); S. 1284,
104th Cong., 1st Sess. (introduced Sept. 28, 1995); see also S. 982, 104th Cong., 1st
Sess. (introduced June 29, 1995) (revising federal criminal code provisions regarding
fraud and related activity in connection with computers); S. 1122, 104th Cong., 1st
Sess. (introduced Aug. 4, 1995) (providing greater copyright protection by amending
criminal copyright provision of Titles 17 and 18).
44. See infra notes 48-113 and accompanying text.
45. See infra notes 114-355 and accompanying text.
46. See infra notes 356-553 and accompanying text.
47. See infra notes 554-88 and accompanying text.
1, 51-63 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5664-66. This intention is made
clear in the legislative history of the 1976 Copyright Act. Id. The House Report rec-
ognizes that, while new modes of expression constantly arise, it is impossible to
predict what these modes will be. Id. at 51, 1976 U.S.C.C.A.N. at 5664. Therefore, the
Copyright Act was enacted not only with established guidelines, but also “with suffi-
cient flexibility to free the courts from rigid or outmoded concepts.” Id. at 53, 1976
of copyright, the statute indicates that works “fixed in any tangible medium of ex-
pression, now known or later developed” are granted copyright protection. 17 U.S.C.
§ 102(a) (Supp. 1996) (emphasis added). The copyright code is replete with such
Although new technologies create questions about the adequacy of existing copyright law, thus far the Act has proven flexible and adequate. Existing copyright law has met the challenge of infringement problems associated with copy machines, VCRs, and computers. Why does the NII, then, breed rampant concern that present law will not continue to afford enough protection for copyrights?

A. Why the NII is Different

Digital technology makes the NII different. By transforming information into a series of zeros and ones, digitization creates unique problems with enormous potential for abuse. First, digital technology makes it "easy and inexpensive" for any user to make "an unlimited number of perfect copies." Second, an unlimited number of users can upload and download information quickly and easily when it is in digital form.

49. See Matthew Goldstein, Bringing Order to Unruly World of Info Networks, N.Y.L.J., Aug. 30, 1994, at 1 (referring to statements by Marybeth Peters, U.S. Registrar of Copyrights, that photocopiers, for example, have caused apprehension).


52. See MAI Sys. Corp. v. Peak Computer, Inc., 991 F.2d 511 (1993) (holding that copying for copyright purposes occurs when a computer program is loaded into a computer's RAM).

53. With digital technology, a hundredth generation copy is equivalent in quality to a second generation copy which is equivalent in quality to the original—this was not possible with analog technology. See Working Group Hearing II, supra note 4, at 58 (statement of Michael Malone, President, San Diego Software Industry Council, on behalf of the Alliance to Promote Software Innovation); see also Amy Hetzner, Feds May Change Copyright Law for On-line Protection, S.F. EXAMINER, Oct. 19, 1994, at D1, available in 1994 WL 4276941 (lamenting the unauthorized copying associated with new technology); James A. Martin, Computers Make It Easy to Steal: As Technology Advances Copyrighted Materials Are Becoming More Vulnerable, S.F. EXAMINER, Apr. 17, 1994, at C1, available in 1994 WL 4249288 (noting rapid increase in number of people who have ability to copy works).

54. Working Group Hearing II, supra note 4, at 58 (statement of Michael Malone, President, San Diego Software Industry Council, on behalf of the Alliance to Promote
Third, various media can be converted to digital form and easily changed to create new works, allowing access to forms of information previously unavailable on individual computers. Fourth, there is greater difficulty in detecting the infringer when massive amounts of information are speeding through numerous computer networks.

B. How Existing Threats to Copyright Protection may Grow with the NII

Even now, while the NII project is incomplete, piracy is threatening copyright industries. Industry groups estimate that software publishers lose an estimated $12 billion annually, $2.2 billion in the United States alone, to piracy. In the United States, about one-third of this piracy occurs electronically on the Internet and other on-line services—a statistic that is increasing rapidly. Many of those who pirate software are not “typical criminals,” but are regular people who have developed a different attitude about stealing intellectual property than they might have about stealing gold. In fact, most infringements involve individual users who choose to copy works without paying a fee. Because infringement has become so readily accepted in our society, piracy is difficult to deter and infringement liability is difficult to enforce.

With the completion of the NII, piracy may be even more rampant. For example, books that are now purchased at a bookstore or checked out from a library may eventually be available solely via digital distribution. Without effective protection, an NII user could receive an entire book, then copy and re-transmit it numerous times to many other users, without compensating the publisher. Piracy of this sort could gen-

Software Innovation).

55. Id.
56. Working Group Hearing III, supra note 4, at 48 (statement of Ann Harkins, Co-Director, Creative Incentive Coalition).
59. See John Perry Barlow, The Economy of Ideas, WIRED, Mar. 1994, at *7 (noting that breaking software piracy laws “has become so socially acceptable that only a thin minority appears compelled . . . to obey them”).
60. Hetzner, supra note 53.
61. See, e.g., United States v. LaMacchia, 871 F. Supp. 535 (D. Mass. 1994) (dismissing criminal charges against Internet user who pirated $1 million worth of software because duplication was not done for profit).
erate enormous losses that may eventually lead to the destruction of whole copyright industries.\footnote{64}

Unfortunately, superhighway robbery would not be limited to the property of "affluent corporations."\footnote{65} Currently, CompuServe has a listing of magazine articles that can be ordered from copy services.\footnote{66} When these articles are copied, the writer who holds the copyright is not paid.\footnote{67} Such copyright violations, as they become widespread, could filch all compensation from individual authors.\footnote{68} The superhighwayman, left unchecked, could despoil the livelihood of many people.

C. What will Happen if Added Protections are not Implemented?

"Intellectual property protection is the very foundation for the NII, providing necessary incentives and rewards for the development of the infrastructure and the content."\footnote{69} Without such incentives and rewards, proponents of copyright reform claim authors and creators will leave the NII devoid of content.\footnote{70} Additionally, investors assert that they will not

\footnote{64. See, e.g., supra note 57 and accompanying text.}
\footnote{65. See supra text accompanying note 3.}
\footnote{66. Working Group Hearing IV, supra note 4, at 23 (statement of Janice Hopkins Tanne, President, American Society of Journalists and Authors).}
\footnote{67. Id.}
\footnote{68. See Working Group Report, supra note 42, at 10.}
\footnote{69. Working Group Hearing III, supra note 4, at 73 (statement of William Ellis, Washington Intellectual Property Counsel, IBM, on behalf of the Computer and Business Equipment Manufacturers Association). Inimical to this popular position, however, is a controversial article by John Perry Barlow. Barlow, supra note 59. Mr. Barlow suggests that even strengthened copyright protection will never effectively deal with the challenges posed by digital technology. Id. at *1. "Intellectual property law cannot be patched, retrofitted or expanded to contain digitized expression any more than real estate law might be revised to cover the allocation of broadcasting spectrum." Id. The reason for this, he asserts, is because digital information is not a material good, and thus, there is no physical link between the creators of work and the value of their work. Id. at *2-5. Without a physical link, the creators will only be able to claim the ideas underlying the work, and not the work itself—a claim which would be legally and practically ineffectual. Id. at *5-6; see 17 U.S.C. § 102(b) (1994) (providing that copyright protection does not extend to ideas).}
\footnote{70. See infra notes 72-75 and accompanying text.}
risk investing in the NII without assurances of adequate copyright protection.\textsuperscript{71}

1. Disintegration of the Incentive-based System for Creators

The magnitude of the NII makes the far-reaching potential for copyright abuse and the economic threat of piracy an overriding concern for content providers.\textsuperscript{72} Authors and creators are hesitant to make their products available on the NII without assurance that they will be compensated fairly.\textsuperscript{73} Furthermore, content providers are unwilling to sacrifice the right to control their works.\textsuperscript{74} Thus, if the NII's full potential is to be realized, the law must alleviate these concerns.\textsuperscript{75}

2. Risking the Loss of Private Investment

To finance further NII development, the Clinton Administration is counting on private investment, rather than relying strictly on public funds.\textsuperscript{76} Managers of existing information companies will not be willing to wager their investment on the NII if there is any significant risk that they will never see a return.\textsuperscript{77} Moreover, private entities that are actively

\textsuperscript{71} See infra notes 76-80 and accompanying text.

\textsuperscript{72} See Working Group Hearing II, supra note 4, at 62 (statement of Milton Olin, Senior Vice President of Business and Legal Affairs, A & M Records). Explaining his company's hesitation to post information on electronic bulletin boards, Mr. Olin simply states, "[w]e'll need rules. We can't do it without having protections and rules." \textit{Id.}


\textsuperscript{74} See Goldstein, supra note 49, at 1 (citing concerns recognized by Mary Beth Peters, U.S. Registrar of Copyrights).

\textsuperscript{75} In the Working Group Report and the Working Group Draft, the Working Group supports the position that without strong copyright protection, providers will not supply the content necessary to drive the NII. \textit{WORKING GROUP REPORT, supra note 42, at 10-11; WORKING GROUP DRAFT, supra note 20, at 6-7; accord Working Group Hearing I, supra note 4, at 31 (statement of Jim Schatz on behalf of West Publishing Co.). Mr. Schatz avers that "content providers will not be willing to include their content on the NII if their intellectual property rights are not effectively protected. Of course, if content providers don't include their content on the NII, the NII cannot reach its lofty goals and great potential." \textit{Id.; see also Working Group Hearing IV, supra note 4, at 29 (statement of Marilyn Bergman, President, American Society of Composers, Authors and Publishers) ("The content will depend on whether we, who are creators of the copyrighted works, are secure in the knowledge that our rights are protected.").}


\textsuperscript{77} The Working Group also acknowledges that "owners of intellectual property
building and developing the NII will not entrust further resources to a project that is not profitable.\textsuperscript{79} Therefore, in order to secure the trust of private investors in the NII, adequate copyright protection is essential.\textsuperscript{70} Without strong copyright laws, those who will ride the NII may get "a license to steal intellectual property cheaply, [and] easily,"\textsuperscript{80} which will dissuade those who will drive the NII from putting their commodities at risk.

D. Are the Content Providers Bluffing?

On the opposite side of the NII protection debate are experts who claim that copyright reform is unnecessary.\textsuperscript{81} These experts reject the content providers' arguments that without enhanced protection the NII will be barren,\textsuperscript{82} underdeveloped,\textsuperscript{83} or legally impotent.\textsuperscript{84}

1. Lack of Content?

Even without any changes in copyright law, business on-line is booming.\textsuperscript{85} There are over 5000 databases and 6000 discussion groups on the Internet,\textsuperscript{86} anyone who surfs the Net can attest to the fact that lack of

\begin{itemize}
\item rights will not be willing to put their interests at risk if the appropriate systems . . . are not in place." \textit{Working Group Report}, supra note 42, at 10; see, \textit{e.g.}, \textit{Working Group Hearing I}, supra note 4, at 45 (statement of Edward Massie, President and CEO, Commerce Clearing House) (insisting that information companies are concerned about investment risks of the NII, especially with the common public perception that information from the NII will be free of charge).
\item \textit{See Working Group Hearing I}, supra note 4, at 20-21 (statement of Priscilla Walter, Partner and Intellectual Property Department Chairperson, Gardner, Carton & Douglas) (attesting to fact that clients who invest in the NII are concerned about protecting their investment).
\item \textit{See id.} (statement of Priscilla Walter, Partner and Intellectual Property Department Chairperson, Gardner, Carton & Douglas).
\item National Research Council, supra note 73, ch. 6.
\item \textit{See Jessica Litman, The Exclusive Right to Read, 13 Cardozo Arts \& Ent. L.J. 29, 43-44 (1994)} (criticizing the argument that without copyright protection on the NII, content will be scarce); Pamela Samuelson, \textit{Legally Speaking: The NII Intellectual Property Report, 37 Comm. ACM 21, 26} (Dec. 1994) (arguing that the NII networks will not be "empty pipelines awaiting content" in the absence of added protection).
\item \textit{See supra} notes 72-75 and accompanying text.
\item \textit{See supra} notes 76-80 and accompanying text.
\item \textit{See supra} note 80 and accompanying text.
\item \textit{See supra} notes 30-32 and accompanying text.
\item William Charland, \textit{Keep Your Head Above Water in the Flood of Information, Rocky Mountain News}, Sept. 18, 1994, at 3C.
\end{itemize}
content is not a problem that the Internet is facing. Magazine companies, book publishers, news broadcasters, television networks, musicians and concert sponsors, newspapers, art galleries, motion picture companies, and advertising agencies have gone on-line—including prominent entities such as McGraw-Hill, Time Inc., ABC, NBC, CBS, Los Angeles Times, Newsday, Twentieth Century Fox, and the Rolling Stones. Thus, even without copyright reform, the NII will certainly not be "devoid of content."88

2. Inhibition of Development?

Professor Jessica Litman89 challenges the argument that NII growth will be stunted without enhanced copyright protection.90 She points to several historical examples where industries flourished because they had greater copyright exceptions, rather than protections; yet, related industries were not destroyed.91 The video movie rental business is thriving because of the first sale exception,92 yet, the movie industry remains vibrant.93 Cable television prospers because of a copyright exemption,94 "yet, there is no dearth of television programming."95 Copyright exemption, rather than copyright protection, has proven to be fuel behind the machine of progress.


88. See supra notes 69-71 and accompanying text.

89. Professor of Law, Wayne State University School of Law.

90. Litman, supra note 81, at 46.

91. Id. at 46-47.

92. Id. at 46; see 17 U.S.C. § 109 (1994) (authorizing the first sale doctrine for video rentals). For a further discussion of the first sale doctrine, see infra notes 190-206 and accompanying text.

93. Litman, supra note 81, at 46-47.


95. Litman, supra note 81, at 47.
3. Inadequacy of Existing Protections?

Another argument, advanced by Professor Pamela Samuelson, is that systems which already exist in frontier justice and the current law adequately protect the content provider's rights. "[T]he principal norm of [the Internet is not] 'to require copyright owners to check their copyrights at the door' when they enter" the system. Bulletin board system operators enforce copyright protections by denying access to infringers. Active discussions about perceived copyright violations on the Net also help discourage infringement. Finally, "Netiquette," the informal rules for using the Internet, discourages copyright violations.

In Samuelson's opinion, "the vast majority of net users" follow the current copyright laws and do not rob content providers of their intellectual property. Instead, they use copyrighted materials fairly, and encourage others to do the same. Any changes in the law, she concludes, should draw from the strengths of existing networks and rules by finding a "Pareto optimal" solution—one which serves NII users and providers.

E. Finding a Balance

Both the proponents of NII copyright reform, representing content providers, and reform opponents, representing NII users, have sustainable positions. In the midst of this sharply divided debate, the purposes and goals of copyright law should not be forgotten. The Constitution charges Congress with the duty to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the

96. Professor of Law, University of Pittsburgh School of Law.
98. Id.
99. Id.
100. Id.
101. Id. But see WORKING GROUP REPORT, supra note 42, at 15 (arguing that reliance on such informal restraints would make the NII "a veritable copyright Dodge City").
102. Samuelson, supra note 81, at 26.
103. Id.
104. "When the economy's resources and output are allocated in such a way that no reallocation can make anyone better off without making at least one other person worse off, then a Pareto optimum is said to exist." MIT DICTIONARY OF MODERN ECONOMICS 320 (David W. Pearce ed., 3d ed. 1986).
105. Samuelson, supra note 81, at 26.
exclusive Right to their respective Writings and Discoveries. This constitutional mandate does not mean that copyright protection is impregnable. On the contrary, in interpreting this provision, Congress and the Supreme Court have recognized a balance between the rights of content providers and the demands of information consumers. Allowing use of information, not just permitting exclusive control of information, fosters the constitutional purpose of copyright laws.

Any copyright reform intended to pave the way for the Information Superhighway should also reflect this balance between copyright owners and information users. The Clinton Administration acknowledges that "[t]he broad public interest in promoting the dissemination of information to our citizens must be balanced with the need to ensure the integrity of intellectual property rights and copyrights in information and entertainment products [on the NII]." The Working Group’s proposals have been criticized as not satisfying these standards but instead threatening to disturb the equilibrium by heavily favoring copyright owners over NII users.


107. See infra notes 114-32 and accompanying text (examining the rights afforded as well as the limitations imposed by Congress under the Copyright Act); H.R. REP. No. 2222, 60th Cong., 2d Sess. 7 (1909) (explaining that the Copyright Act is based on the constitutional ground of promoting public welfare by securing limited exclusive rights to authors); Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 428-29 (1984) (recognizing that the Act only grants limited rights so as to advance the constitutional purpose of spurring creativity while still allowing public accessibility).

108. Working Group Hearing III, supra note 4, at 62 (statement of Lucretia McClure on behalf of the Medical Library Association and the Association of Academic Health Science Directors). For a debate on the rights of creators as opposed to the right to appropriation, see Virtual Reality, Appropriation, and Property Rights in Art: A Roundtable Discussion, 13 CARDOZO ARTS & ENT. L.J. 89 (1994). Though not specifically referring to the NII, one panelist expressed dismay that, in the copyright field, there is immense concern about the protection of creators and only negligible interest in the dissemination of information for public benefit. Id. at 103.

109. Working Group Hearing III, supra note 4, at 62 (statement of Lucretia McClure on behalf of the Medical Library Association and the Association of Academic Health Science Directors); Working Group Hearing II, supra note 4, at 33 (statement of Gloria Werner, University Librarian, UCLA, on behalf of the Association of Research Libraries).

110. Agenda for Action, supra note 15, at 49,030. But see Reilly, supra note 21, at 908 (criticizing the Clinton Administration for not paying enough attention to copyright laws in NII development).

111. The Working Group was created by the Clinton Administration to help meet this goal for the NII. See supra notes 33-38 and accompanying text.

112. Working Group Hearing II, supra note 4, at 33 (statement of Gloria Werner, University Librarian, UCLA, on behalf of the Association of Research Libraries); Working Group Hearing III, supra note 4, at 23-24 (statement of Alfred Willis, Head Art Librarian, UCLA, on behalf of the Art Library Society of North America); id. at
The next section of this Comment evaluates the Working Group’s proposals for modifications of and additions to existing copyright law using this balancing test: Do the proposals promote the dissemination of information on the NII while still effectively protecting the rights of copyright owners, thereby promoting “the Progress of Science and Useful Arts”?113

III. THE BUNDLE OF RIGHTS

The scope of copyright protection extends to “original works of authorship fixed in any tangible medium of expression.”114 Copyright ownership does not reach to the underlying ideas in a work.115 A copyright owner has the privilege to exercise and to authorize any of the following five exclusive rights in their work:116

1. to distribute copies or phonorecords of the work;117
2. to publicly perform the work;118
3. to publicly display the work;119

67 (statement of Jessica Litman, Professor of Law, Wayne State University School of Law).
115. 17 U.S.C. § 102(b) (1994). Section 102 of the copyright code forms the “idea/expression” dichotomy—a fundamental principle of copyright law. See MELVILLE B. NIMMER & DAVID NIMMER, 1 NIMMER ON COPYRIGHT § 1.10[B] (1994) (explaining the idea/expression dichotomy). Because of this principle, the expression of an author’s ideas receives copyright protection, not the underlying ideas themselves. Id.
116. The code includes, but does not limit, the following categories as protectible works: literature, music, drama, pantomime, choreography, pictures, graphics, sculptures, motion pictures, audiovisual works, sound recordings, architectural works, compilations, and derivative works. 17 U.S.C. §§ 102(a), 103 (1994); see also 17 U.S.C. § 101 (1994) (clarifying that the term “including” is “illustrative and not limiting”).
117. 17 U.S.C. § 106(3) (1994); see infra notes 133-66 and accompanying text (discussing the scope of the distribution right).
119. 17 U.S.C. § 106(5) (1994); see infra notes 334-39 and accompanying text (discussing the scope of the display right). The display right is limited to “literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work.” 17 U.S.C. § 106(5) (1994).
(4) to reproduce copies or phonorecords of the work; and
(5) to prepare derivative works.

Additionally, authors of visual art are granted moral rights. Exclusive rights are fully divisible and are not mutually exclusive.

There are boundaries to these exclusive rights. Limitations include first sale, fair use, computer program and library archiving, certain public performances or displays, secondary transmissions, and ephemeral recordings. Furthermore, certain types of works in-

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120. 17 U.S.C. § 106(1) (1994); see infra notes 231-37 and accompanying text (discussing the scope of the reproduction right in the context of the NII).
121. 17 U.S.C. § 106(2) (1994); see infra notes 340-55 and accompanying text (discussing the scope of the right to make derivative works). The right to prepare derivative works is also known as the "adaptation right." Mark C. Dukes & Craig N. Killen, Protection for Works of 'Authors': An Overview of Copyright Principles, 6 S.C. LAW. 28, 30 (July/Aug. 1994).
123. 17 U.S.C. § 201(d) (1994). Thus, if a copyright owner has lost or given up the right to authorize performance of the work, for example, the copyright owner still has the exclusive right to authorize the distribution, display, or reproduction of the work or preparation of derivative works. See 17 U.S.C. § 501(b) (1994). Furthermore, infringement liability can be based on a violation of one or more of the copyright owner's exclusive rights. See WORKING GROUP REPORT, supra note 42, at 100; Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 433 (1984); infra Sec. IV (infringement liability).
125. 17 U.S.C. § 107 (1994). The fair use limitation is included in this list for illustrative purposes. A complete discussion of fair use is beyond the scope of this Comment.
126. 17 U.S.C. § 117 (1994). The computer program limitation is included in this list for illustrative purposes. A complete discussion of computer programming is beyond the scope of this Comment.
127. 17 U.S.C. § 108 (1994). The library archiving limitation is included in this list for illustrative purposes. A complete discussion of library archiving is beyond the scope of this Comment.
volve specific qualifications, such as the omission of a performance right for sound recordings. The Copyright Act also imposes restrictions on alienation, such as compulsory licensing for musical works.

A. The Distribution Right

Section 106(3) of the Copyright Act grants an 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." The public distribution right is limited by the first sale doctrine, which allows the copyright owner to control only the first public distribution of a copy. The Working Group proposes that the Copyright Act be altered to include the exclusive right to distribute by transmission. This change, the Working Group argues, is essential to extend the distribution right to the digital superhighway.

1. Recent Cases Involving Digital Distribution

Even without a change in the distribution right statute, recent case law supports a finding that digital transmission implicates the distribution right. In Playboy Enterprises v. Frena, the district court held that

134. 17 U.S.C. § 109 (1994); see infra notes 190-228 and accompanying text. Once a copy is sold or ownership is transferred, the first sale doctrine allows the new owner to make a like distribution of that particular copy of the work without authority from, or liability to, the original owner. See infra notes 191-228 and accompanying text. As applied to computer programs and sound recordings, the first sale doctrine is more restrictive. See infra notes 214-23 and accompanying text. For example, following the first sale, any further "rental, lease, or lending" of a copy of a computer program, for direct or indirect commercial advantage, is an infringement of the copyright owner's distribution right. 17 U.S.C. § 109 (1994).
135. WORKING GROUP REPORT, supra note 42, at 213-17; WORKING GROUP DRAFT, supra note 20, at 121. As amended, this section would read: "(3) 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, or by transmission." WORKING GROUP REPORT, supra note 42, at app. 2, p.1; WORKING GROUP DRAFT, supra note 20, at 121.
136. See WORKING GROUP REPORT, supra note 42, at 213-17.
137. Playboy Enters., Inc. v. Frena, 839 F. Supp. 1552, 1555 (M.D. Fla. 1993) (finding liability for digital transmissions of photographs); Sega Enters., Ltd. v. MAPHIA,
Techs Warehouse, a subscription bulletin board service (BBS) operated by George Frena, infringed Playboy's exclusive right to publicly distribute and display copyrighted photographs. The service, which contained 170 image files of Playboy's copyrighted photographs, allowed subscribers to download digital copies of the photographs from the BBS into their own computers. Further, subscribers could upload digital copies of photographs from their own computers onto the BBS. In granting partial summary judgment, the court summarily determined that "[t]here is no dispute that Defendant Frena supplied a product containing unauthorized copies of a copyrighted work." The court found that the digital transmissions between the BBS and the subscribers' computers violated Playboy's exclusive distribution and display rights.

In another case involving digital distribution, Sega Enterprises, Ltd. v. MAPHIA, a computer video game manufacturer and distributor sued a BBS entitled "MAPHIA" for piracy of copyrighted video games. The court issued a preliminary injunction against MAPHIA and Chad Scherman, a MAPHIA operator. In its findings of fact, the court determined that MAPHIA was an unauthorized channel for distribution of infringing copies of Sega's video games. After finding that MAPHIA and its operators distributed unauthorized copies of Sega's copyrighted video games, the court reached a conclusion of law that Sega established a prima facie case of copyright infringement. In its findings, the court never actually stated that there was prima facie evidence of a distribution right violation, only of "unauthorized copying."

139. Id. at 1564-57.
140. Id. at 1554.
141. Id.
142. Id. at 1556.
143. Id. at 1566-57.
145. Id. at 681-84.
146. Id. at 682.
147. The court made findings of fact related to distribution including the following: (1) MAPHIA users upload and download Sega's video games; (2) Users can make and distribute unauthorized copies of Sega video games that they copy from MAPHIA; (3) Unauthorized copying and distribution of Sega video games harms Sega's reputation and the commercial market for their games; (4) Distribution of Sega's video games via MAPHIA is profitable for the operators of MAPHIA; (5) Pre-release versions of Sega's games are distributed via MAPHIA; and (6) Sega's reputation is damaged by loss of control over the quality and possible alteration of copies distributed via MAPHIA. Id. at 683-84.
148. Id. at 686-89.
149. Id. at 686.
In its brief analysis, the Sega court relied on MAI Systems Corp. v. Peak Computer, Inc. to establish that "unauthorized copying of copyrighted computer programs is prima facie infringement of copyright." MAI stated that "it is generally accepted that the loading of software into a computer constitutes the creation of a copy under the Copyright Act." On its face, this statement seems to implicate only the reproduction right of copyrighted software. In Sega, however, the defendants' activities were not limited to loading software into a computer. As the findings of fact indicate, MAPHIA was a tool for the operators to distribute copies of Sega's copyrighted software and for the users to reproduce those copies. Therefore, the "unauthorized copying" by the defendants was both a direct violation of the distribution right and an indirect violation of the reproduction right.

Furthermore, in the findings of fact, the court indicated that users made one or more unauthorized copies from the single copy that was posted on MAPHIA. Assuming that the single copy was obtained lawfully, the operators, by "lending" their copy to users who, in turn, made additional copies, also violated the first sale restriction on computer programs. This restriction makes it unlawful to lend, lease, or rent, for direct or indirect commercial advantage, a copyrighted computer program without permission from the original copyright owner. Under this section, an infringement action derives from the exclusive distribution right. Although the court did not explicitly rely on the distribution right in its conclusions of law, the distribution right was clearly implicated in Sega.

The first class action suit to challenge the electronic dissemination of copyrighted songs on the Internet was recently settled. This suit was

152. MAI, 991 F.2d at 519.
154. Id.; see supra notes 140-41 and accompanying text (outlining the various uses of the unauthorized copying).
156. Id. at 684.
159. Id. at § 109(b)(2)(B).

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considered to be an important "test case" for many of the copyright issues facing the NII. In the suit, Frank Music, on behalf of a class of music publishers, claimed that while 550 songs were uploaded, stored, and downloaded through CompuServe's commercial on-line information service, no royalty payments were made to the music publishers. Frank Music maintained that CompuServe profited from permitting, facilitating, and participating in those activities that deprived the music publishers of their rightful compensation. As one defense, CompuServe asserted that the action was barred by the statutory protection of the Audio Home Recording Act (AHRA). Under the AHRA, there is no copyright violation when a consumer reproduces music for noncommercial use, but there can be a copyright violation when a vendor distributes the work. Thus, an adjudication of whether CompuServe distributed the songs or the consumers merely reproduced the songs could have been important in determining the scope of musical right protection on the NII. Because the case settled, these legal questions remain unanswered.


163. Michael I. Rudell, Rights Problems Posed by Multimedia, N.Y.L.J., Apr. 1, 1994, at 3; Josh Hyatt, Highway Robbery: The Information Superhighway Has Not Yet Reached Homes, but the Legal Issues It Raises Are Already Generating Traffic in the Courts, BOSTON GLOBE, Jan. 2, 1994, Business sec., at 29, available in 1994 WL 50966986. Section 115 of the Copyright Act subjects the owners of music copyrights to compulsory licensing. 17 U.S.C. § 115 (1994). Under this compulsory licensing scheme, once a musical work has been distributed to the public, any person can obtain a compulsory license to further make and distribute copies of the work. Id. The compulsory license holder must, however, pay a statutory royalty to the copyright owner of the musical work. Id. The royalties generated for musical works are significant; in 1993, for example, the Harry Fox Agency, a royalty collection agency, collected $300 million on behalf of music publishers. Silverman, supra note 162, at C2.

164. Rudell, supra note 163, at 3. CompuServe, which earned $135 million from subscriber payments in 1993, is the largest private on-line service provider in the United States. Silverman, supra note 162, at C2.


2. Working Group Recommendations for the Distribution Right

The Working Group posits that the current public distribution right and the corresponding first sale exception only cover transactions where a tangible "copy" changes hands but do not include distributions that transfer nonmaterial goods. Such a requirement renders the distribution right ineffective in the digital environment because digital transfer occurs through bit streams, not by the transfer of physical objects. The Working Group further recognizes that, in reality, a digital transmission can be a distribution even when a hard copy is not transferred. To close this gap, the Working Group proposes that Congress amend the language of the distribution right in § 106(3) of Title 17 to include the exclusive right to distribute by transmission.

3. Is the Proposed Distribution Amendment Necessary to Balance the Goals of Disseminating Information and Protecting Copyright Owners' Rights—Thereby Promoting the Progress of Science and Useful Arts?

Copyright owners believe that the proposed amendment is necessary to protect their distribution rights from the bandits of the Information Superhighway. Like the Working Group, copyright owners are concerned that because digital transmission is not a physical transfer of a material object, the present language of § 106(3) could prevent them from asserting their distribution right on the NII. Whether the pro-

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167. WORKING GROUP DRAFT, supra note 20, at 39; see 17 U.S.C. § 101 (1994) (defining "copies" and "phonorecords" as "material objects").
168. WORKING GROUP DRAFT, supra note 20, at 39, 120-21; Samuelson, supra note 81, at 22.
169. WORKING GROUP REPORT, supra note 42, at 213, 216; WORKING GROUP DRAFT, supra note 20, at 121.
170. WORKING GROUP DRAFT, supra note 20, at 121. As amended, this section would read: "(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, . . . by rental, lease, or lending, or by transmission."
Id. at 121; see also WORKING GROUP REPORT, supra note 42, at 1.
171. See Working Group Hearing IV, supra note 4, at 22 (statement of Janice Hopkins Tanne, President, American Society of Journalists and Authors) (supporting the proposed distribution right amendment); id. at 9 (statement of Paul Aiken on behalf of the Authors League of America) (declaring that the Working Group's proposals "provide an effective framework for the on-line protection of copyrights").
172. See Working Group Hearing II, supra note 4, at 63 (statement of Robert Hadl, Vice President and General Counsel, MCA) ("[t]he proposed distribution right amendment is critical that the law protect..."
posed amendment is categorized as a clarification of existing case law or an expansion of their rights, content providers still believe that the amendment is necessary to resolve any uncertainty. Without such a resolution, content providers believe that they will lose their ability to enforce their copyrights on the NI.

Opponents of the proposal are concerned that it will greatly expand the rights of copyright owners without considering the rights of the public. Existing statutes have proven flexible enough to give copyright owners the right to control digital transmissions. Even without the proposed expansion, the courts in Playboy and Sega held that copyright owners’ rights were violated on digital networks, although no material object changed hands. Moreover, the proposed amendment of § 106(3) would do nothing to change § 101, which defines “copies” or “phonorecords” as “material objects.” Therefore, the proposed amendment would not actually rectify the unique distribution problems caused by digital transmissions.

Furthermore, the amendment would restrict users’ rights by making all public transmissions fall within the exclusive distribution right of the copyright owner. This restriction would greatly change, not merely

173. See Working Group Hearing IV, supra note 4, at 40 (statement of Edward Murphy, President and CEO, National Music Publishers Association) (stating that an amendment is necessary to clarify the law and extend the distribution right to the NI); Working Group Hearing III, supra note 4, at 48 (statement of Ann Harkins, Co-Director, Creative Incentive Coalition) (endorsing amendment but noting their belief that transmissions are reproductions under current law); id. at 73 (statement of William Ellis, Washington Intellectual Property Counsel, IBM, on behalf of the Computer Business Equipment Manufacturers Association) (supporting the amendment as clarification of existing law rather than a new right).

174. See supra notes 69-71 and accompanying text (discussing the need for the implementation of adequate copyright protections in the NI).

175. See Working Group Hearing III, supra note 4, at 59-60 (statement of Robert Oakley, Library Director and Professor of Law, Georgetown University Law Center, on behalf of the American Association of Law Libraries) (arguing for consideration of the rights of users).

176. See Working Group Hearing II, supra note 4, at 51-52 (statement of Neil Smith, Attorney, Limbok & Limbok) (noting courts that have found transmission implicate digital property rights even without a transmission amendment); Working Group Hearing III, supra note 4, at 53 (statement of Gary Shapiro, Chairman, Home Recording Rights Coalition) (“[C]urrent law is sufficient to impose liability for infringing transmissions as a violation of the distribution right.”).

177. See Playboy Enters., Inc. v. Frena, 839 F. Supp. 1552, 1554-57 (M.D. Fla. 1993); Sega Enters., Ltd. v. MAPHIA, 857 F. Supp. 679, 685-87 (N.D. Cal. 1994); see also supra notes 138-43 and accompanying text (discussing Playboy); supra notes 144-60 and accompanying text (discussing Sega).

178. See supra note 167 and accompanying text.

179. Working Group Hearing II, supra note 4, at 33 (statement of Gloria Werner,
clarify, existing law. For example, the broadcasting of movies over the NII is a transmission. Currently, movie transmissions implicate the public performance and public display rights. As proposed, the amendment would expand digital transmission rights by giving movie copyright owners the right to control not only public performances and public displays, but all transmissions as distributions of the work as well. Thus, the amendment would indirectly repeal limitations on the performance and display rights, thereby expanding the rights of copyright owners without considering the detrimental impact on user access.

The proposed amendment to the exclusive distribution right may not pass the balancing test, which is essential to satisfy the constitutional purpose of fostering the progress of science and the arts. This change is not needed to protect content providers because existing case law already provides that digital transmissions without a physical transfer implicate the distribution right. Moreover, the amendment does not codify this case law, as the Working Group suggests, because it does not address the “material object” requirement of § 101. Rather, the amendment addresses only the method of distribution element of § 106(3). Furthermore, the expansion of the rights of copyright owners caused by this amendment may not promote, but may in fact inhibit, the dissemination of information to the public.

University Librarian, UCLA, on behalf of the Association of Research Librarians). In its final report, the Working Group states that “not all transmissions of copies of copyrighted works will fall within the copyright owner's exclusive distribution right.” Working Group Report, supra note 42, at 215. Yet, the Working Group does not explain how courts will make such a distinction using its proposed amendment. 80. Working Group Hearing II, supra note 4, at 33 (statement of Gloria Werner, University Librarian, UCLA, on behalf of the Association of Research Librarians); Samuelson, supra note 81, at 22-23. 81. Samuelson, supra note 81, at 23. 82. Id. 83. Id. But see Working Group Hearing II, supra note 4, at 62-63 (statement of Robert Hadl, Vice President and General Counsel, MCA) (stating that distribution of movies via the NII may take the place of purchasing videos in stores). 84. Samuelson, supra note 81, at 23. 85. See supra notes 106-08 and accompanying text. 86. See supra notes 133-66 and accompanying text. 87. See supra notes 133, 170, 179 and accompanying text. 88. See supra notes 171-78 and accompanying text.
4. A Proposal to Protect the Distribution Right

An amendment to codify the result in *Playboy* and *Sega* would be beneficial to preserve the distribution right on the NII without enlarging its scope. Such an amendment would modify the definitions of "copy" and "phonorecord" to clarify that digital transmissions, not just material objects, are distributed. Section 101, as amended, would read:

"Copies" are material objects or transmissions, 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. The term "copies" includes the material object or transmission, other than a phonorecord, in which the work is first fixed.

"Phonorecords" are material objects or transmissions, in which sounds, other than those accompanying a motion picture or 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. The term "phonorecords" includes the material object or transmission in which the sounds are first fixed.\[189\]

With these modifications, content providers will be assured of the same control over the distribution of works both on and off the NII. Furthermore, NII users will not be unfairly deprived of their existing rights to information by an expansion of the content providers' distribution rights. This proposed amendment preserves the balance originally envisioned by the framers of the Constitution, while overcoming obstacles created by digital transmissions.

5. The First Sale Doctrine

The first sale doctrine, which derives from the common law principle against restraints on alienation of property,\[190\] limits the exclusive distribution right by allowing "the owner of a particular copy or phonorecord . . . without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."\[191\] Following a sale or other transfer, the new owner can then distribute or display the copy that he owns without liability to the copyright owner.\[192\] The copyright owner still retains the reproduction, performance,
and adaptation rights in both the original work and the transferred copies.\(^{193}\)

New owners are somewhat restricted in their right to alienate sound recordings and computer programs.\(^{194}\) A new owner can sell or give away, but may not rent, lease, or lend, a sound recording or computer program for commercial gain.\(^{195}\) Sound recording distributions are controlled by the Record Rental Amendment of 1984,\(^{196}\) and computer program distributions are regulated by the Computer Software Rental Amendments Act of 1989.\(^{197}\)

The Record Rental Amendment (RRA) "cover[s] transactions which common sense indicates are equivalent to rentals, but which may be disguised in an attempt to avoid liability under the law."\(^{198}\) The RRA is a response to the detestable, but lawful, practices of record rental businesses, which threatened the record industry.\(^{199}\) Record rental businesses discouraged consumers from purchasing records by posting ads such as "never, ever buy another record," and encouraged them to copy the records illegally by selling blank cassette tapes at their front counters.\(^{200}\) Therefore, in order to protect the sales of the record business and the rights of the copyrights owners, Congress enacted the RRA.\(^{201}\)

The Computer Rental Amendment (CRA), modeled after the RRA, addresses a similar problem—lawful rental of computer software that

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\(^{193}\) See id.; Red Baron-Franklin Park, Inc. v. Taito Corp., 883 F.2d 275, 280 (4th Cir. 1989) (holding that the first sale exclusion does not apply to the performance right); Mirage Editions, Inc. v. Albuquerque A.R.T. Co., 856 F.2d 1341, 1344 (9th Cir. 1988) (maintaining that the sale of a book does not transfer derivative works right to the new owner); Columbia Pictures Indus., Inc. v. Aveco, Inc., 800 F.2d 59, 63 (3d Cir. 1986) (stating that the transfer of ownership of a copy does not affect a copyright owner's exclusive performance right); Burke & Van Heusen, Inc. v. Arrow Drug, Inc., 233 F. Supp. 881, 882 (E.D. Pa. 1964) (explaining that the purchaser of a work has the right to dispose of his copy but not to make additional copies of the work).


\(^{195}\) Id.


\(^{199}\) Id. at 1-2.

\(^{200}\) Id.

\(^{201}\) Id.; see also SENATE COMM. ON THE JUDICIARY, S. REP. No. 265, supra note 197, at 3 (explaining the underlying rationale of the RRA).
resulted in unauthorized reproduction. The CRA exception is "narrowly drafted" to prevent rental-type transactions because "[comp]uter software, unlike video cassettes, does not generally lend itself to casual enjoyment during a short rental period," but, more likely, lends itself to unauthorized copying. The RRA and CRA are designed to protect vulnerable industries from commercial rentals when consumers have the primary purpose of illegally reproducing the works and such rentals have the primary effect of displacing legitimate sales.

a. Analysis of the application of the first sale doctrine to the NII

The Working Group asserts that it is "clear that the first sale model . . . should not apply with respect to distribution by transmission." According to the Working Group, the first sale exception should not apply in the NII context because transmissions always involve both a reproduction and a distribution. Further, the Working Group states that restraints on the first sale doctrine, i.e., the CRA and RRA, are Congressional responses to technological advances that allow reproductions to be made more easily, less expensively, and with better quality, resulting in a need for greater protection of copyright owners. This rationale applies equally, if not more so, to digital transmissions.

In its draft report, the Working Group recommended that § 109 of the Copyright Act be amended to disallow all disposals of a work, following the first sale,

202. Senate Comm. on the Judiciary, S. Rep. No. 265, supra note 197, at 4; see also Step-Saver Data Sys., Inc. v. Wyse Tech., Inc., 939 F.2d 91, 96, n.7 (3d Cir. 1991) (discussing the problem of applying the first sale doctrine to computer programs).


208. Working Group Report, supra note 42, at 95; Working Group Draft, supra note 20, at 54, 124. When the first sale doctrine allows a copy holder to both reproduce and distribute a work digitally without legal repercussions, one article claims, the holder is given "the copyright equivalent of a license to print money." David Goldberg & Robert J. Bernstein, The Information Infrastructure, N.Y.L.J., Sept. 16, 1994, at 12.


In its final report, the Working Group withdrew this statutory proposal. Apparently, it found that such an amendment was unnecessary because "the language of the Copyright Act, the legislative history and case law make clear that the [first sale] doctrine is applicable only to those situations where the owner of a particular copy disposes of physical possession of that particular copy."213

A thorough analysis of the entire legislative history of the CRA and RRA reveals that these amendments were enacted not just because illegal reproductions were easier and cheaper to make, but because the growth of the rental industry and the rise of technological advances threatened to destroy the record and computer industries.214 Congress passed the CRA and RRA because the primary effect of record and software rentals was to encourage infringing reproductions.215 Unlike record and software rentals, the anticipated effect of NII transmissions is not to infringe on the copyright owner's reproduction rights.216 The NII's primary goal, as the Clinton Administration recognizes, is to provide copyright owners with greater opportunities to exploit their rights and provide users with greater access to information—thereby promoting the progress of society as a whole, particularly in science and the useful arts.217

In concluding that it is clear that the first sale model (where a hard copy changes hands) does not apply to distribution by transmission (where no hard copy is transferred), the Working Group assumes that a transmission will always be both a reproduction and a distribution.218 As Terry Southwick, a member of the Working Group, explained at the preliminary hearings:

Our intention with the amendment to the first sale doctrine was simply to clarify that further distributions that are available to consumers under the first sale doctrine would not include distribution by transmission, since they would not be part-

211. WORKING GROUP DRAFT, supra note 20, at 124-25.
212. WORKING GROUP REPORT, supra note 42, at 90-95.
213. Id. at 92.
215. See supra notes 194-201 and accompanying text.
216. See supra notes 14-19, 34 and accompanying text.
217. Id.
218. WORKING GROUP REPORT, supra note 42, at 95; WORKING GROUP DRAFT, supra note 20, at 39, 54, 124.
ing with the copy they received. When they further transmit it, they would be retaining a copy, and therefore, the first sale doctrine would not apply.  

In its final report, the Working Group rejected the notion that a transmitter could send a copy of a work to a receiver and, at or near the same time, erase the first copy. The Working Group noted that because a reproduction undoubtedly takes place in such a situation, an exception of this sort “would vitiate the reproduction right.” Others argue that this, in effect, is the equivalent of a digital copy “changing hands.” Practically and logically, the first sale doctrine should still apply to such transfers of digital property.

Eventually, distribution by NII transmission could replace the traditional way that copyrighted materials are bought, sold, and exchanged. If so, then exclusion of the first sale doctrine, for technological or legal reasons, in the digital environment could result in exclusion of the first sale doctrine altogether, a result which is both unfair and unwarranted. The first sale doctrine reflects a fundamental right of property owners—the free alienation of their property. Without the first sale exclusion, copyright owners could monopolize all transmission of information, not just initial distributions, and new owners could not digitally transfer property that they rightfully own. Modifications in technology should

221. Working Group Report, supra note 42, at 94.
223. Netanel & Lemley, supra note 220, at *2; Rubin, supra note 222, at *1.
224. Working Group Hearing III, supra note 4, at 53 (statement of Gary Shapiro, Chairman, Home Recording Rights Coalition); id. at 56 (statement of Allan Arlow, President and CEO, Computer and Communications Industry Association).
226. Comments of Mary Brandt Jensen, Professor of Law & Director of Law Library Operations, University of South Dakota, to Terry Southwick, Attorney-Advisor, Office of Legis. & Int’l Affairs, U.S. Pat. & Trademark Off., at *14 (Aug. 26, 1994) (visited Dec. 1, 1996) <gopher://sunbird.usd.edu or http://www.wwa.com>. Software owners have previously tried to gain such a monopoly and eliminate the first sale exclusion by putting “shrinkwrap licenses” on their software. Id. The enforceability of shrinkwrap licenses, however, has become highly suspect. Id. Those cases that have considered shrinkwrap licenses have found them to be unenforceable as either contracts of adhesion or as mere proposals to an existing contract under the UCC. See Step-Saver Data Sys., Inc. v. Wyse Tech., Inc., 939 F.2d 91, 98-103 (3d Cir. 1991) (holding that shrinkwrap provisions, which are governed by the UCC, are material
not divest users of the basic right to share their own property, the "rationale behind the first sale doctrine itself,"227 because the first sale doctrine supports sound public policy.228

b. A proposed alternative amendment to the first sale doctrine

Rather than completely discounting the first sale doctrine on the NII, a limited adaptation of § 109 would protect the vested rights of content providers and users alike.229 By clarifying the definition of "otherwise dispose," the first sale doctrine could easily be adapted to the NII environment. In doing so, the statute would readily identify digital transactions that traditionally and justifiably qualify for first sale exclusions. This would guarantee content providers the same protections that they enjoy in traditional environments. The proposed amendment would read:

(a) (1) Notwithstanding 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.

(2) "Otherwise dispose," as used in subsection (a)(1) and applied to transmissions does not include transmissions wherein a copy is both retained by the transmitter and received by the transmitee.230

Under this proposed amendment, if a user both keeps a copy of the work and sends a copy to another person, the user reproduces but does not "otherwise dispose" of the work. On the other hand, if a user "transfers" a copy to another person, by transmit-
ting it without retaining the original copy, the user "otherwise dispos
es" of the work. In the first situation, the user would not be protected by the first sale doctrine and would be liable to the copyright owner for the reproduction; in the second situation, the first sale doctrine would apply and the user would be absolved from copyright infringement liability. This proposal upholds the longstanding rights of copyright owners and information users, thereby achieving a "Pareto optimal" result.

B. The Reproduction Right

Section 106(1) grants a copyright owner the exclusive right "to reproduce the copyrighted work in copies or phonorecords."\(^{231}\) The reproduction right is subject to only a few statutory exclusions, of which only two, fair use\(^{232}\) and library and archive reproduction,\(^{233}\) limit the reproduction right in all types of works. Several other statutes provide more limited exclusions to the reproduction right for specific works, such as making single copies of ephemeral recordings,\(^{234}\) requiring compulsory licenses for reproduction and distribution of nondramatic musical works,\(^{235}\) and allowing copying for computer program utilization and archiving.\(^{236}\) Furthermore, under the Audio Home Recording Act, consumers are allowed to reproduce digital sound recordings for home use without infringement liability, although there is a levy

\(^{232}\) 17 U.S.C. § 107 (1994). The fair use exclusion provides:

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

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;
4. the effect of the use upon the potential market for the copyrighted work.

\(^{233}\) 17 U.S.C. § 108 (1994). This exclusion allows a library or archive to make one copy of a work for security and preservation purposes. \textit{Id.}
imposed on the sale of recording devices and media to compensate copyright owners.\textsuperscript{237}

1. The Working Group’s Analysis of the Reproduction Right on the NII

On the NII, all exclusive rights are overshadowed by the reproduction right, because most, if not all, NII transactions will involve the reproduction right.\textsuperscript{238} The Working Group gives the following illustrations of network functions which implicate the reproduction right:

- When a work is placed into a computer, whether on a disk, diskette, ROM, or other storage device or in RAM for more than a very brief period, a copy is made;
- When a printed work is “scanned” into a digital file, a copy—the digital file itself—is made;
- When other works—including photographs, motion pictures, or sound recordings—are digitized, copies are made;
- Whenever a digitized file is “uploaded” from a user’s computer, to a (BBS) or other server, a copy is made;
- Whenever a digitized file is “downloaded” from a BBS or other server, a copy is made;
- When a file is transferred from one computer network user to another, multiple copies are generally made.

\textsuperscript{238} WORKING GROUP REPORT, supra note 42, at 64; WORKING GROUP DRAFT, supra note 20, at 35-36.
\textsuperscript{239} In support of this conclusion, the Working Group states that “[i]t has long been clear under U.S. law that the placement of copyrighted material into a computer’s memory is a reproduction of that material.” WORKING GROUP REPORT, supra note 42, at 65; see WORKING GROUP DRAFT, supra note 20, at 36.
\textsuperscript{240} WORKING GROUP REPORT, supra note 42, at 65.
\textsuperscript{241} Id.
\textsuperscript{242} Id. at 66.
\textsuperscript{243} Id.
\textsuperscript{244} This fact makes the application of the first sale doctrine in the NII context problematic. Even if the first sale still were to apply to distributions via the NII, the first sale doctrine does not apply to reproductions. Because a copy must be made to “transfer” a file from one computer to another, copyright owners will still be able to sue users for violation of the reproduction right when the users exercise their first sale. In absence of other statutory protections or licenses, this reproduction would render the first sale right useless. See supra notes 207-28 and accompanying text (analyzing the application of the first sale doctrine of the NII).
• Under current technology, when an end-user’s computer is employed as a “dumb” terminal to access a file resident on another computer such as a BBS or Internet host, a copy of at least the portion viewed is made in the user’s computer. Without such copying into the RAM or buffer of the user’s computer, no screen display would be possible. As long as the amount viewed is more than de minimis, it is an infringement unless authorized or specifically exempt.

Thus, even the common act of browsing, which is not normally considered a trespass of copyright, could violate an owner’s reproduction right on the NII.

Currently, the statutory definition of “transmit” does not expressly include the reproduction right. As shown above in the Working Group’s illustrations, transmissions do, in fact, involve the reproduction of a work. Therefore, the Working Group recommends that the definition of “transmit” be amended to include the reproduction right. In its draft report, the Working Group proposed a “primary purpose and effect” test to distinguish between transactions that are reproductions and those that are performance or displays. In the NII context, the Working Group encouraged the use of the reproduction right, instead of the other exclusive rights, because there are more limited exceptions imposed and there are fewer infringement defenses available to users.

245. WORKING GROUP REPORT, supra note 42, at 66; WORKING GROUP DRAFT, supra note 20, at 37.
246. WORKING GROUP DRAFT, supra note 20, at 37.
247. WORKING GROUP DRAFT, supra note 20, at 36. The Working Group Report notes that simply because “copying has occurred does not necessarily mean that infringement has occurred.” WORKING GROUP REPORT, supra note 42, at 65 n.203. When copying is authorized, defensible under fair use, otherwise statutorily exempt, or de minimis, there is no liability because the user can assert one or more of these claims as an affirmative defense. Id.
248. 17 U.S.C. § 101 (1994). Under this statute, “[t]o ‘transmit’ a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.” Id.
249. See supra notes 238-47 and accompanying text (setting forth instances when a network function implicates the reproduction right).
250. WORKING GROUP REPORT, supra note 42, at 217; WORKING GROUP DRAFT, supra note 20, at 122. This amendment does not appear to be controversial as it merely reflects that because of computer and digital technology, transmissions are no longer just performances or displays, but may also be reproductions.
251. WORKING GROUP DRAFT, supra note 20, at 122. The Working Group’s proposed amendment reads:

To “transmit” a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent. To “transmit” a reproduction is to distribute it by any device or process whereby a copy or phonorecord of the work is fixed beyond the place from which it was sent.

WORKING GROUP REPORT, supra note 42, at app. 2.
252. WORKING GROUP DRAFT, supra note 20, at 39; see supra notes 231-37 and ac-
In its final report, the Working Group withdrew its proposed statutory "primary purpose and effect" test, thereby admonishing the courts to clear up any confusion regarding whether a transaction is a reproduction, a performance, or a display.\textsuperscript{253} The final report still supports the idea that courts could employ the test in their analysis on a case-by-case basis, instead of as a statutory mandate.\textsuperscript{254} Even without codification of the "primary purpose and effect" test, the Working Group's final plan will ensure that virtually every transmission of a work across the NII will involve the exclusive right to copy and a potential infringement of that right.\textsuperscript{255}

2. The Content Providers' View of the Reproduction Right

Content providers support the Working Group's proposal to amend the definition of "transmit" to include reproduction,\textsuperscript{256} but are very critical of the "primary purpose and effect" test.\textsuperscript{257} Content providers foresee several advantages in proceeding through the reproduction right, rather than other exclusive rights: (1) the issue of whether there has been a public distribution, display, or performance, or merely a private one is

\textsuperscript{253} See Working Group Report, supra note 42, at 217-18.

\textsuperscript{254} Id. at 218.

\textsuperscript{255} But see Comments of Bill Sohl to Terry Southwick, Attorney-Advisor, Office of Legis. & Int'l Affairs, U.S. Pat. & Trademark Off., at *1 (Sept. 7, 1994) (visited Dec. 12, 1996) <gopherJ//sunbird.usd.edu or http://www.wwa.com> (suggesting Internet transactions may not be infringing because most "Internet activity is authorized under an 'implied license' to copy").

\textsuperscript{256} Working Group Hearing II, supra note 4, at 62 (statement of Robert Hadl, Vice President and General Counsel, MCA); Working Group Hearing III, supra note 4, at 48-49 (statement of Ann Harkins, Co-Director, Creative Incentive Coalition).

\textsuperscript{257} See Working Group Hearing II, supra note 4, at 54 (statement of Neil Smith, Attorney, Limbok & Limbok) (pointing out that the primary purpose and effect test is muddy and difficult to apply); Working Group Hearing III, supra note 4, at 49 (statement of Ann Harkins, Co-Director, Creative Incentive Coalition) (advising the Working Group to further analyze the primary purpose and effect test because "it is kind of an ad hoc subjective analysis"); Working Group Hearing II, supra note 4, at 24 (statement of Robert Steinberg, Intellectual Property Counsel, Times-Mirror Co.) (criticizing the primary purpose and effect test because it creates an either/or proposition, when more than one right may apply); Working Group Hearing IV, supra note 4, at 41 (statement of Edward Murphy, President and CEO, National Music Publishers Association) (stating NMPA's belief that the primary purpose and effect test would "create havoc rather than certainty"); infra notes 314-33 and accompanying text (analyzing further the primary purpose and effect test).
avoided; (2) the definition of publication will not have to be changed, so
there are no consequences on mandatory deposit requirements; (3) repro-
duction does not fall under the limitations of the first sale doctrine; and
(4) international enforcement will be easier because there is international
consensus on reproduction rights, but not on distribution rights.258

3. Does Reading a Work into RAM Implicate the Reproduction Right?

In MAI Systems Corp. v. Peak Computer, Inc.,260 the court held that
a copy is created, for purposes of copyright violation, when software is
loaded into a computer's Random Access Memory (RAM).260 MAI, a
computer and software manufacturing company, sued Peak, a computer
servicing company, for infringement of MAI's reproduction right in its
operating system software.261 Peak, in order to diagnose and service
computers that were manufactured by MAI, turned on their customer's
computers, an act which loaded MAI's operating software into the RAM
of those computers.262 To support its infringement claim, MAI asserted
that loading the software into the RAM was an unauthorized reprodu-
cation because its licensing agreement prohibited third parties, such as
Peak, from using or copying the software.263 In defense, Peak argued
that loading the software into the computers' RAM was not a copyright
violation "because the 'copy' created in RAM is not 'fixed.'" 260 The court
rejected this argument, concluding that a copy made into RAM is suffi-
ciently "fixed" and therefore held Peak liable for making unauthorized
reproductions of the software onto the RAM.264

258. Working Group Hearing IV, supra note 4, at 6 (statement of Steven Metalitz,
General Counsel, Information Industry Association).
259. 991 F.2d 511 (9th Cir. 1993).
260. Id. at 519; accord Advanced Computer Servs., Inc. v. MAI Sys. Corp., 845 F.
Supp. 356, 363-64 (E.D. Va. 1994) (relying on the analysis of MAI to reach the same
conclusion based on nearly identical facts); Triad Sys. Co. v. Southeastern Express
Co., 31 U.S.P.Q.2d 1239, 1242-44 (N.D. Cal. 1994) (finding MAI indistinguishable from
the facts of the case at bar).
261. MAI, 991 F.2d at 513-16. The complaint against Peak alleged covert "copyright
infringement, misappropriation of trade secrets, trademark infringement, false advertis-
ing, and unfair competition." Id. at 513.
262. Id. at 518.
263. Id. at 517. The licensing agreement did allow Peak's customers, the licensees,
to use the software, which necessarily requires loading the software into the RAM,
but prohibited third parties from doing so. Id.
264. Id. at 518. In order to establish a violation of the reproduction right, a "copy"
must be created. 17 U.S.C. § 106(1) (1994). Furthermore, in order to constitute a
"copy", the copy must be "fixed." 17 U.S.C. § 101 (1994). Fixation requires that the
work "is sufficiently permanent or stable to permit it to be perceived, reproduced, or
otherwise communicated for a period of more than transitory duration." Id.
265. MAI, 991 F.2d at 518-19. To support this conclusion, the court relied on a
Although there is some support for the conclusion that reading a work into RAM is a "copy," this view is not well-settled. In fact, the recent cases of MAI, Advanced Computer Services v. MAI Systems Corp., and Triad Systems Corp. v. Southeastern Express Co. may rely on an incorrect interpretation of copyright law. Professor Litman argues that the courts' interpretation in these cases is incorrect because "reading a work into a computer's [RAM] is too transitory to create a reproduction" under § 106(1). "A work's appearance in RAM is, by its nature, temporary; the work will disappear from RAM when the computer is turned off." Therefore, she concludes, reading a work into a computer's RAM should be considered a display, not a reproduction. To support this conclusion, Professor Litman relies on the following quote from the legislative history of the reproduction right:

"Reproduction" under clause (1) of section 106 is to be distinguished from "display" under clause (5). For a work to be "reproduced," its fixation in tangible form must be "sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration."


RAM can be simply defined as a computer component in which data and computer programs can be temporarily recorded. Thus, the purchaser of [software] desiring to utilize in his computer all of the programs on the diskette could arrange to copy [the software] into RAM. This would only be a temporary fixation. It is a property of RAM that when the computer is turned off, the copy of the program recorded in RAM is lost. Id. at 622 (emphasis added). However, the MAI court glossed over the temporary nature of RAM recognized by Apple Computer and summarily concluded that a "copy made in RAM is 'fixed.'" MAI, 991 F.2d at 519.

266. In contrast to the Working Group's conclusion, Professor Litman asserts that it has not "long been clear under U.S. law" that placement of work into computer's memory is a reproduction. Litman, supra note 81, at 41-42. In fact, only three cases, all decided in the past three years, have reached the conclusion that placing a work into RAM is a reproduction. See supra notes 259-65 and accompanying text.

267. MAI, 991 F.2d at 511.
270. See Samuelson, supra note 81, at 23 (arguing "[t]his is a questionable interpretation of current law"); Litman, supra note 81, at 41 (arguing that this characterization of copyright law is 'dubious').
271. Litman, supra note 81, at 41.
272. Id. at 41 n.57.
Thus, the showing of images on a screen or tube would not be a violation of clause (1), although it might come within the scope of clause (5). Furthermore, the legislative history of the Copyright Act shows a different interpretation of the fixation requirement than was given by these cases. \[\text{\textcopyright{1976 U.S.C.C.A.N. at 5675.}}\]

4. Creating an Avenue for Noninfringing Use of the Information Superhighway

Although case law supports the notion that reading a work into a computer's RAM is an actionable reproduction, a closer look at the history of the Copyright Act reaches a much different conclusion. \[\text{\textcopyright{1976 U.S.C.C.A.N. at 5666.}}\] It is not unreasonable to rely on the binding impact of the MAI cases, as they are the few cases that directly address this issue. Therefore, the true issue to be addressed is the propriety of the result of these cases. If all copying into a computer's RAM is actionable, then any act of browsing, viewing, or reading the work on a computer screen would expose an NII user to infringement liability. \[\text{\textcopyright{1976 U.S.C.C.A.N. at 5666.}}\] Browsing or reading a work is not an infringement of copyright, nor should it be. \[\text{\textcopyright{1976 U.S.C.C.A.N. at 5666.}}\] Therefore, even if "browsing" works on the NII is technically a violation of the reproduction right, the law should be changed because "it is simply not fair." \[\text{\textcopyright{1976 U.S.C.C.A.N. at 5666.}}\]

If this characterization of reproduction is allowed, then users will be unable to browse NII information without liability or, at the least, they will be required to prove a defense. \[\text{\textcopyright{1976 U.S.C.C.A.N. at 5666.}}\] This will both inhibit research and discussion among those who use the NII and defeat the primary goal of making information more accessible. \[\text{\textcopyright{1976 U.S.C.C.A.N. at 5666.}}\] Furthermore, this will give copyright owners "truly monopolistic control over access to copyrighted..."
works in the electronic environment." Such control will discourage the use of information, which is antithetical to the mission of copyright law and the goals of the NII.

a. A proposed browsing exception

In order to create an avenue for noninfringing use of the Information Superhighway, a statutory exception for "browsing" may need to be created. Under such an exception, the law could distinguish between merely copying the work onto RAM for viewing purposes and copying the work onto the computer's hard drive, floppy disk, or printer for reproduction purposes. This exception would permit users to ride the NII without the constant threat of copyright liability. Furthermore, content providers could maintain their existing right of exclusive reproduction without being given "monopolistic control" over all NII uses.

283. Comments of Mary Brandt Jensen, supra note 226, at *14.

284. The following is a possible draft of such an exception:

§ 121. Limitations on exclusive rights: Temporary or Random Access Memory displays
(1) Notwithstanding the provisions of section 106(1), it is not an infringement of a copyright owner's exclusive right to reproduce a copyrighted work when a copy is made into a computer's temporary or Random Access Memory for the sole purpose of display or browsing.
(2) The exclusion under this section does not apply when a copyrighted work is copied from a computer's temporary or Random Access Memory onto other memory functions of the computer, such as a hard disk drive or floppy diskette, or when a work is further copied from a computer's Random Access Memory for the purpose of distribution or reproduction.

Proposed by author.

285. See supra notes 277-83 and accompanying text.

286. This exclusion would not prevent a copyright owner from asserting a claim for reproduction infringement when a work is "scanned" into a computer, much like a photocopying machine is used today. For example, this exclusion, standing alone, would not have excused the actions of Newsday in a recent lawsuit; in that case, FPG alleged that Newsday had scanned FPG's copyrighted photos into a computer, and then re-used portions of them as part of a front page montage. FPG Int'l v. Newsday, Inc., No. 94 Civ. 1036 (S.D.N.Y. settled Oct. 31, 1994). Nor would it excuse reproductions which are analogous to photocopying—where a copy is made and integrated into another work, or for further use. For examples of where the reproduction right has been violated by photocopying, see American Geophysical Union v. Texaco, Inc., 37 F.3d 881 (2d Cir. 1994), cert. dismissed, 116 S. Ct. 592 (1995), Princeton Univ. Press, Inc. v. Michigan Document Servs., Inc., 855 F. Supp. 905 (E.D. Mich. 1994), or Basic Books, Inc. v. Kinko's Graphics Corp., 758 F. Supp. 1522 (S.D.N.Y. 1991).
An exception of this type is not unprecedented. Section 117 of the Copyright Act allows an owner of a computer program to make a copy of that program provided that "such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner." The drafters of this section recognized that the special problems posed by computers could not, at that time, be solved by a "definitive legislative solution," and therefore preserved the status quo until the Commission on New Technological Uses could recommend a provision. The preservation of the status quo, the right to browse, and the special problems posed by NII technology also justify this proposed exclusion.

Furthermore, recent case law provides some authority that allows "intermediate copying" in order to extract the underlying ideas from the computer programs. In Sega Enterprises, Ltd. v. Acclade, Inc., the court held that interim copying of computer programs constituted fair use. The court identified a unique problem with computer programs: they are distributed in object code which precludes public access to their underlying ideas and concepts unless they are disassembled. The court determined that without a fair use determination that allowed for reproduction, copyright owners of these computer programs would be conferred "a de facto monopoly" over ideas—a "result [which] defeats the fundamental purpose of the Copyright Act." In the case of NII transmissions, reproduction is required to simply view a work on the NII. Without a statutory right to browse akin to interim copying, copyright owners will also gain a "de facto" monopoly over the underlying ideas in their works.

b. A proposed archiving exception

In addition to a browsing exception, the copyright law may need to officially recognize the common, and necessary, practice of making backup copies of electronic files to safeguard against technological failures. Presently, owners of computer programs are entitled to

288. Id.
290. Sega Enters., Ltd. v. Acclade, Inc., 977 F.2d 1510, 1518 (9th Cir. 1993).
291. Id. at 1520.
292. Id. at 1527-28.
293. Id. at 1527.
294. Id.
295. WORKING GROUP REPORT, supra note 42, at 66.
296. See supra notes 277-83 and accompanying text (discussing copyright infringement for works scanned onto computers).
297. Comments of Billy Barron, to the U.S. Pat. & Trademark Off., at *1 (Sept. 6,
make copies for archival purposes.\textsuperscript{298} Section 117 specifically allows for backup copying of computer programs themselves, but not of the underlying electronic files.\textsuperscript{299} This distinction is unreasonable.\textsuperscript{300} Under the current statute, there could be an argument that archiving electronic files does not qualify as fair use, because fair use copying on computers is already covered by § 117 and does not include copying of electronic files, only the computer programs themselves. If so, then users trying to safeguard their own files could be liable for infringing the reproduction right, without a fair use defense available to them. Thus, an amendment to allow for archiving of electronic files is sensible.\textsuperscript{301}

C. The Performance Right

The Copyright Act also grants to copyright owners of literature, music, drama, choreographs, pantomimes, motion pictures, and audiovisuals the exclusive right to publicly perform works.\textsuperscript{302} In the traditional arena, sound recordings are statutorily excluded from the performance right.\textsuperscript{303}

\begin{quote}
\textsuperscript{300} Id.
\textsuperscript{301} Such an amendment could read:

§ 117. Limitations on exclusive rights: Computer programs and electronic files

Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program or an electronic file to make or authorize the making of another copy or adaptation of that computer program provided:

1. that such new copy or adaptation of a computer program is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner.

2. that such new copy or adaptation of either a computer program or an electronic file is for archival purposes only and that all archival copies are destroyed in the event that the continued possession of the computer program or the electronic file should cease to be rightful.

\end{quote}
and musical works are subject to some statutory licensing requirements. The definitions of § 101 provide that:

To "perform" a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.

To perform or display a work "publicly" means—(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

Newly passed legislation also allows for a public performance right for sound recordings in the digital context. Thus, in order to exercise the performance right, a copyright owner must show that the type of work owned qualifies for the exclusive right, that the manner in which the work has been performed is included in the statute, and that the location of the performance is considered to be public.

1. The Working Group's Recommendations

A main benefit of the NII is that it can be used as a conduit for all types of transactions, including sales, rentals, and presentations. While there is one basic vehicle for conducting these transactions, digital transmissions, there are several privileges that can be asserted as a result. The performance right has specific requirements that must be satisfied in order for a copyright owner to exercise exclusivity. Thus, "[a] distinction must be made" between NII transmissions that are copies

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304. In addition to compulsory licensing for reproductions and distributions discussed in the text accompanying note 235, supra, musical works are also subject to statutory licensing for jukebox performances. 17 U.S.C. §§ 116-117 (1994).
306. Id.
308. As defined by case law, "public" is a broad term that would likely include NII transactions wherein several separate users view the performance at the same time in different locations. See, e.g., On Command Video Corp. v. Columbia Pictures Indus., Inc., 777 F. Supp. 787 (N.D. Cal. 1991) (holding that public performance occurred when movies were broadcast into several hotel rooms from central unit).
309. WORKING GROUP REPORT, supra note 42, at 53-54.
310. Id. at 217-18.
311. See supra note 308 and accompanying text.
and those that are performances or displays.\textsuperscript{312} In order to make this crucial distinction, the Working Group proposes an amendment to the definition of “transmit,” which reads in pertinent part:

To “transmit” a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.

To “transmit” a reproduction is to distribute it by any device or process whereby a copy or phonorecord of the work is fixed beyond the place from which it was sent.\textsuperscript{313}

Originally, the proposed amendment included a “primary purpose and effect” test that would have required an analysis of the intent of the transmitter and of the receiver at the time of the transmission.\textsuperscript{314} The Working Group excluded this specific test from the final draft and decided to leave this determination to the courts to be resolved on a case-by-case basis.\textsuperscript{315}

Congress recently passed legislation, supported by the Working Group and the Clinton Administration, that established a performance right for sound recordings in the digital context.\textsuperscript{316} “[I]nteractive digital technology threatens to blur the line between the performance and the distribution of sound recordings.”\textsuperscript{317} With the improved quality afforded by digital taping, consumers may choose to record their favorite artists from digital audio services, or “celestial jukebox[es],” which could decrease music sales.\textsuperscript{318} Thus, the recently passed legislation was considered essential to protect the livelihood of sound recording artists.\textsuperscript{319}

Without the new legislation, an “historical anomaly” in the Copyright Act, which specifically excludes a performance right for sound recordings and

\textsuperscript{312} WORKING GROUP REPORT, supra note 42, at 71; WORKING GROUP DRAFT, supra note 20, at 43.

\textsuperscript{313} WORKING GROUP REPORT, supra note 42, at app. 2, p.1 (quoting 17 U.S.C. § 101 with suggested changes appearing in italics); WORKING GROUP DRAFT, supra note 20, at 122 (same).

\textsuperscript{314} WORKING GROUP DRAFT, supra note 20, at 122.

\textsuperscript{315} WORKING GROUP REPORT, supra note 42, at 217-18.

\textsuperscript{316} Digital Performance Right in Sound Recordings Act of 1995, supra note 307; see WORKING GROUP REPORT, supra note 42, at 225; WORKING GROUP DRAFT, supra note 20, at 132-33.

\textsuperscript{317} N. Jansen Calamita, Note, Coming to Terms with the Celestial Jukebox: Keeping the Sound Recording Copyright Viable in the Digital Age, 74 B.U. L. REV. 505, 522 (1994).

\textsuperscript{318} Id. at 519, 522.

\textsuperscript{319} Id. at 519.
effectively limits the income of sound recording artists to actual record sales, could have devastated the income of sound recording artists.\footnote{20}{Working Group Report, supra note 42, at 221-25; Working Group Draft, supra note 20, at 132; see 17 U.S.C. § 114 (1994).}

2. Content Providers' Responses to the Primary Purpose and Effect Test

The original primary purpose and effect test proposed by the Working Group sparked controversy among content providers, especially those in the music industry. The providers professed that the primary purpose and effect test contradicted the fundamentals of copyright law because it required a choice between rights that are supposed to be fully divisible, not mutually exclusive.\footnote{21}{See supra notes 114-32 and accompanying text (discussing divisibility of exclusive rights); Working Group Hearing IV, supra note 4, at 30 (statement of Marilyn Bergman, Lyricist) (arguing that the test contradicts the principle that creators can exploit none, some, or all of the exclusive rights at the same time); Working Group Hearing III, supra note 4, at 20 (statement of Cy Coleman, Composer, Vice President, ASCAP) (explaining that under existing law the rights are granted independently).}

The proposal was especially troublesome for music publishers and composers, who feared that the performance right, a valuable source of their income, would be subsumed under the reproduction right, a negligible income source.\footnote{22}{Working Group Hearing IV, supra note 4, at 19-20 (statement of Stu Gardner, Artist, Producer, and Composer); Working Group Hearing I, supra note 4, at 38-40 (statement of Pat Rogers, Executive Director, Nashville Songwriters Association International).}

Critics also claimed that the amendment would create, not reduce, uncertainty and litigation.\footnote{23}{Working Group Hearing II, supra note 4, at 42 (statement of Steven Ames Brown, Attorney) ("The distinction . . . is nearly metaphysical and would cause unending bickering in the courts."); Working Group Hearing III, supra note 4, at 50 (statement of Ann Harkins, Co-Director, Creative Incentive Coalition) (suggesting that individual analysis required by the test would result in a nonenforceable situation); Working Group Hearing IV, supra note 4, at 30-31 (statement of Marilyn Bergman, Lyricist) (expressing the view that parties will fight to achieve the outcome under the test that best serves their interest, which will result in endless litigation); id. at 41 (statement of Edward Murphy, President and CEO, National Music Publishers Association) (suggesting that the amendment would "create havoc rather than certainty as to the use of works on the NII").}

Music publishers and composers further feared that the proposed test would force most NII transmissions to be categorized as reproductions, not performances, a result which could have a detrimental impact on their earnings. Under the proposed test, a transmission of both a musical reproduction and a musical performance would yield only mechanical royalties as compensation.\footnote{24}{Working Group Hearing IV, supra note 4, at 30 (statement of Marilyn Berg-}
relied on both mechanical and performance royalties for their livelihood. Without assurance that they would continue to receive the same performance royalties on the NII that they have customarily received from other media, composers and song writers would be given little or no incentive to “go digital.” This “seriously endanger[ed] the future availability of music in this country on the NII.”

The choice that the test would have required, between the reproduction right and the performance right, was not equitable. Copyright law has long made it clear that rights are divisible and not mutually exclusive. Therefore, the need to force a choice between exclusive rights in the digital context is questionable, especially considering the potential impact on content providers. Determining which right or rights have been violated affects the defenses available and the ability of the holder of the right to pursue an infringement action. Heeding these warnings, the Working Group abolished the “primary purpose or effect” test in the final draft. Instead, they noted that “[a] transmission could be a transmission of a reproduction or a performance or both.” The Working Group recognized the courtroom as the place to finally resolve this debate.

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325. Composers and songwriters have relied on both mechanical and performance royalties because a maximum, fixed rate per song is paid for each copy of the record or tape made or distributed. Some parties, such as record companies, believe that creators’ incomes will not be hurt by the receipt of only mechanical royalties because they believe that the mechanical royalties are substantial. See Working Group Hearing IV, supra note 4, at 27-28 (statement of Michael Pollack, Vice President and Senior Counsel, Sony Music Entertainment).

326. Working Group Hearing II, supra note 4, at 27 (statement of James Newton Howard, Songwriter and Record Producer); Working Group Hearing IV, supra note 4, at 34 (statement of Frances Preston, President and CEO, BMI).

327. Working Group Hearing II, supra note 4, at 27 (statement of James Newton Howard, Songwriter and Record Producer).

328. Or, alternatively, the reproduction right and the display right.

329. See supra notes 114-32, 321 and accompanying text.

330. See supra notes 114-66 and accompanying text.

331. See supra notes 321-30 and accompanying text.


333. Id.; see also Working Group Hearing IV, supra note 4, at 13 (statement of Arthur Levine, law firm of Finnegan, Henderson, Farabow, Garrett & Dunner, on behalf of the American Federation of Musicians and the American Federation of Television and Radio Artists) (“[T]he courts are probably the proper venue to ultimately decide those questions.”).
D. The Display Right

Corresponding with the public performance right, the Copyright Act also grants an exclusive right to a copyright owner to "display the work copyrighted publicly."334 To "display" a work, according to § 101, means "to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially."335 The display right is similar to the performance rights in that, for the right to be implicated, there must be a "public" showing, the right must be limited to certain types of works, and there must be a "display."336

Many NII uses, as the Working Group notes, come under the umbrella of the display right.337 Like the reproduction right, in the absence of a successful defense, a user would rarely be able to browse a work on the NII without potential infringement liability.338 To create an NII lane for noninfringing use, a browsing exception similar to that proposed for reproductions, may be appropriate.339 With such an amendment, a NII

334. 17 U.S.C. § 106(5) (1994). The display right includes a list of specific works to which it applies. Id. Of the usual works considered under the scope of protection, only sound recordings are excluded from the display right. Id.
336. Furthermore, a first sale exclusion applies to displays, but this exclusion does not apply to NII transactions. See generally 17 U.S.C. § 106(c) (1994); HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 1476, supra note 48, at 80, reprinted in 1976 U.S.C.C.A.N. at 5693-94. The House Report specifies that "the display . . . of a copyrighted work would be an infringement if the image were transmitted by any method (by closed or open circuit television, for example, or by a computer system) from one place to members of the public located elsewhere." Id. at 80, reprinted in 1976 U.S.C.C.A.N. at 5694.
337. WORKING GROUP REPORT, supra note 42, at 72.
338. Id.; WORKING GROUP DRAFT, supra note 20, at 44; see also supra notes 277-80 (depriving users of a right to browse is simply not fair). But see Working Group Hearing II, supra note 4, at 24 (statement of Robert Steinberg, law firm of Irell & Manella, Intellectual Property Counsel to Times-Mirror Co.) (recommending that display right, as well as reproduction right, should apply to protect against informal browsing).
339. See supra note 284-96 and accompanying text. This proposed amendment could account for noninfringing display use. For example, the amendment could read:

§ 121. Limitations on exclusive rights: Random Access Memory displays

(1) Notwithstanding the provisions of section 106(1), it is not an infringement of a copyright owner's exclusive right to reproduce a copyrighted work when a copy is made into a computer's Random Access Memory for the sole purpose of display or browsing.

(2) The exclusion under this section does not apply when a copyrighted work is copied from a computer's Random Access Memory onto other memory functions of the computer, such as a hard disk drive or floppy diskette, or when a work is further copied from a computer's Random Access Memo-
user would be entitled to initially browse a work without feeling the liability sword or forcing a fair use shield. Content providers would still control their works, but they would not exercise control of all access to information on the NII. This approach would likely preserve the constitutional balance of copyright law.

E. The Derivative Right

Beyond the rights associated with a copyright owner's primary work, the Copyright Act grants an exclusive right to "prepare derivative works based upon the copyrighted work."340 The derivative works right, or "adaptation right," grants the copyright owner exclusive control over the privilege to translate, arrange, dramatize, fictionalize, film, record, reproduce, abridge, condense, or do anything else to the original work to recast, transform, or adapt it into a derivative form.341 Modifications, revisions, annotations, or elaborations are also derivative works.342 A successful plaintiff in a derivative works action must prove two essential elements: originality343 and substantial similarity.344 Sound recordings are further limited by statute, wherein the derivative right extends to works "in which actual sounds fixed in the sound recording are rearranged, remixed, or otherwise altered in sequence or quality."345

Under prevailing law, the copyright owner must prove that an infringing "derivative work" is substantially similar in order to establish liabili-
In the digital environment, works can be easily copied and manipulated, even to the extent that they no longer are "substantially similar" to the original work. As a consequence of this, the derivative right will be difficult to enforce, and content providers will lose a valuable right and compensation. The Working Group suggests that the substantial similarity test should not be applied to derivative works because "neither the meaning of 'derivative work' nor the statutory standard for infringement appears to require an infringing derivative work to be substantially similar." The "substantially similar" test was created by the courts to resolve the issue of proof of copying. Some decisions tentatively relied on this test with respect to derivative works. Thus, the solution to the problems created when applying the substantial similarity test to digitally created derivative works must necessarily lie with the judiciary.

As the preceding discussion illustrates, defining and balancing the bundle of rights is an important, yet controversial, aspect of the NII debate. A more heated issue in the recent past was the assignment of responsibility for copyright violations. The next section of this Comment will examine the various sides of this infringement liability debate.

346. See infra notes 356-88 and accompanying text.
348. See Working Group Hearing III, supra note 4, at 71 (statement of Charles D. Ossola, General Counsel, American Society of Media Photographers) (discussing the strong negative impact this enforcement difficulty will have on the holders of photograph copyrights).
350. Id. at 101-02.
351. See Litchfield v. Spielberg, 736 F.2d 1352, 1357 (9th Cir. 1984) (stating that "a work is not derivative unless it has been substantially copied from the prior work").
353. See supra notes 114-352 and accompanying text.
355. See infra notes 356-553 and accompanying text.
IV. INFRINGEMENT LIABILITY

A. What is Infringement?

The exercise of any of the exclusive rights conferred by Title 17 is an infringement absent authorization by the copyright owner or an affirmative defense.\textsuperscript{356} Uses of a copyrighted work that do not violate a specific right under Title 17, such as "fair use," however, are not infringements.\textsuperscript{357} As a civil remedy, "[t]he legal or beneficial owner of an exclusive right under a copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it."\textsuperscript{358} Such an action may be brought against a direct,\textsuperscript{359} vicarious,\textsuperscript{360} or contributory infringer.\textsuperscript{361} Because infringement actions sound in tort, courts have consistently held that all defendants who participate in infringement, whether directly, vicariously, or contributorily, are jointly and severally liable.\textsuperscript{362}

\begin{itemize}
\item \textsuperscript{356} 17 U.S.C. § 501(a) (1994) ("Anyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright."); Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 433 (1984); see infra notes 389-406 and accompanying text (discussing affirmative defenses that may apply to copyright actions).
\item \textsuperscript{357} Sony, 464 U.S. at 432-33.
\item \textsuperscript{358} 17 U.S.C. § 501(b) (1994).
\item \textsuperscript{359} "Personal participation in the infringing activity will result in direct liability." Southern Bell Tel. & Tel. Co. v. Associated Tel. Directory Publishers, 756 F.2d 801, 811 (11th Cir. 1985); see infra notes 407-10 and accompanying text.
\item \textsuperscript{360} Vicarious liability is predicated on either an agency relationship or the right and ability of the defendant to supervise infringing activity coupled with an obvious and direct financial interest in the activity. See, e.g., Little Mole Music v. Spike Inv., Inc., 720 F. Supp. 751, 755-56 (W.D. Mo. 1989); see infra notes 451-71 and accompanying text.
\item \textsuperscript{361} Contributory liability is premised on proof of defendant's knowledge of the infringing activity and defendant's inducing, causing, or materially contributing to the infringing conduct. See, e.g., Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1162 (2d Cir. 1971); see infra notes 472-509 and accompanying text.
\end{itemize}
1. The Plaintiff's Burden in a Copyright Infringement Action

a. Copying

To prove copyright infringement, the plaintiff must show ownership of a valid copyright and copying of a protected expression by the defendant. A plaintiff is not required to provide direct evidence and may show infringement by use of circumstantial evidence. Proof of infringement with circumstantial evidence, however, requires the plaintiff to show by a preponderance of the evidence that the defendant had access to the copyrighted work and that protected elements of the two works are identical or substantially similar.

i. Access

"Access is the opportunity to view or copy" plaintiff's copyrighted work. Access through third parties connected to both parties in an infringement action is sufficient to prove defendant's access to plaintiff's copyrighted work. Based on these standards, access would be relatively simple to prove in the digital arena. For instance, access is sufficiently shown where someone has an electronic address and his service provider allows access to the copyrighted work.

ii. Substantial similarity

(1). Ordinary observer test

Traditionally, the criterion for determining whether there is a substantial similarity between the copyrighted work and the allegedly infringing work was, "whether an ordinary lay observer would detect a substantial similarity between the works." More recently, the Fourth Circuit

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modified this test and found that the ordinary observer standard should be based on the determination of an ordinary observer from the intended audience of the work. As the Working Group observes, this modified ordinary observer test may be more difficult to apply in the digital environment. The demarcation line between specialized audiences and the general public becomes less clear in the NII because of increased access to all works by all audiences.

(2). Non-literal copying

There may be an infringement where a work has not been "copied" word for word, but it has been paraphrased or reworked. Applying the substantial similarity standard in such a "non-literal" case is more complicated. Therefore, courts have developed many tests to determine whether there is a substantial similarity between the copyrighted work and the non-literal copy. These include the abstractions test, the subtractive test, the totality test, the extrinsic/intrinsic test, and the abstraction-filtration-comparison test. Applying a substantial similarity test to derivative works in the digital environment

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370. WORKING GROUP REPORT, supra note 42, at 105-06.
371. Id.
372. Id. at 102.
373. Id. at 102-07.
374. See Computer Assocs. Int'l, Inc. v. Altair, Inc., 775 F. Supp. 544, 560 (E.D.N.Y. 1991), aff'd in part, vacated in part, 982 F.2d 693 (2d Cir. 1992). As applied to computer software, the abstractions test of substantial similarity between copyrighted program and allegedly infringing program progresses in order of increasing generality from object code, to source code, to parameter list, to services required, and to general outline. Id.
375. Universal Athletic Sales Co. v. Salkeld, 511 F.2d 904, 908-09 (3d Cir. 1976) (comparing elements of similarity and dissimilarity between original work and allegedly infringing work to determine the sum of similar elements).
376. Roth Greeting Cards v. United Card Co., 429 F.2d 1106, 1109-10 (9th Cir. 1970) (applying a "total concept and feel" test for determining similarity of greeting cards).
377. Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp., 562 F.2d 1157, 1164 (9th Cir. 1977) (stating that idea similarity is an extrinsic, factual determination while expression similarity is an intrinsic, reasonable person evaluation).
378. Gates Rubber Co. v. Bando Chem. Indus., 9 F.3d 823, 834-36 (10th Cir. 1993). When applying "abstraction-filtration-comparison test," copyrighted and allegedly infringing computer programs are first compared in their entirety, without filtering out unprotected elements, to reveal possible patterns of copying not obvious when only certain components of the programs are examined. Id.
is particularly problematic because they can be manipulated with digital technology to a point where there is little or no similarity to the original.\textsuperscript{379}

\textbf{b. Scienter}

To prevail on a direct copyright infringement claim, the plaintiff is required to show that the defendant violated one of the exclusive rights.\textsuperscript{380} Scienter is not a necessary element of the action.\textsuperscript{381} Additionally, a defendant who copies from an infringing copy is liable to the copyright owner.\textsuperscript{382} Furthermore, the infringing act need not be done for profit.\textsuperscript{383} Thus, a direct copyright infringement action is viewed as a form of "strict liability."\textsuperscript{384} To prevail on a vicarious or contributory infringement claim, the plaintiff is required to show a higher level of scienter.\textsuperscript{385} In a vicarious liability action, the plaintiff must show constructive knowledge,\textsuperscript{386} which can be shown either by an agency relationship between the defendant and the direct infringer or by the defendant's right and ability to supervise the direct infringer coupled with an obvious and direct financial interest in the infringing activity.\textsuperscript{387} In a contributory

\begin{enumerate}
\item \textsuperscript{379}Working Group Hearing III, supra note 4, at 71 (statement of Charles D. Ossola, American Society of Media Photographers) (expressing concern about the prospect of taking a copyrighted, digitized photograph and manipulating it "such that no reasonable fact-finder would view the end result as substantially similar").
\item \textsuperscript{380}17 U.S.C. § 501(a) (1994).
\item \textsuperscript{381}Olan Mills, Inc. v. Linn Photo Co., 795 F. Supp. 1423, 1437 (N.D. Iowa 1991), rev'd on other grounds, 23 F.3d 1345 (8th Cir. 1994). Although intent is not essential to the question of direct liability, such intent may have an effect on the finding of fair use. Wihtol v. Crow, 199 F. Supp. 682, 685 (S.D. Iowa 1961), rev'd on other grounds, 309 F.2d 777 (8th Cir. 1962). Intent may also be relevant to the issue of damages. See Peter Pan Fabrics, Inc. v. Dixon Textile Corp., 188 F. Supp. 236, 237 (S.D.N.Y. 1960); see also infra note 394 and accompanying text (discussing fair use) and infra note 554-57 and accompanying text (discussing damages).
\item \textsuperscript{382}See Leigh v. Gerber, 86 F. Supp. 320, 322 (S.D.N.Y. 1949) (holding a copyright was not invalid by a misdating).
\item \textsuperscript{383}Pathe Exch., Inc. v. International Alliance of Theatrical Stage Employees, 3 F. Supp. 63, 65 (S.D.N.Y. 1932).
\item \textsuperscript{384}See Pinkham v. Sara Lee Corp., 983 F.2d 824, 829 (8th Cir. 1992) (explaining that defendant is absolutely liable for innocent and accidental infringement); see also Samet & Wells, Inc. v. Shalom Toy Co., 429 F. Supp. 895, 904 (S.D.N.Y. 1977) (stating that intent or knowledge is not a necessary element of copyright infringement liability), aff'd, 578 F.2d 1369 (2d Cir. 1978); Morser v. Bengor Prod. Co., 283 F. Supp. 926, 928 (S.D.N.Y. 1968) (noting that the innocence of the infringer is immaterial in determining copyright infringement).
\item \textsuperscript{385}See infra notes 451-509 and accompanying text (discussing vicarious and contributory infringement).
\item \textsuperscript{386}See infra note 451 and accompanying text (discussing constructive knowledge requirement for vicarious liability).
\item \textsuperscript{387}See infra notes 451-71 and accompanying text (discussing the imposition of
liability action, the plaintiff must show that the defendant had knowledge of the violator's action and induced, caused, or materially contributed to that action.\footnote{See infra notes 472-509 and accompanying text (discussing liability for contributory infringement).}

2. Shifting the Burden to the Defendant

Once the plaintiff has made a prima facie case of copyright infringement, the defendant must offer evidence to negate the probability of copying, beyond merely denying infringement.\footnote{Blumcraft of Pittsburgh v. Newman Bros., 373 F.2d 905, 907 (6th Cir. 1967).} In a case based on circumstantial evidence, the defendant may negate "substantial similarity" evidence by offering evidence that the copy in question was independently created,\footnote{Arrow Novelty Co. v. ENCO Nat'l Corp., 393 F. Supp. 157, 160 (S.D.N.Y. 1974), aff'd, 515 F.2d 504 (2d Cir. 1975).} or the defendant may offer other evidence to explain similarity between the two works.\footnote{Id.}

As in most civil cases,\footnote{Hollywood Jewelry Mfg. Co. v. Dushkin, 136 F. Supp. 738, 739 (S.D.N.Y. 1955). In an action for copyright infringement of a trade catalog, the plaintiff had the burden of proving that defendant copied the catalog; however, once plaintiff made a strong prima facie showing, the burden moved to defendant to explain the similarities. R.R. Donnelley & Sons v. Haber, 43 F. Supp. 455, 458 (E.D.N.Y. 1942).} when a copyright defendant offers an affirmative defense, the defendant has the burden of proof.\footnote{29 Am. Jur. 2d Evidence § 155-167 (1994 & Supp. 1996).} Copyright defendants may shield themselves from liability by using both statutory and nonstatutory defenses. Fair use, one statutory defense, absolves a defendant of infringement liability.\footnote{17 U.S.C. § 107 (1994). The factors that must be considered in determining the application of the fair use defense are: (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}
pel, misuse, unclean hands, res judicata, and laches can bar a copyright plaintiff's recovery. Other defenses, such as acknowledgment, antitrust, apparent authority, good faith, and estoppel to copyright infringement. Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Servs., 746 F. Supp. 320, 329 (S.D.N.Y. 1990). To use estoppel as a defense, a copyright defendant must prove that the plaintiff helped the defendant commit allegedly infringing acts or that the plaintiff induced or caused the defendant to act. Coleman v. ESPN, Inc., 764 F. Supp. 290, 295 (S.D.N.Y. 1991). Causation is established if there is express or implied consent—such as a statement by the plaintiff that he or she does not consider the defendant's acts to be an infringement of copyright or does not object to the defendant's action. Id. at 296.

Misuse is an absolute defense for a copyright infringement case, but cannot be a tool for affirmative relief. See QAD, Inc. v. ALN Assoc., Inc., 770 F. Supp. 1261, 1266 (N.D. Ill. 1991), aff'd, 974 F.2d 834 (7th Cir. 1992); Broadcast Music, 746 F. Supp. at 327-28. In one misuse case, anticompetitive language in a software licensing agreement which forbade the licensee from developing computer-assisted die-making software amounted to misuse of copyright. Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 979 (4th Cir. 1990). Such misuse of a copyright license, by exaggerating rights of the copyright owner, barred plaintiff's recovery. Id.

In Tempo Music, Inc. v. Myers, 407 F.2d 503 (4th Cir. 1969), a supper club owner requested assistance from a licensing agency to avoid infringement of copyrights on musical compositions. Id. at 507. The agency did not comply with the owner's request for listing of association compositions and also failed to offer editing services required by the antitrust decree under which the association operated. Id. Therefore, under the doctrine of "unclean hands," the conduct of the association estopped the copyright owners from asserting infringement and asking for damages and attorney fees. Id.


Pinkham v. Sara Lee Corp., 383 F.2d 824, 828-30 (8th Cir. 1969) (holding that a book promoter's apparent authority to authorize use of author's copyrighted material is not an acceptable defense to buyer's infringement). 402. Pye v. Mitchell, 574 F.2d 476, 481 (9th Cir. 1978) (holding that defendant's good faith belief that activity is not infringing will not absolve defendant from liabil-
structions against infringement,404 lack of intent,406 and lack of knowledge,406 will not relieve a defendant from liability.

B. Direct Liability

Direct liability is imposed when a copyright owner proves that a defendant has violated one of the exclusive rights granted by the Copyright Act.407 There is a strict liability standard for copyright infringement.408 Specific intent or actual knowledge of the infringement is irrelevant; the only pertinent question is whether an exclusive right has been violated.409 Even where a defendant legitimately copied a work from a third party without authority to authorize the copying, direct liability may be imposed.410

404. Chess Music, Inc. v. Sipe, 442 F. Supp. 1184, 1185 (D. Minn. 1977) (reasoning that a restaurant owner could not escape copyright infringement liability by instructing musicians not to play copyrighted music because he acquiesced to infringement).

405. Toksvig v. Bruce Pub'l'g Co., 181 F.2d 664, 666 (7th Cir. 1950) (ruling that lack of intent is not a defense to apparent copyright infringement); see also United States v. Brown, 400 F. Supp. 656, 658 (S.D. Miss. 1975) (stating that willfulness is immaterial to determining liability).

406. Pickwick Music Corp. v. Record Prods., Inc., 292 F. Supp. 39, 41 (S.D.N.Y. 1968) (reiterating that ignorance is not a defense); see also Altman v. New Haven Union Co., 254 F. 113, 119 (D. Conn. 1918) (holding defendant could not avoid copyright infringement liability when he published a photograph that he did not know was copyrighted).

407. 17 U.S.C. § 501 (1994); Working Group Hearing III, supra note 4, at 25 (statement of Ellen Kirsh, Vice President, General Counsel and Secretary, America Online, Inc.).

408. Playboy Enters., Inc. v. Frena, 839 F. Supp. 1552, 1554-57 (M.D. Fla. 1993); Working Group Hearing III, supra note 4, at 25-26 (statement of Ellen Kirsh, Vice President, General Counsel and Secretary, America Online, Inc.); see also infra notes 423-26 (discussing Playboy).


410. Pye v. Mitchell, 574 F.2d 476, 481 (9th Cir. 1978) (explaining that defendant might not even know that plaintiff exists, much less that plaintiff owns a copyright in a work that defendant holds).
1. NII Users

NII users are likely to directly violate copyrights on a daily basis.411 Under the Working Group’s proposed amendment to the Copyright Act and some current case law, even the act of bringing a work onto a computer screen violates the reproduction or display right.412 Thus, the very act of retrieving information from a web site would, in absence of a defense, constitute an infringement.413 NII users could be held liable even if they did not profit from infringement414 or know that they were violating a copyright.415

Enforceability likely poses the most challenging problem that a copyright holder would face in prosecuting infringement claims against NII users.416 With more than thirty-seven million users, where would a copyright owner begin?417 How would a copyright holder locate the users who are infringing a work that exists in cyberspace?418 Why would a copyright owner pursue a claim against an NII user who may be judgment-proof?419 In short, it would not be practical for copyright owners to bring infringement claims against NII users, the little fish.420 Instead,

411. See supra notes 247, 259-80 and accompanying text (discussing the problems inherent in applying current copyright law to acts of browsing, viewing, or reading work on a computer screen by an NII user).
412. Id.
413. Id.
414. Chappell & Co. v. Costa, 45 F. Supp. 554, 556 (S.D.N.Y. 1942) (holding that civil liability does not require that plaintiff prove sale of or profits from infringing copies).
415. See supra notes 409-10 and accompanying text (establishing that intent is not necessary for copyright infringement to exist).
416. See Raysman & Brown, supra note 25, at 3 (finding copyright laws difficult to enforce on the Internet); Working Group Hearing I, supra note 4, at 31 (statement of Jim Schatz, West Publishing) (expressing concern of content providers about the “difficulty of tracking down and effectively dealing with [copyright] violations”); Working Group Hearing II, supra note 4, at 56 (statement of Terry Southwick, member of the Working Group) (noting that NII users may be anonymous, difficult to identify, and without “deep pockets”).
417. See supra notes 30-31 and accompanying text.
420. Working Group Hearing III, supra note 4, at 70 (statement of Charles D. Ossola, American Society of Media Photographers) (“Not only is the prospect of suing hundreds of persons on the network uninviting on its face, it is economically unfeasible.”); Goldstein, supra note 48, at 1 (discussing attorneys’ views that problems with detection and cost of pursuing individual infringers are not worth the effort).
it is likely that copyright owners will focus on the BBS operators and service providers, the bigger fish.\textsuperscript{421}

2. BBS Operators

The direct liability of BBS operators for copyright infringement, both criminal and civil, is currently being tested in the courts and legislature.\textsuperscript{422}

a. Civil liability

In some recent cases, plaintiffs have pursued BBS operators for direct copyright infringement.\textsuperscript{423} In one such case, a copyright owner was successful in prosecuting a direct liability action against a BBS operator.\textsuperscript{424} In \textit{Playboy Enterprises, Inc. v. Frena}, a BBS operator was found liable for copyright infringement, even though he did not have knowledge of the infringing content on the bulletin board and promptly removed the copyrighted material when he learned of it.\textsuperscript{425} The court reiterated that, even in the digital environment, "[i]ntent to infringe is not needed to find

\textsuperscript{421} Working Group Hearing II, supra note 4, at 56 (statement of Terry Southwick, member of the Working Group); see Maureen O'Rourke, \textit{Proprietary Rights in Digital Data}, 41 \textit{Fed. B. News & J.} 511, 515 (Aug. 1994) (noting that copyright owner would prefer to recover from the deep pocket bulletin board operator). But see Working Group Hearing I, supra note 4, at 52 (statement of Kent Stuckey, General Counsel and Secretary, CompuServe, Inc.) (lamenting the burden on responsible service providers "who are perceived as deep pockets"); Working Group Hearing II, supra note 4, at 56 (statement of Eugene Volokh, Professor of Law, UCLA) (noting that even if copyright owners lack an adequate remedy, imposing liability on innocent parties, such as service providers, is not an acceptable solution).

\textsuperscript{422} Working Group Hearing I, supra note 4, at 51 (statement of Kent Stuckey, General Counsel and Secretary, CompuServe, Inc.) (agreeing with the Working Group that it is unclear whether system and service providers are liable for direct infringement); M. David Dobbins, \textit{Computer Bulletin Board Operator Liability for Users' Infringing Acts}, 94 \textit{Mich. L. Rev.} 217, 219 (1995) (stating that while courts have begun to address the issue of BBS operator liability, there is no clear consensus).


\textsuperscript{424} Playboy, 839 F. Supp. 1552, 1562; see supra notes 138-43 and accompanying text (evaluating the rights implicated in the \textit{Playboy} case).

\textsuperscript{425} Playboy, 839 F. Supp. at 1554-57. But cf. Working Group Hearing III, supra note 4, at 25-26 (statement of Ellen Kirsh, Vice President, General Counsel and Secretary, America Online, Inc.) (expressing concern over the result of the \textit{Playboy} case).
copyright infringement . . . [t]hus even an innocent infringer is liable for infringement."426 Playboy is the first case to hold an NII provider strictly liable for infringement occurring on his service.

In a similar case, a court issued an injunction against a BBS operator for his directly and contributory infringing activities.427 In Sega Enterprises, Ltd. v. MAPHIA, Chad Scherman, operator of the BBS, MAPHIA, allegedly allowed users to upload and download Sega’s copyrighted games.428 The court found that Sega showed a high probability of succeeding on a direct and contributory infringement action on the merits;429 thus, Scherman was ordered to surrender all material that would infringe on Sega’s protected copyright interests.430

In one case analogous to the action of a BBS operator, the operators of a swap meet were not held liable for direct copyright infringement connected to vendor sales of counterfeit music tapes because of an absence of proof that the operators themselves reproduced, prepared, or distributed copyrighted works.431 Unless a copyright owner can show that a right has been directly violated by a BBS operator, the copyright owner will likely have to utilize a vicarious or contributory infringement theory to prosecute a copyright claim.432

b. Criminal liability

Criminal liability of BBS operators is also a source of recent judicial and legislative activity.433 In one recent case, a BBS operator pleaded guilty to criminal charges of copyright infringement.434 In this case, Richard Kenadek operated a for-profit BBS service, known as Davey Jones Locker, wherein he allowed copyrighted software materials to be uploaded or downloaded by subscribers.435 In another more controver-

427. Sega, 857 F. Supp. at 682, 690-91; see supra notes 144-60 and accompanying text (discussing further the legal claims in Sega).
429. Id. at 689.
430. Id. at 690-91.
432. See infra notes 451-71 (vicarious liability), 472-73 (contributory liability) and accompanying text.
434. Copyright Violator, supra note 433.
435. See Barbara Carton, Man Charged in Software Piracy, BOSTON GLOBE, Sept. 1, 1994, Bus. sec., at 41, available in 1994 WL 5973359; Josh Hyatt, FBI Raids Com-
sial case, a BBS operator was found not criminally liable for his alleged infringement activities. David LaMacchia was charged with allowing users to upload and download copyrighted software from his BBS at no charge. The government prosecuted LaMacchia based on his alleged violations of wire fraud statutes, but could not prosecute him under the Copyright Act because his activities were not for profit, a specific requirement of the criminal provision of the Act. The court found that the government could not base its prosecution on wire fraud statutes because those statutes were preempted by the Copyright Act. As such, the case against LaMacchia was dismissed.

The outcome of LaMacchia infuriated many copyright owners, particularly in the software industry. The Working Group opines that the LaMacchia decision "demonstrates that the current law is insufficient to prevent flagrant copyright violations in the NII context." Recently, a bill was introduced into Congress that would purportedly remedy this "problem."

3. Service Providers

This issue of who is responsible was the focus of the litigation in a recent class action suit filed by music publishers. In *Frank Music Corp. v. CompuServe, Inc.*, CompuServe did not place songs on-line, but subscribers uploaded and downloaded songs using the CompuServe sys-

437. *Id.* at 536.
438. *Id.* at 536-37.
439. *Id.* at 539-40.
440. *Id.* at 545.
441. *Id.*
443. WORKING GROUP REPORT, supra note 42, at 127. Even the judge who dismissed the charges against LaMacchia condemned his alleged behavior as "heedlessly irresponsible, and at worst as nihilistic, self-indulgent, and lacking in any fundamental sense of values," and suggested that the legislature create penalties designed to address this type of infringement. *LaMacchia*, 871 F. Supp. at 545.
444. S. 1122, 104th Cong., 1st Sess. (1995); see infra notes 567-69 and accompanying text (discussing the LaMacchia bill).
The plaintiffs in that action claimed that the song duplication took place at the server level, making CompuServe directly responsible for royalty payments. CompuServe disavowed liability, claiming that as a highway provider, they were “in no position to check every piece of information that comes over the system.” Because the case recently settled, the liability issue was never adjudicated. Without admitting liability, CompuServe agreed to make the royalty payments.

C. Vicarious Liability—Connection to the Infringer

Imposition of vicarious liability in a copyright action is premised on a type of constructive knowledge in which a responsible secondary infringer must be “in a position to police the conduct of the ‘primary’ infringer.” Unlike patent law, copyright law follows no direct statutory authority concerning vicarious liability. Thus, vicarious liability standards in copyright actions have developed by case law. Vicarious liability may be imposed on one who has a special relationship, such as agency or partnership, with the direct infringer. In absence of such a relationship, vicarious liability may be found where a defendant has the right and ability to supervise infringing activities and maintains a direct financial interest in those activities. A vicarious infringer is jointly and severally liable to the plaintiff.

447. Kouroetchian, supra note 446.
449. Rudell, supra note 163, at 3.
450. Id.
454. See Bradbury v. Columbia Broad. Sys., Inc., 287 F. 2d 478, 484-85 (9th Cir. 1961) (imposing vicarious liability on an employer because of an employee who had infringed copyrights); see also Lorek, supra note 31, at 11 (warning companies of potential liability for employee downloading activity).
455. Shapiro Bernstein & Co. v. H.L. Green Co., 316 F.2d 304, 307 (2d. Cir. 1963) (imposing liability on a chain store owner who had ability to control the sales of bootleg records and derived financial benefit from those sales).
456. Gershwin Pub’g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1162 (2d Cir. 1971) (finding that contributory liability is derived from the tort doctrine).
The earliest cases of vicarious liability in copyright are the "Dance Hall" cases. In those cases, courts imposed liability on owners of entertainment clubs when the bands that played there violated musical composers' performance rights. The courts in the Dance Hall cases held the owners jointly and severally liable for the copyright violation, even though the proprietors had no knowledge or control over which compositions were played. Bare allegations that a defendant owned the place where the compositions were rendered, and indirectly profited from the rendering, were sufficient to establish liability. In fact, even when the copyright violations directly contravened an owner's instructions, the owner was still liable. Recent cases follow the rationale of the Dance Hall cases by imposing vicarious responsibility even when a defendant instructs against, or is unaware of, a copyright violation.


460. Irving Berlin, Inc. v. Daigle, 26 F.2d 149, 150 (E.D. La.), rev'd on other grounds, 31 F.2d 832 (5th Cir. 1929). In a similar vicarious liability case, a court held a theater operator vicariously liable for infringing the performance right of a musical composition that was within a motion picture shown at the theater. Famous Music Corp. v. Melz, 28 F. Supp. 767, 769 (W.D. La. 1939). The theater owner was found responsible regardless of his ignorance that the film contained a copyright violation within it, or his lack of ability to know such a fact. Id. at 768-69. Because the theater "open[ed] its doors, invite[d] the public, collect[ed] admission fees, and reproduce[d]" musical compositions audibly to an audience, the owner was vicariously liable to the composition owner. Id. at 769; see also Buck v. Newsreel, Inc., 25 F. Supp. 787, 789 (D. Mass. 1938) (finding corporate owner of a for-profit vaudeville theater liable for musical copyright violations in spite of the fact that the orchestra and performers were furnished by a separate booking agency for 50% of the gross receipts).


462. For example, a restaurant owner was held vicariously liable for copyright infringement, despite the fact that his employees contracted performances without his knowledge or consent. Superhype Publ'g, Inc. v. Vasiou, 838 F. Supp. 1220, 1224-26 (S.D. Ohio 1993). The court imposed liability on the defendant because he was a sole owner, he was responsible for operations, and he was aware that bands and disc jockeys played there. Id. In another recent case, a tavern owner was held liable for a band's infringing activities because he had a financial interest coupled with the right and ability to supervise the infringing activity, even though the band agreed not to perform unauthorized material. Swallow Turn Music v. Wilson, 831 F. Supp. 575,
Vicarious liability has also expanded beyond nightclubs and restaurants. In one recent case, the court refused to impose vicarious liability on the owners of a swap meet where vendors sold counterfeit music tapes. The court held that the allegations against the owners did not support a claim for copyright infringement under a vicarious liability theory, notwithstanding the copyright holders' contention that operators could have "policed" vendors by refusing to lease space to them. The court found that the operators lacked supervisory power over what vendors sold or how much they charged and that the operators were "not in the best position to guard against intellectual property violations." Moreover, there was "no suggestion that the [operators] derived a direct financial benefit" from the sale of tapes, for example, by receiving a share of vendor receipts. Thus, the swap meet owners' actions were not substantial enough to create vicarious liability.

In the 1976 revision to the Copyright Act, Congress was asked to change vicarious liability standards, but refused to do so.

Vicarious liability for infringing performances. The committee has considered and rejected an amendment to this section intended to exempt the proprietors of an establishment, such as a ballroom or night club, from liability for copyright infringement committed by an independent contractor, such as an orchestra leader. A well-established principle of copyright law is that a person who violates any of the exclusive rights of the copyright owner is an infringer, including persons who can be considered related or vicarious infringers. To be held a related or vicarious infringer in the case of performing rights, a defendant must

577-79 (E.D. Tex. 1993). In a less recent case, an owner was liable even when the direct infringers were not paid or employed by him. Harm's, Inc. v. Theodosiades, 246 F. Supp. 799, 800 (E.D. Pa. 1966).

463. A concert artist manager who knew that artists included copyrighted compositions in their performances and knew that neither the local associations nor the performing artists had secured copyright licenses was held to be a "vicarious" and "contributory" infringer. Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1162-63 (2d Cir. 1971). In another case, the organizers of a computer trade show were held vicariously liable even though they instructed exhibitors to comply with copyright laws. Polygram Int'l Publ'g, Inc. v. Nevada/Tig, Inc., 855 F. Supp. 1314, 1328-33 (D. Mass. 1994). The Polygram court found liability because the organizers had authority and pervasive control over exhibitors through rules and regulations, promoted the show through advertising, and profited through rent and viewer admission fees. Id. at 1328, 1331-32.


465. Id.

466. Id. at 1497.

467. Id.

468. Id.

either actively operate or supervise the operation of the place wherein the performances occur, or control the content of the infringing program, and expect commercial gain from the operation and either direct or indirect benefit from the infringing performance. The committee has decided that no justification exists for changing existing law, and causing a significant erosion of the public performance right.\textsuperscript{476}

In the wake of new revisions to the Copyright Act, it is likely that Congress will again be asked to alter the standards for vicarious liability in the NII environment.\textsuperscript{477}

D. Contributory Infringement—Connection to the Infringing Activity

Liability for contributory infringement may be imposed when the defendant knowingly "induces, causes or materially contributes" to infringing activity.\textsuperscript{472} Thus, unlike direct and vicarious liability, the contributory infringer must have actual knowledge of the infringement.\textsuperscript{473} In addition, participation by the contributory infringers must be substantial.\textsuperscript{474} In most cases, the alleged contributory infringer provides services or equipment that assists in the direct infringement.\textsuperscript{475} In such a situation, the threshold question is whether the services or equipment have substantial noninfringing uses.\textsuperscript{476} If such substantial, noninfringing uses are found, there is no liability.\textsuperscript{477}

1. Provider of Services or Equipment to the Direct Infringer

In \textit{Sony Corp. of America v. Universal City Studios, Inc.}, the Supreme Court refused to hold VCR manufacturers liable for contributory infringement.\textsuperscript{478} The Court found that the VCR manufacturers "demonstrated a significant likelihood that substantial numbers of copyright holders who license their works for broadcast on free television would not object to

\begin{footnotesize}
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\item Id. at 159-60, reprinted in 1976 U.S.C.C.A.N. at 5775-76.
\item See infra notes 510-16 and accompanying text.
\item Gershwin Publ'g Corp v. Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1162 (2d Cir. 1971).
\item But see supra notes 409 & 459 and accompanying text.
\item Id. at 442.
\item Id.
\item Id. at 456.
\end{enumerate}
\end{footnotesize}
having their broadcasts time shifted by private viewers." Additionally, the television program copyright owners "failed to demonstrate [to the court] that time-shifting would cause any [real] harm to the potential market for, or the value of, their copyrighted works." Therefore, the court held that the home videotape recorder was capable of substantial noninfringing uses. Thus, the manufacturers' sale of such equipment to the general public was not contributory infringement.

Following Sony, the Fifth Circuit found that a producer of a program designed to defeat a competitor's anti-copying software did not constitute contributory infringement. The court reasoned that the program had substantial noninfringing uses. Plaintiff Vault produced copy-protected computer diskettes, called "PROLOK," that prevented unauthorized copying of the information contained on the diskettes. Defendant Quaid manufactured diskettes featuring "RAMKEY," a program which "unlocked" the protective devices contained on the PROLOK diskettes. The court held that Quaid was not directly liable for copyright infringement under the "essential step" exception for computer programs. Further, applying the Sony test, the court found that Quaid was not contributorily liable because the RAMKEY program was capable of substantial noninfringing uses, such as making archival copies.

In an antithetical case, the Illinois District Court issued a preliminary injunction after failing to find "substantial" noninfringing use for a video game duplicating device. Defendant JS&A manufactured a device used to duplicate video games compatible with an Atari system, including copyrighted games manufactured by Atari. Defendant JS&A argued

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479. Id.
480. Id.
481. Id.
482. Id. But see Working Group Hearing IV, supra note 4, at 17 (statement of Heather Florence, Bantam Doubleday) (suggesting that the Sony decision should be revisited to force equipment manufacturers to have a greater stake in intellectual property protection).
484. Id.
485. Id. at 256.
486. Id. at 257.
487. Id. at 261; see 17 U.S.C. § 117(1) (1994) (providing that "it is not an infringement for the owner of a copy of a computer program to make . . . another copy . . . provided (1) that such a new copy . . . is created as an essential step in [utilizing] the computer program").
490. Id. at 7.
that the archiving exception of § 117 applied to duplication of these video games, thus making the device capable of substantial, noninfringing uses. The court rejected this argument because of the relative indelibility of Atari game cartridges, which prevented a need for archival copies. The court found that JS&A was likely responsible for contributory infringement because it manufactured a device that was used for infringing purposes, rather than substantial noninfringing purposes.

In another case assigning contributory liability, the Court of Appeals for the Eleventh Circuit found a promoter of cable descrambling equipment responsible to copyright owners under a contributory infringement theory. The promoter engaged in extensive contributory infringement through promotions of various pirate chips and other infringing devices. The promoter also participated in a “Descrambling Summit,” which informed audiences of developments in the pirate chip business and instructed viewers on methods to compromise cable program scrambling by using pirate chips. The court determined that the promoter had actual and apparent knowledge that its computer program located in the marketed chip was copyrighted. In addition, the court held that the promoted items were used primarily for unlawful, infringing uses rather than legitimate, noninfringing uses.

2. Contributory Liability of BBS Operators or Service Providers?

The issue of contributory liability for a BBS operator or a service provider has not been finally adjudicated. In Sega, without issuing a final ruling, the court found that there was a substantial likelihood, sufficient to sustain a preliminary injunction, that the BBS operator was both di-

493. Id. at 9-10.
494. Id. at 10.
496. Id. at 846-47.
497. Id.
498. Id. at 846.
499. Id.
500. One opportunity to actually adjudicate such a claim was lost when the parties to the Frank Music Corp. v. CompuServe, Inc. class action settled their suit. See supra notes 445-50 and accompanying text.
rectly and contributorily liable for copyright infringement.\textsuperscript{501} Currently, there is still at least one "test" case pending that may help answer the questions of operator and service provider liability for copyright infring- ing activity undertaken on their systems.\textsuperscript{502}

Furthermore, a recently decided defamation case may offer some pre- cedent for defining the scope of service provider liability.\textsuperscript{503} In Cubby, \textit{Inc. v. CompuServe, Inc.}, CompuServe was sued for carrying allegedly defamatory statements about a computer database called "Skuttle- but."\textsuperscript{504} These statements were published on a CompuServe BBS called "Rumorville."\textsuperscript{505} The court absolved CompuServe from liability because of its limited function with respect to the Rumorville BBS\textsuperscript{506} The court found that CompuServe did not "republish" the defamatory statements because it did not review the statements before they were transmitted.\textsuperscript{507} In effect, CompuServe was a passive distributor, like a bookstore or library, rather than an active distributor, like a newspaper or broadcaster.\textsuperscript{508} Thus, the court held that it would be unreasonable to expect CompuServe to know the contents of all transmissions on the service and refused to impose tort liability.\textsuperscript{509}

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\item Sega Enters., Ltd. v. MAPHIA, 857 F. Supp. 679, 689 (N.D. Cal. 1994).
\item Religious Tech. Ctr. v. Netcom, No. C95-20091 (N.D. Cal.) (verified first amended complaint filed March 3, 1995). In \textit{RTC}, owners of copyrights in works by L. Ron Hubbard, founder of the Church of Scientology, are suing an Internet user, a BBS operator, Klemesrud, and an Internet access provider, Netcom, for publishing copyrighted materials. \textit{Id.} In a recent published ruling, the court in the \textit{RTC} case determined as a matter of law that Netcom and Klemesrud were not liable for direct or vicarious infringement of the copyrighted material. Religious Tech. Ctr. v. Netcom On-Line Communication Serv., Inc., 907 F. Supp. 1361, 1381-82 (N.D. Cal. 1995). The court did find, however, that the plaintiffs raised a triable issue of fact as to Netcom and Klemesrud's contributory liability. \textit{Id.} at 1373, 1382. The court also ruled that Netcom raised a triable issue as to fair use, given its limited participation in, control over, and benefit derived from the direct infringer's activities. \textit{Id.} at 1378-81; see Edward H. Rosenthal & Jeanne Hamburg, \textit{Are 'Net Providers Liable for Users' Infringe- ment? A Federal District Court Rules That if They Have Notice and Fail to Act, They May Be Contributorily Liable}, NAT'L L.J., Feb. 12, 1996, at C4.
\item \textit{Id.} at 138.
\item 505. \textit{Id.}
\item 506. \textit{Id.} at 140-41.
\item 507. \textit{Id.} at 139-41.
\item 508. \textit{Id.}
\item 509. \textit{Id.} at 140. \textit{But see} Stratton Oakmont, Inc. v. Prodigy Servs. Co., No. 31063/94, 1995 N.Y. Misc. LEXIS 229 (N.Y. Sup. Ct. May 24, 1995). In \textit{Stratton}, the court ruled, in a partial summary judgment motion, that Prodigy had sufficient editorial control over the transmissions in its system to constitute a "publisher." \textit{Id.} at *10. Unlike CompuServe, Prodigy held itself out to be a family oriented service wherein it screened for inappropriate content on its system. \textit{Id.} at *5-6. Therefore, the court found, Prodigy could also screen for copyright violations. \textit{Id.} at *10. Prodigy had
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E. Liability Standards for Service Providers

As Judge Learned Hand aptly noted, "as soon as literal appropriation ceases to be the test, the whole matter is necessarily at large." The liability theories available to a copyright plaintiff allow for numerous potential defendants, including BBS operators, on-line services, Internet access providers, discussion group moderators, colleges and universities, and, of course, Internet users. The exact standards that should be applied to each of these defendants remains unclear because the cases are not consistent in assigning responsibility for digital copyright violations. At a minimum, this lack of clarity causes some providers to pause for concern; at a maximum, the vague state of digital copyright liability could stunt the growth of the NII for fear of untold liability.

In addition to vagueness of the law, the very potential for far-reaching strict liability disturbs many BBS operators and service providers. These groups are lobbying for not merely a codification of a standard, but also for a statutory adoption of a lesser standard of liability than they believe service providers could be exposed to in the courts. "The arguments against strict liability for bulletin boards, on-line services, and other services that mix communication and publishing functions should be recognized. A strict liability rule would stifle the development of [the NII]." Without adoption of a lesser standard, many providers believe they will be unable to withstand their liability exposure.

planned to appeal the ruling, but the case became moot, as it was recently settled. See Dan Blake, Prodigy to Appeal Loss in Libel Case, ARIZ. REPUBLIC, May 27, 1995, at E1, available in 1995 WL 2797566; Elizabeth Corcoran, $200 Million Libel Suit Against Prodigy Dropped: On-Line Industry Had Worried About Case, WASH. POST, Oct. 25, 1995, at F2.

510. Nichols v. Universal Pictures Corp., 45 F.2d 119, 121 (2d Cir. 1930).
511. Working Group Hearing II, supra note 4, at 55 (statement of Eugene Volokh, Professor of Law, UCLA).
513. Working Group Hearing II, supra note 4, at 55 (statement of Eugene Volokh, Professor of Law, UCLA) (arguing that it is "critical that copyright be modified, or at least clarified, to make the basis for liability narrower and more precise").
514. Working Group Hearing II, supra note 4, at 16 (statement of Robert Simons, General Counsel, Dialog Information Services) (expressing concern that contributory infringement or vicarious liability may make service providers liable for acts of NII users).
516. Working Group Hearing I, supra note 4, at 51 (statement of Kent Stuckey,
1. BBS Operators

The primary concerns about BBS operator liability are the lack of control BBS operators have over material posted on their bulletin boards and the chilling effects on free speech. As one commentator noted, "even the most careful systems operators (sysops) cannot effectively screen all uploaded files for copyright infringing content." Thus, it is argued that liability should be imposed only when the BBS operator has the actual ability to monitor and control the content of the bulletin board. Moreover, there is concern that forcing BBS operators to police their system will have a chilling effect on speech and virtually eliminate the incentive to provide a BBS system. The difficulty lies in balancing the needs of the NII, i.e., freedom and growth, with the needs of content providers, i.e., protection of their rights.

2. Service Providers

Arguments against a strict liability standard for service providers are even more strident. First, some argue that basic principles of fairness dictate that the actual wrongdoer, the NII user, be held responsible, rather than an innocent, legitimate entity, the service provider. Additionally, some providers warn that strict liability will burden the NII's goals, development and popularity, because additional costs will be forced-

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General Counsel and Secretary, CompuServe, Inc. ("[C]ontinued application of a strict liability standard of direct copyright infringement threatens to greatly burden or cut off circulation through the extremities as well as the movement or burden the movement of the body of information content."); see also Working Group Hearing III, supra note 4, at 27 (statement of Ellen Kirsh, Vice President, General Counsel and Secretary, America Online, Inc.) (maintaining that without elimination of strict liability standards "the likely result will be the service operators will have to spend large amounts of time and resources to defend themselves in every case where infringing material is posted on-line").

517. Bliss, supra note 419, at 557.


519. Netanel & Lemley, supra note 220, at 5.

520. Id.


522. See Working Group Hearing I, supra note 4, at 51 (statement of Kent Stuckey, General Counsel and Secretary, CompuServe, Inc.) (pointing out the inequity of forcing system providers to pay for the wrongdoing of NII users); Working Group Hearing II, supra note 4, at 55 (statement of Eugene Volokh, Professor of Law, UCLA) (arguing that liability should not be applied to cases like Playboy but may be appropriate for situations such as the Sega case where the service provider actively solicited and participated in the infringement).
ibly passed down to end users.523 Finally, many assert they are unable to effectively control the quantum of information speeding through the two-way, real-time NII system.524

Different proposals to modify the strict liability standard have been presented. One such proposal is the adoption of an "actual knowledge" standard, similar to the standard applied in contributory liability cases.525 Others advocate adoption of a "common carrier" exception.526

523. Working Group Hearing I, supra note 4, at 51 (statement of Kent Stuckey, General Counsel and Secretary, CompuServe, Inc.).

Strict liability establishes a requirement or an incentive to review and screen of [sic] censor in order to avoid or reduce liability. Now, if this attempted [sic], the technology is severely handicapped, both regarding its real time aspects and its efficiencies and then on the resorting economic benefit, all reduced by the cost of screening and censoring, as well as the deprivation of the real time efficiencies. These costs would indeed be passed on to the consumers and this is the threat of presenting a society of information have and have nots. The end users would bear the cost of the potential abuse by the few under a strict liability regime.

Id. (statement of Kent Stuckey, General Counsel and Secretary, CompuServe, Inc.).

524. Working Group Hearing III, supra note 4, at 55 (statement of Allan Arlow, President and CEO, Computer and Communications Industry Association) (warning that strict liability will cripple the NII because service providers will be forced to convert to a one-way, passive system rather than the current two-way, interactive system in order to control the "thousands, if not millions of digital transmissions occurring simultaneously").

525. Under such a standard, providers will not be liable for user infringements unless they (1) have actual knowledge that infringing materials are being transmitted, and (2) have done nothing to remove the infringing materials. Conferences: Copyright Office Registration Reforms and Restoration Procedures Are Aired, 50 PAT. TRADEMARK & COPYRIGHT J. 34, *4 (BNA) (May 11, 1995); see Working Group Hearing I, supra note 4, at 51-52 (statement of Kent Stuckey, General Counsel and Secretary, CompuServe, Inc.) (supporting an actual knowledge standard, similar to that found in the Sony decision, which would "greatly enhance" the NII's development); Working Group Hearing II, supra note 4, at 55 (statement of Eugene Volokh, Professor of Law, UCLA) (advocating a narrow contributory liability standard); Working Group Hearing III, supra note 4, at 27-28 (statement of Ellen Kirsh, Vice President, General Counsel and Secretary, America Online, Inc.) (proposing that the Act require that service providers cooperate with the copyright owner to determine identity of the NII user responsible for the infringement and provide reasonable assistance, such as evidentiary support). But see O'Rourke, supra note 422, at *8 (questioning the sufficiency of limiting remedies to actions against actual wrongdoers because of inadequate resources of NII users).

Defining the exact function of a service provider may be relevant to determining the appropriate standard. As service providers vary in their function and involvement, so do their copyright defendant classifications.  

Arguing against a strict liability standard, a representative for America Online distinguished NII service providers from traditional print publishers:

"Print publishers have the opportunity to review what they publish in advance of publication. This is not the case for on-line service providers. Our medium is interactive and participatory in real time. We have no means of knowing what will be made available on our services until it is posted there. The volume of content on our services is so great and comes constantly from so many sources that the publisher model of content control is totally unrealistic to those of us in the front lines."  

America Online alone transmits 800,000 pieces of e-mail along with 30,000 message board postings on their 4000 message boards daily. They deal with 620 billion gigabytes of information per week, with 28 gigabytes (200,000 files) of software alone. In essence, neither America Online nor any other service provider has the resources to screen, censor, or limit the vast amount of NII content without charging consumers much more than $10.00 per month to use their service.
3. Content Provider Opinion

Content providers vehemently oppose the notion of statutorily mandating liability standards for BBS operators or service providers. At recent congressional hearings, witnesses argued that such changes should be left to judicial and market, rather than legislative, forces. Others have simply rejected contentions that service providers are not responsible for, nor able to control, NII content.

4. Working Group's Opinion

The Working Group does not agree that legislative action should be taken to clarify the liability of BBS operators or NII service providers. It believes that "it is—at best—premature to reduce the liability of any type of service provider in the NII environment." Such a codification, it argues, could not account for the various roles, both active and passive, that the different service providers play on the NII. Further, it contends that as between an innocent service provider and an innocent copyright owner, the service provider is in a better position to bear the cost of infringement. The Working Group notes that on-line

532. See infra notes 548-49 and accompanying text.
533. See Legislation: Two Days of Hearings on NII Bill Consider Provider Liability and Fair Use, 51 PAT. TRADEMARK & COPYRIGHT J. 484 (BNA) (Feb. 15, 1996) (testimony of Jack Valenti, President, Motion Picture Association of America). However, Representative Boucher noted that the provider liability issue must be addressed by the legislature now because otherwise there will be no incentive for future changes. Id.
534. Working Group Hearing II, supra note 4, at 29 (statement of William Daniels, Journalist/Attorney, Paul & Stewart) (rejecting the argument that a service provider "cannot act as a gatekeeper of its own system" and warning that proposed liability modifications will create "no copyright zones"). Another witness, strongly doubting the service provider arguments, stated: "If they can figure out a way to charge everybody to get onto their system, we think they can certainly figure out a way to make sure that copyrighted works are licensed and compensated for." Working Group Hearing IV, supra note 4, at 33 (statement of Hilary Rosen, President and Chief Operating Officer, Recording Industry Association of America). Ms. Rosen noted such considerations are "the cost of doing business." Id.
536. Id. at 122.
537. Id. at 122-23.
538. Id. at 117. Positing that because "someone has to be liable" for compensating copyright owners, Bruce Lehman expressed his belief that "it's highly likely that [service providers will be] the target parties." Working Group Hearing I, supra note 4, at 54 (statement of Bruce Lehman, Working Group Chairperson).
service providers are not the first innocent parties to operate under strict liability standards for protection against copyright infringement when dealing with vast amounts of information—photo finishers are in a similar position. Thus, the Working Group encourages further development of case law and increased participation by service providers in controlling copyright infringement.

5. A Rebuttable Presumption?

Both types of providers, content and service, have compelling arguments for their position on provider liability. The case law is, at best, ambiguous when defining exactly what the liability standards are—directly, contributorily, and vicariously—for NII service providers. In order to encourage progressive and meaningful development of the NII, the rules on provider liability, like the rules on provider rights, should be clear. Thus, the legislature should codify exactly what the standard will be.

What standard should the legislature adopt? This should depend on the role of the individual operator or provider. As the courts in Fonovisa, Inc. v. Cherry Auction, Inc. and Religious Technology Center v. Netcom On-line Communication Services, Inc. have found, a direct, strict liability standard should not apply to a provider who is simply a “passive conduit.” As the courts in Sega Enterprises, Ltd. v. MAPHIA and Stratton Oakmont, Inc. v. Prodigy Services Co. found, active participation might justify imposition of strict liability. The burden of proof should not fall entirely on innocent providers who are incapable of controlling content, nor should the cost of infringement shift entirely to the owners whom copyright law was designed to protect.

This Comment proposes that the standard should be based on existing case law, but with the following presumptions: (1) that a BBS operator or service provider is not vicariously or contributorily liable for infringement by NII users; and (2) that the mere mechanical function of copying allowed by server hosts is not sufficient to establish direct re-

539. WORKING GROUP REPORT, supra note 42, at 116.
540. Id. at 123-24.
541. See supra notes 517-34 and accompanying text.
542. See supra notes 503-09 and accompanying text.
543. See supra note 513 and accompanying text.
544. See supra notes 512-13 and accompanying text.
545. See supra notes 431-32 & 464 and accompanying text.
546. See supra notes 144-60, 427-30, 509 & 514 and accompanying text (discussing Sega).
547. See supra notes 515 & 534 and accompanying text.
548. See supra notes 431-32 & 464 and accompanying text.
responsibility of either a BBS operator or service provider. Such presumptions could be overcome if the copyright owner proved that it was more likely than not that either (1) the operator or service provider directly participated in the infringing activity by otherwise reproducing, preparing, or distributing copyrighted works, or (2) the operator or service provider, upon gaining actual knowledge of an infringement, failed to take reasonable steps to rectify the situation. Such a standard would help promote the goals of the NII and of copyright law by preserving the essential balance between content and service providers, while still allowing the NII to develop.

Adopting concrete standards for rights and liabilities is important to foster the NII's development. Unfortunately, all of these standards will be meaningless without an effective remedy available to those content providers who pursue a copyright infringement claim. The final section of this Comment will examine the adequacy of remedies afforded by the existing copyright scheme and offers proposals for change.

V. CIVIL AND CRIMINAL REMEDIES FOR INFRINGEMENT

A. Current Civil Remedies in the Copyright Act

A successful plaintiff in a copyright infringement action has a number of statutory remedies available. A plaintiff may choose between actual damages, including a defendant's profits from the infringement, or statutory damages. Statutory damages are awarded according to what a court deems "just"—between $500 and $20,000 per infringed work. The court may also increase statutory damages to $100,000 if the infringement is willful, or may reduce the damages to $200 if the infringe-

549. See supra note 464 and accompanying text.
550. See supra notes 431-32 & 464 and accompanying text.
551. See supra note 464 and accompanying text.
552. See supra notes 521-40 and accompanying text.
553. See infra notes 554-88 and accompanying text.
ment is innocent. Further, a finding that the copying of material is de

minimis may also be relevant to the question of damages.

A court may "grant temporary and final injunctions on such terms as it

may deem reasonable to prevent or restrain infringement of a copy-

right." The court may also order all copies or phonorecords which

violate the copyright owner's rights to be impounded or destroyed.

Courts further have the discretion to award attorney's fees and costs to

the prevailing party.

Evidently, the Working Group concludes that this discretionary system

achieves the proper balance between copyright owners and NII users. In

its final report, the Working Group did not recommend any changes to

the civil remedies in Chapter 5 of the Copyright Act. Noting the balanc-
ing of equities in current law, Chairman Lehman stated that infringers

"have an added protection under existing law in that . . . it's within the
discretion of the court to decide on the amount of the statutory dam-
gages. And it doesn't mean that they have to be the maximum amount at
all." In response, a witness suggested that "a lot of defendants, espe-
cially a lot of potential defendants, might not be very much [sic] sort of
palliated by the process that some court somewhere in its discretion
might only award a very small amount rather than tens of thousands of
dollars."

B. Current Criminal Penalties for Copyright Violations

Violations of copyright laws can also lead to criminal sanctions. Section
506 of the Copyright Act specifically provides that willful copyright
violations for the purposes of commercial advantage can be punished
criminally. Further, fraudulent copyright notices and fraudulent re-

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556. 17 U.S.C. § 504(c)(2) (1994); D.C. Comics, Inc. v. Mini Gift Shop, 912 F.2d 29,
35 (2d Cir. 1990) (awarding reduced statutory damages because of defendant's inno-
cence). Innocence as a defense can be relevant in a copyright action, but only as it
applies to an assessment of damages. Peter Pan Fabrics, Inc. v. Dixon Textile Corp.,
188 F. Supp. 235, 237 (S.D.N.Y. 1960). Moreover, a court is required to reduce statu-
tory damages when the infringer is an employee of a nonprofit educational institution
or a nonprofit public broadcaster who reasonably thought the infringing use was fair
561. Working Group Hearing II, supra note 4, at 56 (statement of Bruce Lehman,
Working Group Chairperson).
562. Working Group Hearing II, supra note 4, at 56-57 (statement of Eugene
Volokh, Professor of Law, UCLA).
moval of copyright notices are criminal violations. Section 2319 of the Crimes Statute outlines the penalties for criminal copyright infringement; those penalties include fines of up to $250,000 and imprisonment for up to five years, depending on the egregiousness of the violation. Additionally, the court has the power to order forfeiture and destruction of infringing material and equipment used for infringement.

C. Changes to the Law?

1. The LaMacchia Bill: A Pending Proposal from the Legislature

Responding to the perceived inadequacy of criminal penalties evidenced by dismissal of the LaMacchia case, Senator Patrick Leahy introduced a bill that would purportedly "close a significant loophole in our copyright law." If passed, that legislation would refine the definition of "financial gain" in § 101 to include "bartering for and trading of, pirated software." The legislation would also add § 506(a)(2), which would impose criminal sanctions for reproducing or distributing copyrighted material with a retail value of $5000 or more, even if such activity were not for profit.

2. Working Group Proposals for Anti-Encryption Technology and Copyright Management Information

The Working Group realizes that problems inherent in the NII, such as ease of infringement, difficulty in detection, and lack of enforceability, will make copyright owners skeptical about relying on even the best legal remedies for protection. Thus, technology, rather than law, may be

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569. Legislation, supra note 567, at *2; see S. 1122, supra note 568. The violation would be a misdemeanor where copyrighted material has a retail value of between $5000 and $10,000 and would be a felony where copyrighted material is worth more than $10,000. Legislation, supra note 567, at *2; see S. 1122, supra note 568.
570. WORKING GROUP REPORT, supra note 42, at 230.
the best method of copyright protection in the NII. However, technology can often be used to outsmart technology. Therefore, the Working Group recommends a new Chapter 12 for the Copyright Act to provide strengthened remedy protection for breaches of technological copyright protections. The proposed Chapter 12 would create new causes of action, containing both civil and criminal remedies, for circumvention of copyright protections systems or alteration of copyright management information.

The civil remedy provisions in the proposed Chapter 12 closely follow those of Chapter 5 of the Copyright Act. Under the proposed Chapter

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571. Id.
572. Id.
573. Id. at 230-34 & app. 1, pp. 5-11.
574. Id. at 230-36 & app. 1, p. 6. The proposed additions read as follows:

§ 1201. Circumvention of Copyright Protection Systems
No person shall import, manufacture or distribute any device, product or component incorporated into a device or product, or offer or perform any service, the primary purpose or effect of which is to avoid, bypass, remove, deactivate, or otherwise circumvent, without the authority of the copyright owner or the law, any process, treatment, mechanism or system which prevents or inhibits the violation of any of the exclusive rights of the copyright owner under section 106.

§ 1202. Integrity of Copyright Management Information
(a) FALSE COPYRIGHT MANAGEMENT INFORMATION. — No person shall knowingly provide copyright management information that is false, or knowingly publicly distribute or import for public distribution copyright management information that is false.

(b) REMOVAL OR ALTERATION OF COPYRIGHT MANAGEMENT INFORMATION. — No person shall, without authority of the copyright owner or the law, (i) knowingly remove or alter any copyright management information, (ii) knowingly distribute or import for distribution copyright management information that has been altered without authority of the copyright owner or the law, or (iii) knowingly distribute or import for distribution copies or phonorecords from which copyright management information has been removed without authority of the copyright owner or the law.

(c) DEFINITION. — As used in this chapter, "copyright management information" means the name and other identifying information of the author of a work, the name and other identifying information of the copyright owner, terms and conditions for uses of the work, and such other information as the Registrar of Copyrights may prescribe by regulation.

§ 1203. Civil Remedies
(a) CIVIL ACTIONS. — Any person injured by a violation of Sec. 1201 or 1202 may bring a civil action in an appropriate district court for such violation.

Id. at app. 1, pp. 5-8.
575. Id. at app. 1, pp. 8-11. The civil remedy provisions in proposed Chapter 12 are:

§ 1203. Civil Remedies
12, permissible statutory damages would be higher than those contained in Chapter 5; for violations related to copyright protection systems, courts could award between $200 and $2500 per product or service; and for copyright management information violations, a court could award between $2500 and $25,000.576 Additionally, the court could award treble damages against a person who had violated either § 1201 or § 1202 in

(b) POWERS OF THE COURT. — In an action brought under subsection (a), the court —
(1) may grant temporary and permanent injunctions on such terms as it deems reasonable to prevent or restrain a violation;
(2) at any time while an action is pending, may order the impounding, on such terms as it deems reasonable, of any device or product that is in the custody or control of the alleged violator and that the court has reasonable cause to believe was involved in the violation;
(3) may award damages under subsection (c);
(4) in its discretion may allow the recovery of costs by or against any part other than the United States or an officer thereof;
(5) in its discretion may award reasonable attorney's fees to the prevailing party; and
(6) may, as part of a final judgment or decree finding a violation, order the remedial modification or the destruction of any device or product involved in the violation that is in the custody or control of the violator or has been impounded under subsection (2).

(c) AWARD OF DAMAGES. —
(1) IN GENERAL. — Except as otherwise provided in this chapter, a violator is liable for either (i) the actual damages and any additional profits of the violator, as provided by subsection (2) or (ii) statutory damages, as provided by subsection (3).
(2) ACTUAL DAMAGES. — The court shall award to the complaining party the actual damages suffered by him or her as a result of the violation, and any profits of the violator that are attributable to the violation and are not taken into account in computing the actual damages, if the complaining party elects such damages at any time before final judgment is entered.

Id. at app. 1, pp. 8-10.
576. Compare 17 U.S.C. § 504(c) (1994) with the following proposal by the Working Group:

(3) STATUTORY DAMAGES. —
(A) At any time before final judgment is entered, a complaining party may elect to recover an award of statutory damages for each violation of section 1201 in the sum of not less than $200 or more than $2,500 per device, product, offer or performance of service, as the court considers just.
(B) At any time before final judgment is entered, a complaining party may elect to recover an award of statutory damages for each violation of section 1202 in the sum of not less than $2,500 or more than $25,000.

WORKING GROUP REPORT, supra note 42, at app. 1, p. 10.
the past three years. Finally, the court could reduce or remit all damages when the violator acts innocently. In addition, like § 506(c)(d) of the Act, the newly proposed Chapter 12 contains criminal remedies for fraudulent violations of copyright management information.

3. Reactions to the Working Group Proposals

Like many of the other proposals forwarded by the Working Group, there are mixed reactions to the newly proposed Chapter 12. Most parties agree with creating civil and criminal penalties for altering, destroying, or fraudulently providing copyright management information. However, civil remedies and standards for anti-encryption devices have created considerable controversy.

Those in favor of the anti-encryption device provisions argue, like the Working Group, that such legislation is necessary to protect the only true safeguard against copyright infringement—technology. Some propo-

577. Id. at app. 1, p. 11. The text of this proposed provision is as follows:

   (4) REPEATED VIOLATIONS. — In any case in which the injured party sustains the burden of proving, and the court finds, that a person has violated section 1201 or 1202 within three years after a final judgment was entered against that person for another such violation, the court may increase the award of damages up to triple the amount that would otherwise be awarded, as the court considers just.

Id.

578. Id. at app. 1, p. 11. This proposed provision states:

   (5) INNOCENT VIOLATIONS. — The court in its discretion may reduce or remit altogether the total award of damages in any case in which the violator sustains the burden of proving, and the court finds, that the violator was not aware and had no reason to believe that its acts constituted a violation.

Id.

579. Id. at app. 1, p. 11. The proposed criminal provision is:

   § 1204. Criminal Offenses and Penalties
   Any person who violates section 1202 with intent to defraud shall be fined not more than $500,000 or imprisoned for not more than 5 years, or both.

Id.

580. See supra notes 554-56 and accompanying text; see generally Working Group Hearings I-IV, supra note 4.


582. "In order to obtain the richest possible content on the NII it is imperative as the Working Group has included that devices and services meant to defeat anti-copying technology be outlawed." Working Group Hearing I, supra note 4, at 31 (statement of Jim Schatz, West Publishing Co.); see also id. at 46 (statement of Edward Massie, President and CEO, Commerce Clearing House, Inc.) (supporting proposed legislation safeguarding encryption and other technological protections); Working
ponents even suggested that the anti-defeat legislation should go one step further. One proponent suggests that not only should there be legislation preventing tampering with anti-copying systems, but also a mandatory scheme, similar to that found in the Audio Home Recording Act.\textsuperscript{563} Such a scheme would require the inclusion of devices in machines that respond to anti-copying software.\textsuperscript{564} Other proponents suggest that criminal responsibility should be assigned because "[t]oo many NII bandits, some operating totally in the underground economy, will scoff at the threat of civil damages."\textsuperscript{565}

Others argue that although some legislation may be necessary to protect anti-encryption, the proposed legislation goes too far.\textsuperscript{566} Proponents contend that by replacing the "substantial, noninfringing use" standard of \textit{Sony} with a "primary purpose and effect" standard, the Working Group's proposal may outlaw technology and services that are necessary for legitimate purposes such as reverse engineering, home and archival copying, and program debugging.\textsuperscript{567} Because the devices themselves cannot tell the difference between legal and illegal uses, courts should be permitted to continue applying the \textit{Sony} standard of "substantial, noninfringing use," which would presumably leave room for anti-encryption devices that are used for legitimate purposes.\textsuperscript{568} Therefore, continued application of the \textit{Sony} standard, rather than the "primary purpose

\textit{Group Hearing II, supra} note 4, at 58 (statement of Mike Malone, CEO, Griffin Software Corp., on behalf of the Alliance to Promote Software Innovation) (backing proposed amendment to outlaw anti-encryption devices).

\textsuperscript{583} \textit{Working Group Hearing II, supra} note 4, at 63 (statement of Robert Hadl, Vice President and General Counsel, MCA).

\textsuperscript{584} Id.

\textsuperscript{585} Legislation: Two Days of Hearings on NII Bill Consider Provider Liability and Fair Use, 51 PATEMBERK & COPYR J. 484 (BNA) (Feb. 15, 1996) (testimony of Jack Valenti, President, Motion Picture Association of America).

\textsuperscript{586} See Netanel & Lemley, supra note 220, at *2; see also Samuelson, supra note 81, at 26 (referring to a recent article in \textit{Wired}, Professor Samuelson notes the proposal is "so broad, publishers could probably use it to ban sales of photocopy machines").

\textsuperscript{587} Legislation: Two Days of Hearings on NII Bill Consider Provider Liability and Fair Use, 51 PATEMBERK & COPYR J. 484 (BNA) (Feb. 15, 1996) (testimony of Jack Valenti, President, Motion Picture Association of America); Netanel & Lemley, supra note 220, at *2. "Even for such devices where it can be clearly seen that the primary purpose is to bypass software protection schemes, program developers may need them in order to (temporarily) bypass their own protection schemes, in order to debug the program, or the protection scheme itself." Rubin, supra note 222, at *2.

\textsuperscript{588} Jensen, supra note 226, at *15-16; Rubin, supra note 222, at *2.
and effect" test is the best way to protect against infringing activity, while still allowing for legitimate use of the technology, thus preserving the balance envisioned by the Copyright Act.

VI. CONCLUSION

The NII is the modern Wild West—the new Electronic Frontier. Much like the days of old, the primitive Digital Frontier is rapidly evolving. But, the new frontier will not survive if law and order does not prevail. Those who drive the Information Superhighway may exit from fear that they will be pillaged by the new Highwayman—the new Highwayman who is flying through Cyberspace in a starship, seeking information. The new Highwayman may choose not to board that starship if the ride is too expensive or too dangerous. This is the essence of copyright law balance on the NII.

The proposals for change, and those for preservation of the status quo, given in this Comment reflect the balance envisioned by the United States Constitution. Without protection of the rights of authors and creators, the Information Superhighway may be underdeveloped; without security for the contributions of investors, the Information Superhighway may be underfinanced; without preservation of the liberties of the public, the Information Superhighway may be underutilized; and without defending the Constitution, what are we left with? By protecting all those who brave this new frontier we can establish justice, not just law and order, in the new digital environment, thereby promoting the progress of society, science, and the useful arts.

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