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

Chandra Gehri Spencer

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

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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.¹

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 en 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."² Highwaymen 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."³

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).

2. WILLIAM ALLAN PINKERTON, TRAIN ROBBERIES, TRAIN ROBBERS AND THE "HOLDUP" MEN 9 (1974).

3. JOSEPH HENRY JACKSON, BAD COMPANY 234-35 (1949).

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 jeopard-

4. See *Public Hearing at the University of Chicago before the Information Infrastructure Task Force, Working Group on Intellectual Property Rights*, (Sept. 14, 1994) [hereinafter *Working Group Hearing I*]; *Public Hearing at UCLA, before the Information Infrastructure Task Force, Working Group on Intellectual Property*, (Sept. 16, 1994) [hereinafter *Working Group Hearing II*]; *Public Hearing at the Andrew Mellon Auditorium, before the Information Infrastructure Task Force, Working Group on Intellectual Property Rights*, (Sept. 22, 1994) [hereinafter *Working Group Hearing III*]; *Public hearing at the Andrew Mellon Auditorium, before the Information Infrastructure Task Force Working Group on Intellectual Property Rights*, (Sept. 23, 1994) [hereinafter *Working Group IV*]. All transcripts are available from the Office of Legislative and International Affairs, U.S. Patent & Trademark Office; from the IITF Bulletin Board, accessible through the Internet by pointing the Gopher Client to iitf.doc.gov or by telnet to [iitf.doc.gov](telnet://iitf.doc.gov) [login as gopher]; or via modem at 202-501-1920.

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.

8. Ralph Oman, *Intellectual Property—Our Once and Future Strength*, 27 *GEO. WASH. J. INT'L L. & ECON.* 301, 301 (1993-94).

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.⁹ Section II will discuss the need for additional copyright protection in the digital age.¹⁰ Section III surveys how current law and proposed changes affect the bundle of rights associated with copyright on the Information Superhighway.¹¹ Section IV discusses infringement liability and proposals for modifying liability standards.¹² Section V examines the remedies, both civil and criminal, available to the copyright owner and what additional remedies may be necessary to protect copyrights.¹³

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."¹⁴ 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."¹⁵ 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.¹⁶ The NII will allow people to exchange information anytime, anywhere.¹⁷ People will be able to use the NII for a myriad of purposes "including education, research, entertainment, sales, leisure, health care, transportation, and banking."¹⁸ The NII is expected to revolutionize information and change our lives forever.¹⁹

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.

14. Alan J. Hartnick, *Law Changes Necessary for Information Superhighway?*, N.Y.L.J., June 9, 1995, at 5.

15. The National Information Infrastructure: Agenda for Action, 58 Fed. Reg. 49,025, 49,025 (1993) [hereinafter *Agenda for Action*].

16. Ralph J. Andreotta, *The National Information Infrastructure: Its Implications, Opportunities, and Challenges*, 30 WAKE FOREST L. REV. 221, 222 (1995).

17. *Id.*

18. *Id.* at 223.

19. *Id.* at 221; see also Al Gore, *Remarks*, 1994 COMMLAW 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

20. INFORMATION INFRASTRUCTURE TASK FORCE, GREEN PAPER: INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE. A PRELIMINARY DRAFT OF THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS 2 n.2 (1994) [hereinafter WORKING GROUP DRAFT]. All transcripts are available from the Office of Legislative and International Affairs, U.S. Patent & Trademark Office; from the IITF Bulletin Board, accessible through the Internet by pointing the Gopher Client to iitf.doc.gov or by telnet to iitf.doc.gov [login as gopher]; or via modem at 202-501-1920.

21. Deborah Reilly, *The National Information Infrastructure and Copyright: Intersections and Tensions*, 76 J. PAT. & TRADEMARK OFF. SOC'Y 903, 904 (1994).

22. Andrew Grosso, *The National Information Infrastructure: Implications of the Information Superhighway for Commerce, Security, and Law Enforcement*, 41 FED. B. NEWS & J. 481, 481-82 (1994).

23. *Id.*

24. Reilly, *supra* note 21, at 904-05.

25. Richard Raysman & Peter Brown, *Liability on the Internet*, N.Y.L.J., Nov. 8, 1994, at 3.

26. 15 U.S.C. §§ 5501-5528 (1994).

27. 15 U.S.C. § 5502(1)(A) (1994).

28. *See* 15 U.S.C. §§ 5521(b), 5522(b), 5523(e), 5524(d), 5525(b), 5526(b) (1994).

29. *See* 15 U.S.C. § 5512(c)(5)-(6) (1994).

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,³⁰ with one million persons added each month worldwide.³¹ 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.³² 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.³³ The NII initiative has nine goals aimed at promoting the development of the NII.³⁴ 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 data bases 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.

30. See *Pending Copyright Bills: Hearings on H.R. 2441 and S. 1284 Before the House Subcomm. on Courts and Intell. Prop. and the Senate Judiciary Comm.*, 104th Cong., 1st Sess., (F.D.C.H.) (1995) (statement of the Honorable Carlos J. Moorehead, member of the assembly), available in 1995 WL 676994.

31. See L.A. Lorek, *Worker Access Adds Internet Responsibilities for Companies: Businesses Can Be Held Liable for Actions Their Employees Take On-line, Such as Downloading Illegal or Copyrighted Information Off Network*, SUN-SENTINEL (Fort Lauderdale), June 6, 1994, Business sec., at 11, available in 1994 WL 5407617; Carla Lazzareschi, *Businesses Create Cyberspace Land Rush on the Internet*, L.A. TIMES, Aug. 22, 1993, at D1.

32. Robin Dalmas, *Globetrotting in Cyberspace*, NEW ORLEANS TIMES PICAYUNE, Nov. 20, 1994, at E1, available in 1994 WL 3857272; *London Has World's Oldest Subway System*, ST. PAUL PIONEER PRESS, Sept. 21, 1994, at 4A.

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).³⁵

The IITF consists of three committees: the Telecommunications Policy Committee, the Information Policy Committee, and the Applications Committee.³⁶ 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.³⁷ The Working Group on Intellectual Property Rights (the Working Group) is responsible for evaluating intellectual property protections on the NII.³⁸

The Working Group is "simply trying to adopt traditional principles which are balanced in our country to modern technology."³⁹ 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.⁴⁰ 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).

40. See Request for Comments of Intellectual Property Issues Involved in the National Information Infrastructure Initiative, 58 Fed. Reg. 53,917 (1993); *Public Hearing on Intellectual Property Issues Involved in the National Information Infrastructure Initiative at Marriott Hotel, Arlington, Va. before the Information Infrastructure Task Force Working Group on Intellectual Property Rights* (Nov. 18, 1993). All transcripts are available from the Office of Legislative and International Affairs, U.S. Patent & Trademark Office; from the IITF Bulletin Board, accessible through the Internet by pointing the Gopher Client to iitf.doc.gov or by telnet to iitf.doc.gov [login as gopher]; or via modem at 202-501-1920. See also *Information Policy: Hearing on National Information Infrastructure Focuses on IP Issues*, 47 PAT. TRADEMARK & COPYRIGHT J. 80 (BNA) (Nov. 25, 1993).

preliminary draft of their report on these issues, which they followed by holding public hearings and soliciting written comments on the report's findings.⁴¹ The Working Group released the final draft of the report on September 5, 1995.⁴² In response to the final report, Congress introduced several bills to implement the Working Group's recommendations for changes to the Copyright Act.⁴³

Since their release, the Working Group reports have been a springboard 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;⁴⁴ (2) What rights are affected by the NII and what additional legislation is needed to protect those rights;⁴⁵ (3) Who should be responsible for infringement of those rights;⁴⁶ and (4) What remedies are necessary to protect those rights.⁴⁷

II. THE NEED FOR COPYRIGHT PROTECTION IN THE DIGITAL AGE

Do we really need added copyright protection for the NII? The Copyright Reform Act of 1976 was enacted with the hope that the new copyright laws would be elastic enough to expand with new technologies.⁴⁸

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 Information Infrastructure: The Report of the Working Group on Intellectual Property Rights* (1995) [hereinafter WORKING GROUP REPORT].

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.

48. See HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 1476, 94th Cong., 2d Sess. 1, 51-53 (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 recognizes 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 sufficient flexibility to free the courts from rigid or outmoded concepts." *Id.* at 53, 1976 U.S.C.C.A.N. at 5666; see, e.g., 17 U.S.C. § 102 (1994). In defining the subject matter of copyright, the statute indicates that works "fixed in any tangible medium of expression, 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 examples. See 17 U.S.C. § 101 (Supp. 1996) (defining "copies," "device," "machine,"

Although new technologies create questions about the adequacy of existing copyright law,⁴⁹ thus far the Act has proven flexible and adequate. Existing copyright law has met the challenge of infringement problems associated with copy machines,⁵⁰ VCRs,⁵¹ and computers.⁵² 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."⁵³ Second, an unlimited number of users can upload and download information quickly and easily when it is in digital form.⁵⁴

"process" and "phonorecords").

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).

50. See *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991) (awarding damages to book publishers in copyright infringement action for a duplication business' unauthorized photocopying). *But see Working Group Hearing IV*, *supra* note 4, at 23 (statement of Janice Hopkins Tanne, President, American Society of Journalists and Authors) (arguing that photocopy infringement is rampant, despite the *Kinko's* decision).

51. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) (holding that sale of VCRs to the general public does not infringe on television program copyrights).

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.⁵⁵ Fourth, there is greater difficulty in detecting the infringer when massive amounts of information are speeding through numerous computer networks.⁵⁶

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.⁵⁷ 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.⁵⁸ 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.⁵⁹ In fact, most infringements involve individual users who choose to copy works without paying a fee.⁶⁰ Because infringement has become so readily accepted in our society, piracy is difficult to deter and infringement liability is difficult to enforce.⁶¹

With the completion of the NII, piracy may be even more rampant.⁶² For example, books that are now purchased at a bookstore or checked out from a library may eventually be available solely via digital distribution.⁶³ 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).

57. Stephanie Stahl, *Highway Robbery?: Piracy Cases Involve Software Distributed Via the Internet*, INFORMATION WK., Apr. 25, 1994, at 17; Adam S. Bauman, *The Pirates of the Internet*, L.A. TIMES, Nov. 3, 1994, at A1.

58. Bauman, *supra* note 57, at A1.

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).

62. WORKING GROUP REPORT, *supra* note 42, at 10.

63. See *Working Group Hearing IV, supra* note 4, at 16 (statement of Heather Florence, Bantam Doubleday, on behalf of the Association of American Publishers).

erate enormous losses that may eventually lead to the destruction of whole copyright industries.⁶⁴

Unfortunately, superhighway robbery would not be limited to the property of "affluent corporations."⁶⁵ Currently, CompuServe has a listing of magazine articles that can be ordered from copy services.⁶⁶ When these articles are copied, the writer who holds the copyright is not paid.⁶⁷ Such copyright violations, as they become widespread, could filch all compensation from individual authors.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."⁶⁹ Without such incentives and rewards, proponents of copyright reform claim authors and creators will leave the NII devoid of content.⁷⁰ Additionally, investors assert that they will not

64. See, e.g., *supra* note 57 and accompanying text.

65. See *supra* text accompanying note 3.

66. *Working Group Hearing IV, supra* note 4, at 23 (statement of Janice Hopkins Tanne, President, American Society of Journalists and Authors).

67. *Id.*

68. See WORKING GROUP REPORT, *supra* note 42, at 10.

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).

If creators attempt to copyright ideas, then copyright enforcement will become a battle between legions of lawyers. Barlow, *supra* note 59, at *6. "Threatening their opponents with the endless purgatory of litigation, over which some might prefer death itself, [the lawyers will] assert claim to any thought which might have served another cranium." *Id.* The ultimate result would be copyright anarchy, where legal enforcement would be useless. *Id.* at *6-8.

70. See *infra* notes 72-75 and accompanying text.

risk investing in the NII without assurances of adequate copyright protection.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.⁷² Authors and creators are hesitant to make their products available on the NII without assurance that they will be compensated fairly.⁷³ Furthermore, content providers are unwilling to sacrifice the right to control their works.⁷⁴ Thus, if the NII's full potential is to be realized, the law must alleviate these concerns.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.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.⁷⁷ Moreover, private entities that are actively

71. See *infra* notes 76-80 and accompanying text.

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." *Id.*

73. National Research Council, *Realizing the Information Future*, ch. 6, (visited March 1995) <ftp://ftp.nas.edu/pub/reports/realizing_the_information_future_gopher://gopher.nas.edu:70/11/nap/online/rtif or <http://www.nas.edu/>>.

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

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. 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." *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.").

76. See Agenda for Action, *supra* note 15, at 49,027; cf. *The High Performance Computing Act of 1991*, 15 U.S.C. §§ 5501-5528 (1994) (the NREN was developed with \$3 billion in federal funds).

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.⁷⁸ Therefore, in order to secure the trust of private investors in the NII, adequate copyright protection is essential.⁷⁹ Without strong copyright laws, those who will ride the NII may get "a license to steal intellectual property cheaply, [and] easily,"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.⁸¹ These experts reject the content providers' arguments that without enhanced protection the NII will be barren,⁸² underdeveloped,⁸³ or legally impotent.⁸⁴

1. Lack of Content?

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

rights will not be willing to put their interests at risk if the appropriate systems . . . are not in place." WORKING GROUP REPORT, *supra* note 42, at 10; *see, e.g., 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).

78. *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).

79. *See id.* (statement of Priscilla Walter, Partner and Intellectual Property Department Chairperson, Gardner, Carton & Douglas).

80. National Research Council, *supra* note 73, ch. 6.

81. *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, *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).

82. *See supra* notes 72-75 and accompanying text.

83. *See supra* notes 76-80 and accompanying text.

84. *See supra* note 80 and accompanying text.

85. *See supra* notes 30-32 and accompanying text.

86. William Charland, *Keep Your Head Above Water in the Flood of Information*, ROCKY MOUNTAIN NEWS, Sept. 18, 1994, at 3C.

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.⁸⁷ 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.

87. See *Bits and Bytes*, HOUS. POST, Oct. 30, 1994, at D3; Deidre Carmody, *Time Inc. Moves to Take Lead in Interactive Publishing: Some of Its Magazines Will Test Internet's Waters*, TIMES UNION (Albany), Oct. 24, 1994, at C8; Dottie Enrico & James Overstreet, *Life Imitates MCI Ads: Internet Users Can Visit Fictional Publisher*, USA TODAY, Nov. 15, 1994, at 7B, available in 1994 WL 11074403; Marc Gunther, *Last of Big Three Networks On-Line; Interactive Skeptic*, DET. FREE PRESS, Oct. 24, 1994, at 1E; *In the News*, HOUS. POST, Oct. 25, 1994, at C2; Lazzareschi, *supra* note 31; Staci D. Kramer, *TV On-Line Network News Departments Jump on the Information Superhighway*, CHI. TRIB., Nov. 11, 1994, Tempo sec., at 2, available in 1994 WL 6543343; *Media Talk in Print and on the Air: Time Inc. Is Blazing Media Trail With Its Interactive Pathfinder*, ATL. J. & CONST., Oct. 25, 1994, at D3, available in 1994 WL 4495253; Steve Pond, *Dateline Hollywood—On-Line Box Office Buzz*, WASH. POST, Nov. 15, 1994, at C7; Robin Rauzi, *Virtual Reality Poses Challenge to Curators Series: Part 3 of a Series*, PLAIN DEALER (Cleveland), Oct. 30, 1994, at 1J, available in 1994 WL 7234789; *Rolling in Cyberspace: Stones Will Broadcast Concert on the Internet*, SEATTLE TIMES, Nov. 15, 1994, at E5, available in 1994 WL 3659942.

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.

94. *Id.*; see 17 U.S.C. § 111 (1994) (secondary transmission exemption).

95. Litman, *supra* note 81, at 47.

3. Inadequacy of Existing Protections?

Another argument, advanced by Professor Pamela Samuelson,⁹⁶ is that systems which already exist in frontier justice and the current law adequately protect the content provider's rights.⁹⁷ "[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.⁹⁸ Bulletin board system operators enforce copyright protections by denying access to infringers.⁹⁹ Active discussions about perceived copyright violations on the Net also help discourage infringement.¹⁰⁰ Finally, "Netiquette," the informal rules for using the Internet, discourages copyright violations.¹⁰¹

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.¹⁰² Instead, they use copyrighted materials fairly, and encourage others to do the same.¹⁰³ Any changes in the law, she concludes, should draw from the strengths of existing networks and rules by finding a "Pareto optimal"¹⁰⁴ solution—one which serves NII users *and* providers.¹⁰⁵

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.

97. Samuelson, *supra* note 81, at 26.

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."¹⁰⁶ 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.¹⁰⁷ Allowing use of information, not just permitting exclusive control of information, fosters the constitutional purpose of copyright laws.¹⁰⁸

Any copyright reform intended to pave the way for the Information Superhighway should also reflect this balance between copyright owners and information users.¹⁰⁹ 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]."¹¹⁰ The Working Group's¹¹¹ proposals have been criticized as not satisfying these standards but instead threatening to disturb the equilibrium by heavily favoring copyright owners over NII users.¹¹²

106. U.S. CONST. art. I, § 8, cl. 8.

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).

113. U.S. CONST. art. I, § 8, cl. 8.

114. 17 U.S.C. § 102(a) (1994).

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 limitative").

117. 17 U.S.C. § 106(3) (1994); see *infra* notes 133-66 and accompanying text (discussing the scope of the distribution right).

118. 17 U.S.C. § 106(4) (1994); see *infra* notes 302-33 and accompanying text (discussing the scope of the performance right). The performance right is limited to "literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works." 17 U.S.C. § 106(4) (1994).

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;¹²⁰ and

(5) to prepare derivative works.¹²¹

Additionally, authors of visual art are granted moral rights.¹²² Exclusive rights are fully divisible and are not mutually exclusive.¹²³

There are boundaries to these exclusive rights. Limitations include first sale,¹²⁴ fair use,¹²⁵ computer program¹²⁶ and library archiving,¹²⁷ certain public performances or displays,¹²⁸ secondary transmissions,¹²⁹ and ephemeral recordings.¹³⁰ Furthermore, certain types of works in-

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).

122. 17 U.S.C. § 106A (1994). Together, the rights of attribution and integrity are known as "moral rights." An analysis of moral rights is beyond the scope of this Comment. For further discussion of the current state of moral rights in the United States, see Edward J. Damish, *Moral Rights Protection and Resale Royalties for Visual Art in the United States: Development and Current Status*, 12 CARDOZO ARTS & ENT. L.J. 387 (1994); see also NIMMER & NIMMER, *supra* note 115, § 8D (analyzing moral rights issues of copyright).

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).

124. 17 U.S.C. § 109 (1994); see *infra* notes 207-28 and accompanying text. The first sale doctrine allows an owner of a copy of a protected work to transfer that copy to another person without permission from the copyright owner. 17 U.S.C. § 109(a) (1994).

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.

128. 17 U.S.C. § 110(5) (1994). Notably, some performances transmitted via the radio are excluded from the performance right. Other excluded performances and displays include those for educational, religious, and nonprofit purposes. 17 U.S.C. § 110 (1994).

129. 17 U.S.C. §§ 111, 119 (1994).

130. 17 U.S.C. § 112 (1994).

volve specific qualifications, such as the omission of a performance right for sound recordings.¹³¹ The Copyright Act also imposes restrictions on alienation, such as compulsory licensing for musical works.¹³²

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."¹³³ 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.¹³⁴ The Working Group proposes that the Copyright Act be altered to include the exclusive right to distribute by transmission.¹³⁵ This change, the Working Group argues, is essential to extend the distribution right to the digital superhighway.¹³⁶

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.¹³⁷ In *Playboy Enterprises v. Frena*,¹³⁸ the district court held that

131. 17 U.S.C. § 114(a) (1994).

132. 17 U.S.C. § 115 (1994).

133. 17 U.S.C. § 106(3) (1994). The methods of distribution listed in section 106(3) seem to contemplate a hard copy changing hands. WORKING GROUP REPORT, *supra* note 42, at 68-69; WORKING GROUP DRAFT, *supra* note 20, at 39.

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 191-92 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, 1556 (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.¹³⁹ 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.¹⁴⁰ Further, subscribers could upload digital copies of photographs from their own computers onto the BBS.¹⁴¹ 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."¹⁴² The court found that the digital transmissions between the BBS and the subscribers' computers violated Playboy's exclusive distribution and display rights.¹⁴³

In another case involving digital distribution, *Sega Enterprises, Ltd. v. MAPHIA*,¹⁴⁴ a computer video game manufacturer and distributor sued a BBS entitled "MAPHIA" for piracy of copyrighted video games.¹⁴⁵ The court issued a preliminary injunction against MAPHIA and Chad Scherman, a MAPHIA operator.¹⁴⁶ In its findings of fact, the court determined that MAPHIA was an unauthorized channel for distribution of infringing copies of Sega's video games.¹⁴⁷ 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.¹⁴⁸ In its findings, the court never actually stated that there was prima facie evidence of a distribution right violation, only of "unauthorized copying."¹⁴⁹

857 F. Supp. 679, 687 (N.D. Cal. 1994) (imposing liability for on-line distribution of computer software).

138. *Playboy*, 839 F. Supp. at 1552.

139. *Id.* at 1554-57.

140. *Id.* at 1554.

141. *Id.*

142. *Id.* at 1556.

143. *Id.* at 1556-57.

144. *Sega Enters., Ltd. v. MAPHIA*, 857 F. Supp. 679 (N.D. Cal. 1994).

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.*¹⁵⁰ to establish that "unauthorized copying of copyrighted computer programs is prima facie infringement of copyright."¹⁵¹ *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."¹⁵² 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.¹⁵³ 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.¹⁵⁴ Therefore, the "unauthorized copying" by the defendants was both a direct violation of the distribution right and an indirect violation of the reproduction right.¹⁵⁵

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.¹⁵⁶ 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.¹⁵⁷ 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.¹⁵⁸ Under this section, an infringement action derives from the exclusive distribution right.¹⁵⁹ Although the court did not explicitly rely on the distribution right in its conclusions of law, the distribution right was clearly implicated in *Sega*.¹⁶⁰

The first class action suit to challenge the electronic dissemination of copyrighted songs on the Internet was recently settled.¹⁶¹ This suit was

150. 991 F.2d 511, 518-19 (9th Cir. 1993), *cert. dismissed*, 510 U.S. 1033 (1996).

151. *Sega*, 857 F. Supp. at 686.

152. *MAI*, 991 F.2d at 519.

153. *Sega*, 857 F. Supp. at 683-84.

154. *Id.*; *see supra* notes 140-41 and accompanying text (outlining the various uses of the unauthorized copying).

155. *Sega*, 857 F. Supp. at 686-87.

156. *Id.* at 684.

157. 17 U.S.C. § 109(b)(1)(A) (1994); *see infra* notes 190-201 and accompanying text (explaining this first sale exclusion).

158. 17 U.S.C. § 109(b)(1)(A) (1994).

159. *Id.* at § 109 (b)(2)(B)(u).

160. 857 F. Supp. 679 (N.D. Cal. 1994).

161. *Frank Music Corp. v. CompuServe, Inc.*, No. 93 Civ. 8153 (S.D.N.Y. filed Nov.

considered to be an important "test case" for many of the copyright issues facing the NII.¹⁶² 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.¹⁶³ Frank Music maintained that CompuServe profited from permitting, facilitating, and participating in those activities that deprived the music publishers of their rightful compensation.¹⁶⁴ As one defense, CompuServe asserted that the action was barred by the statutory protection of the Audio Home Recording Act (AHRA).¹⁶⁵ 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.¹⁶⁶ 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.

29, 1993). The settlement provides that CompuServe, without admitting liability, will pay the Harry Fox Agency an amount that will in turn be distributed to the affected music publishers. Michael I. Rudell, *Music Legislation Meets the Digital Age*, N.Y.L.J., Dec. 22, 1995, at 3.

162. Teresa Riordan, *Cyberspace Needs New Copyright Laws*, DAILY NEWS OF L.A., July 7, 1994, at B2; see *News and Comment: Briefs: Copyrights, Infringement*, 47 PAT. TRADEMARK & COPYRIGHT J. 162 (BNA) (Dec. 16, 1993) (discussing the "cloudy" legal issues raised by the *Frank* case and the Information Superhighway); Edward R. Silverman, *Computer Services Hit a Sour Note: Suit Demands Royalties on Songs Retrieved from Bulletin Boards*, NEWSDAY, Apr. 25, 1994, at C2 (discussing the issues and property at stake in this landmark case).

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 5995986. 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.

165. Rudell, *supra* note 163, at 3; 17 U.S.C. §§ 1001-1010 (1994).

166. 17 U.S.C. §§ 1001, 1008 (1994).

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.¹⁶⁷ 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.¹⁶⁸ The Working Group further recognizes that, in reality, a digital transmission can be a distribution even when a hard copy is not transferred.¹⁶⁹ 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.¹⁷⁰

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.¹⁷¹ 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.¹⁷² Whether the pro-

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) ("[I]t 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.¹⁷³ Without such a resolution, content providers believe that they will lose their ability to enforce their copyrights on the NII.¹⁷⁴

Opponents of the proposal are concerned that it will greatly expand the rights of copyright owners without considering the rights of the public.¹⁷⁵ Existing statutes have proven flexible enough to give copyright owners the right to control digital transmissions.¹⁷⁶ 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.¹⁷⁷ Moreover, the proposed amendment of § 106(3) would do nothing to change § 101, which defines "copies" or "phonorecords" as "material objects."¹⁷⁸ 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.¹⁷⁹ This restriction would greatly change, not merely

copyright owners against such electronic distribution systems to the same extent that distributions of hard copies are protected today.").

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 NII); *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 NII).

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, 686-87 (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.¹⁸⁰ For example, the broadcasting of movies over the NII is a transmission.¹⁸¹ Currently, movie transmissions implicate the public performance and public display rights.¹⁸² 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.¹⁸³ 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.¹⁸⁴

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.¹⁸⁵ 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.¹⁸⁶ 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).¹⁸⁷ 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.¹⁸⁸

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.

180. *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.

181. Samuelson, *supra* note 81, at 23.

182. *Id.*

183. *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).

184. Samuelson, *supra* note 81, at 23.

185. *See supra* notes 106-08 and accompanying text.

186. *See supra* notes 133-66 and accompanying text.

187. *See supra* notes 133, 170, 179 and accompanying text.

188. *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,

189. 17 U.S.C. § 101 (1994) (italics proposed by author).

190. HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 987, 98th Cong., 2d Sess. 2 (1984), reprinted in 1984 U.S.C.C.A.N. 2898, 2899.

191. 17 U.S.C. § 109(a) (1994).

192. See HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 1476, 94 Cong., 2d Sess. 1, 79 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5693 (explaining the first sale exclusion).

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

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).

194. *See* 17 U.S.C. § 109(b) (1994).

195. *Id.*

196. HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 987, 98th Cong., 2d Sess. 1-2 (1984), *reprinted in* 1984 U.S.C.C.A.N. 2898, 2898-99.

197. SENATE COMM. ON THE JUDICIARY, S. REP. NO. 265, 101st Cong., 2d Sess. (1990); HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 735, 101st Cong., 2d Sess. (1990).

198. HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 987, 98th Cong., 2d Sess. 4 (1984), *reprinted in* 1984 U.S.C.C.A.N. 2898, 2901.

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.²⁰² The CRA exception is “narrowly drafted”²⁰³ to prevent rental-type transactions because “[c]omputer software, unlike video cassettes, does not generally lend itself to casual enjoyment during a short rental period,”²⁰⁴ but, more likely, lends itself to unauthorized copying.²⁰⁵ 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.²⁰⁶

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.”²⁰⁷ 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.²⁰⁸ 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.²⁰⁹ This rationale applies equally, if not more so, to digital transmissions.²¹⁰ 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).

203. HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 735, *supra* note 197, at 3.

204. SENATE COMM. ON THE JUDICIARY, H.R. REP. NO. 265, *supra* note 197, at 3.

205. SENATE COMM. ON THE JUDICIARY, S. REP. NO. 265, *supra* note 197, at 2; HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 735, *supra* note 197, at 1.

206. SENATE COMM. ON THE JUDICIARY, S. REP. NO. 265, *supra* note 197, at 4-5; HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 735, *supra* note 197, at 3; *see also* Central Point Software, Inc. v. Global Software & Accessories, Inc., 880 F. Supp. 957 (E.D.N.Y. 1995) (first reported case applying the CRA).

207. WORKING GROUP REPORT, *supra* note 42, at 95; WORKING GROUP DRAFT, *supra* note 20, at 124.

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.

209. WORKING GROUP REPORT, *supra* note 42, at 91; WORKING GROUP DRAFT, *supra* note 20, at 55.

210. WORKING GROUP REPORT, *supra* note 42, at 91; WORKING GROUP DRAFT, *supra* note 20, at 55.

by transmission.²¹¹ In its final report, the Working Group withdrew this statutory proposal.²¹² 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.

214. *See supra* notes 194-201 and accompanying text. *See generally* HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 987, *supra* note 190; SENATE COMM. ON THE JUDICIARY, S. REP. NO. 265, *supra* note 197; HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 735, *supra* note 197.

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.²¹⁹

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.²²⁰ 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."²²¹ Others argue that this, in effect, is the equivalent of a digital copy "changing hands."²²² Practically and logically, the first sale doctrine should still apply to such transfers of digital property.²²³

Eventually, distribution by NII transmission could replace the traditional way that copyrighted materials are bought, sold, and exchanged.²²⁴ 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.²²⁵ 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.²²⁶ Modifications in technology should

219. *Working Group Hearing III*, *supra* note 4, at 53-54 (statement of Terry Southwick, Attorney, United States Patent & Trademark Office).

220. WORKING GROUP REPORT, *supra* note 42, at 93-94; *see* Comments of Neil Netanel & Mark Lemley, Assistant Professors of Law, University of Texas School of Law, to Terry Southwick, Attorney-Advisor, Office of Legis. & Int'l Affairs, U.S. Pat. & Trademark Off., at *1-2 (Sept. 2, 1994) (visited Dec. 1, 1996) <gopher://sunbird.usd.edu or http://www.wwa.com> (describing the two different transmission scenarios).

221. WORKING GROUP REPORT, *supra* note 42, at 94.

222. *Id.*; Comments of Arthur Rubin, Ph.D, to U.S. Pat. & Trademark Off., at *1 (Aug. 23, 1994) <gopher://sunbird.usd.edu or http://www.wwa.com> (distinguishing between distribution-by-transmission and transfer-by-transmission).

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).

225. HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 987, *supra* note 198, at 2.

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 transmittee.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-

alterations of the contract and must be expressly accepted to be enforceable); *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 268-70 (5th Cir. 1988) (upholding district court's decision that shrinkwrap license was unenforceable as a contract of adhesion); *Arizona Retail Sys., Inc. v. Software Link, Inc.*, 831 F. Supp. 759, 770 (D. Ariz. 1993) (adopting the rationale of *Step-Saver* and holding that shrinkwrap provisions were unenforceable). For further analysis of shrinkwrap licenses and provisions, see Lloyd L. Rich, *Mass Market Software and the Shrinkwrap License*, 23 COLO. LAW. 1321 (1994), and Fred M. Greguras & Sandy J. Wong, *Software Licensing Complements the Digital Age*, 11 COMPUTER LAW. 15 (1994).

227. Jensen, *supra* note 226, at *6-7.

228. See *Working Group Hearing III*, *supra* note 4, at 24 (statement of Alfred Willis on behalf of the Art Library Society of North America) (criticizing the Working Group's proposal as "a gutting of copyrights benefits to the public"); Samuelson, *supra* note 81, at 24 (finding the Working Group's rationale for eliminating first sale on the NII unpersuasive).

229. See Samuelson, *supra* note 81, at 24 (advocating a "narrower approach" to changing the first sale doctrine).

230. 17 U.S.C. § 109 (1994) (italics proposed by author).

ting it without retaining the original copy, the user “otherwise disposes” 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 use²³² 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

231. 17 U.S.C. § 106(1) (1994).

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.

Id.

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. *Id.*

234. 17 U.S.C. § 112 (1994).

235. 17 U.S.C. § 115 (1994).

236. 17 U.S.C. § 117 (1994).

imposed on the sale of recording devices and media to compensate copyright owners.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.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;²³⁹
- When a printed work is "scanned" into a digital file, a copy—the digital file itself—is made;²⁴⁰
- When other works—including photographs, motion pictures, or sound recordings—are digitized, copies are made;²⁴¹
- Whenever a digitized file is "uploaded" from a user's computer, to a (BBS) or other server, a copy is made;²⁴²
- Whenever a digitized file is "downloaded" from a BBS or other server, a copy is made;²⁴³
- When a file is transferred from one computer network user to another, multiple copies are generally made.²⁴⁴

237. 17 U.S.C. §§ 1001-1010 (1994).

238. WORKING GROUP REPORT, *supra* note 42, at 64; WORKING GROUP DRAFT, *supra* note 20, at 35-36.

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.

240. WORKING GROUP REPORT, *supra* note 42, at 65.

241. *Id.*

242. *Id.* at 66.

243. *Id.*

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.²⁴⁵ As long as the amount viewed is more than *de minimis*, it is an infringement unless authorized or specifically exempt.²⁴⁶

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.²⁴⁷

Currently, the statutory definition of "transmit" does not expressly include the reproduction right.²⁴⁸ As shown above in the Working Group's illustrations, transmissions do, in fact, involve the reproduction of a work.²⁴⁹ Therefore, the Working Group recommends that the definition of "transmit" be amended to include the reproduction right.²⁵⁰ 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.²⁵¹ 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.²⁵²

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.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.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.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,²⁵⁶ but are very critical of the "primary purpose and effect" test.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

accompanying text (discussing the reproduction right).

253. See WORKING GROUP REPORT, *supra* note 42, at 217-18.

254. *Id.* at 218.

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) <gopher://sunbird.usd.edu or http://www.wva.com> (suggesting Internet transactions may not be infringing because most "Internet activity is authorized under an 'implied license' to copy").

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).

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) reproduction 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.*,²⁵⁹ 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 reproduction 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.'"²⁶⁴ The court rejected this argument, concluding that a copy made into RAM is sufficiently "fixed" and therefore held Peak liable for making unauthorized reproductions of the software onto the RAM.²⁶⁵

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 advertising, 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.²⁶⁶ In fact, the recent cases of *MAI*,²⁶⁷ *Advanced Computer Services v. MAI Systems Corp.*,²⁶⁸ and *Triad Systems Corp. v. Southeastern Express Co.*²⁶⁹ may rely on an incorrect interpretation of copyright law.²⁷⁰ 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).²⁷¹ "A work's appearance in RAM is, by its nature, temporary; the work will disappear from RAM when the computer is turned off."²⁷² Therefore, she concludes, reading a work into a computer's RAM should be considered a display, not a reproduction.²⁷³ 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."

statement from *Apple Computer, Inc. v. Formula Int'l, Inc.*, 594 F. Supp. 617, 621 (C.D. Cal. 1984). The *Apple Computer* court stated:

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.

268. 845 F. Supp. 356 (E.D. Va. 1994).

269. 31 U.S.P.Q.2d 1239 (N.D. Cal. 1994), *aff'd in part and rev'd in part*, 64 F.3d 1330 (9th Cir. 1995), *cert. denied*, 116 S. Ct. 1015 (1996).

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.

273. *Working Group Hearing III*, *supra* note 4, at 67 (statement of Jessica Litman).

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).²⁷⁴

Furthermore, the legislative history of the Copyright Act shows a different interpretation of the fixation requirement than was given by these cases.²⁷⁵ “[T]he definition of fixation would exclude from the concept purely evanescent or transient reproductions such as those projected briefly on a screen, shown electronically on a television or other cathode ray tube, or captured *momentarily in the ‘memory’ of a computer.*”²⁷⁶

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.²⁷⁷ 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.²⁷⁸ Browsing or reading a work is not an infringement of copyright, nor should it be.²⁷⁹ 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.”²⁸⁰

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.²⁸¹ This will both inhibit research and discussion among those who use the NII and defeat the primary goal of making information more accessible.²⁸² Furthermore, this will give copyright owners “truly monopolistic control over access to copyrighted

274. HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 1476, *supra* note 48, at 62, reprinted in 1976 U.S.C.C.A.N. at 5675. The display right, unlike the reproduction right, limits the copyright owner's control to public displays and only applies to certain types of works. See generally 17 U.S.C. § 106(5) (1994).

275. HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 1476, *supra* note 48 at 53, reprinted in 1976 U.S.C.C.A.N. at 5666. See *supra* notes 259-60 for case citations.

276. HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 1476, *supra* note 48, at 53, reprinted in 1976 U.S.C.C.A.N. at 5666 (emphasis added).

277. See *supra* notes 248-55 and accompanying text.

278. Litman, *supra* note 81, at 4.

279. Samuelson, *supra* note 81, at 22.

280. *Working Group Hearing III*, *supra* note 4, at 18 (statement of Sandra Walker, President, Visual Resources Association).

281. *Id.* (statement of Sandra Walker, President, Visual Resources Association).

282. *Id.* (statement of Sandra Walker, President, Visual Resources Association).

works in the electronic environment.²⁸³ 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.²⁸⁴ This exception would permit users to ride the NII without the constant threat of copyright liability.²⁸⁵ Furthermore, content providers could maintain their existing right of exclusive reproduction without being given "monopolistic control" over all NII uses.²⁸⁶

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.²⁸⁷ 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.”²⁸⁸ 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.²⁸⁹ 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.²⁹⁰ In *Sega Enterprises, Ltd. v. Accolade, Inc.*,²⁹¹ the court held that interim copying of computer programs constituted fair use.²⁹² 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.²⁹³ 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.”²⁹⁴ In the case of NII transmissions, reproduction is required to simply view a work on the NII.²⁹⁵ 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.²⁹⁶

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.²⁹⁷ Presently, owners of computer programs are entitled to

287. See, e.g., 17 U.S.C. § 117(1) (1994).

288. *Id.*

289. HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 1476, *supra* note 48, at 116, reprinted in 1976 U.S.C.C.A.N. at 5731.

290. *Sega Enters., Ltd. v. Accolade, 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.²⁹⁸ Section 117 specifically allows for backup copying of computer programs themselves, but not of the underlying electronic files.²⁹⁹ This distinction is unreasonable.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.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.³⁰² In the traditional arena, sound recordings are statutorily excluded from the performance right³⁰³

1994) (visited Dec. 1, 1996) <gopher://sunbird.usd.edu or http://www.wwa.com>.

298. 17 U.S.C. § 117 (1994).

299. Comments of Bruce Hayden, to the U.S. Pat. & Trademark Off., at *2 (visited Dec. 1, 1996) <gopher://sunbird.usd.edu or http://www.wwa.com>.

300. *Id.*

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.

17 U.S.C. § 117 (1994) (italics proposed by author).

302. 17 U.S.C. § 106(4) (1994).

303. 17 U.S.C. § 114(a) (1994). Even in the absence of a performance right, record companies may still be able to protect the performance of their entire album under the compilation right. 17 U.S.C. § 103 (1994). *See Consolidated Music Publishers, Inc. v. Ashley Publications, Inc.*, 197 F. Supp. 17 (S.D.N.Y. 1961) (holding that selection and grouping of musical works in a book is entitled to copyright protection); NIMMER & NIMMER, *supra* note 115, § 8.14[A].

and musical works are subject to some statutory licensing requirements.³⁰⁴ 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.³⁰⁵

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.³⁰⁶

Newly passed legislation also allows for a public performance right for sound recordings in the digital context.³⁰⁷ 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.³⁰⁸

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.³⁰⁹ While there is one basic vehicle for conducting these transactions, digital transmissions, there are several privileges that can be asserted as a result.³¹⁰ The performance right has specific requirements that must be satisfied in order for a copyright owner to exercise exclusivity.³¹¹ Thus, “[a] distinction must be made” between NII transmissions that are copies

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).

305. 17 U.S.C. § 101 (1994).

306. *Id.*

307. Digital Performance Right in Sound Recordings Act of 1995, Pub. L. No. 104-39, Nov. 1, 1995, 109 Stat. 336 (amending portions of 17 U.S.C. §§ 101, 106, 111, 114-115, 119, 801-803).

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.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.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.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.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.³¹⁶ "[I]nteractive digital technology threatens to blur the line between the performance and the distribution of sound recordings."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.³¹⁸ Thus, the recently passed legislation was considered essential to protect the livelihood of sound recording artists.³¹⁹ Without the new legislation, an "historical anomaly" in the Copyright Act, which specifically excludes a performance right for sound recordings and

312. WORKING GROUP REPORT, *supra* note 42, at 71; WORKING GROUP DRAFT, *supra* note 20, at 43.

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).

314. WORKING GROUP DRAFT, *supra* note 20, at 122.

315. WORKING GROUP REPORT, *supra* note 42, at 217-18.

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.

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).

318. *Id.* at 519, 522.

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.³²⁰

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.³²¹ 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.³²² Critics also claimed that the amendment would create, not reduce, uncertainty and litigation.³²³

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.³²⁴ Traditionally, composers and song writers

320. WORKING GROUP REPORT, *supra* note 42, at 221-25; WORKING GROUP DRAFT, *supra* note 20, at 132; see 17 U.S.C. § 114 (1994).

321. 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).

322. *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).

323. *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").

324. *Working Group Hearing IV*, *supra* note 4, at 30 (statement of Marilyn Berg-

relied on both mechanical and performance royalties for their livelihood.³²⁵ 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."³²⁶ This "seriously endanger[ed] the future availability of music in this country on the NII."³²⁷

The choice that the test would have required, between the reproduction right and the performance right,³²⁸ was not equitable. Copyright law has long made it clear that rights are divisible and not mutually exclusive.³²⁹ Therefore, the need to force a choice between exclusive rights in the digital context is questionable, especially considering the potential impact on content providers.³³⁰ 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.³³¹ 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."³³² The Working Group recognized the courtroom as the place to finally resolve this debate.³³³

man, Lyricist).

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.

332. WORKING GROUP REPORT, *supra* note 42, at 218.

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.*

335. 17 U.S.C. § 101 (1994).

336. Furthermore, a first sale exclusion applies to displays, but this exclusion does not apply to NII transactions. *See generally* 17 U.S.C. § 109(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 liability

ry for the purpose of distribution or reproduction.

(3) Notwithstanding the provisions of section 106(5), it is not an infringement of a copyright owner's exclusive right to display a copyrighted work when a display is made on a computer's Random Access Memory for the sole purpose of browsing.

Proposed by author.

340. 17 U.S.C. § 106(2) (1994).

341. *See* 17 U.S.C. § 101 (1994) (defining a "derivative work").

342. *Id.*

343. *Agee v. Paramount Communications, Inc.*, 853 F. Supp. 778, 788-89 (S.D.N.Y. 1994) (stating that essential element in derivative claims is "the originality of the new work"), *modified*, 59 F.3d 317 (2d Cir. 1995); *see also* *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 359-60 (1991) ("[O]riginality, not 'sweat of the brow,' is the touchstone of copyright protection.").

344. *Rogers v. Koons*, 960 F.2d 301, 307 (2d Cir. 1991) (outlining the substantial similarity test); *accord* *United Feature Syndicate, Inc. v. Koons*, 817 F. Supp. 370, 377 (S.D.N.Y. 1993).

345. 17 U.S.C. § 114(b)(2) (1994).

ty.³⁴⁶ 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.³⁴⁷ As a consequence of this, the derivative right will be difficult to enforce, and content providers will lose a valuable right and compensation.³⁴⁸ 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.”³⁴⁹ The “substantially similar” test was created by the courts to resolve the issue of proof of copying.³⁵⁰ Some decisions tentatively relied on this test with respect to derivative works.³⁵¹ Thus, the solution to the problems created when applying the substantial similarity test to digitally created derivative works must necessarily lie with the judiciary.³⁵²

As the preceding discussion illustrates, defining and balancing the bundle of rights is an important, yet controversial, aspect of the NII debate.³⁵³ A more heated issue in the recent past was the assignment of responsibility for copyright violations.³⁵⁴ The next section of this Comment will examine the various sides of this infringement liability debate.³⁵⁵

346. See *infra* notes 356-88 and accompanying text.

347. WORKING GROUP REPORT, *supra* note 42, at 106-07.

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).

349. WORKING GROUP REPORT, *supra* note 42, at 106-07.

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”).

352. The Southern District of New York recently lost an opportunity to address this issue when a photo agency settled its suit against a newspaper for digitally scanning and altering photographic images. *FPG Int'l v. Newsday, Inc.*, 94 Civ. 1036 (S.D.N.Y. settled Oct. 31, 1994) (on file with author).

353. See *supra* notes 114-352 and accompanying text.

354. 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).

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.³⁵⁶ Uses of a copyrighted work that do not violate a specific right under Title 17, such as "fair use," however, are not infringements.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."³⁵⁸ Such an action may be brought against a direct,³⁵⁹ vicarious,³⁶⁰ or contributory infringer.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.³⁶²

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).

357. *Sony*, 464 U.S. at 432-33.

358. 17 U.S.C. § 501(b) (1994).

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.

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.

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.

362. *Harms, Inc. v. Samsom House Enters., Inc.*, 162 F. Supp. 129, 135 (E.D. Pa. 1958), *aff'd sub nom. Leo Feist, Inc. v. Lew Tendler Tavern, Inc.*, 267 F.2d 494 (3d Cir. 1959).

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.³⁶³ A plaintiff is not required to provide direct evidence and may show infringement by use of circumstantial evidence.³⁶⁴ 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.³⁶⁵

i. Access

"Access is 'the opportunity to view or copy'" plaintiff's copyrighted work.³⁶⁶ Access through third parties connected to both parties in an infringement action is sufficient to prove defendant's access to plaintiff's copyrighted work.³⁶⁷ 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."³⁶⁸ More recently, the Fourth Circuit

363. *Apple Computer, Inc. v. Microsoft Corp.*, 821 F. Supp. 616, 618 (N.D. Cal. 1993), *aff'd*, 35 F.3d 1435 (9th Cir. 1994), and *cert. denied*, 115 S. Ct. 1176 (1995). Courts generally use the term "copying" to denote a violation of any one of the copyright owner's exclusive rights, not just the reproduction right. WORKING GROUP REPORT, *supra* note 42, at 101.

364. *Harms*, 162 F. Supp. at 135-36; see WORKING GROUP REPORT, *supra* note 42, at 101-02.

365. *Levine v. McDonald's Corp.*, 735 F. Supp. 92, 95 (S.D.N.Y. 1990); *Harms*, 162 F. Supp. at 135-36.

366. *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 775 F. Supp. 544, 558 (E.D.N.Y. 1991), *aff'd in part, vacated in part*, 982 F.2d 693 (2d Cir. 1992) (quoting *Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1172 (9th Cir. 1977)).

367. *Gaste v. Kaiserman*, 863 F.2d 1061, 1067 (2d Cir. 1988).

368. *Universal Athletic Sales Co. v. Salkeld*, 511 F.2d 904, 907 (3d Cir. 1975).

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.³⁶⁹ As the Working Group observes, this modified ordinary observer test may be more difficult to apply in the digital environment.³⁷⁰ 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.³⁷¹

(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.³⁷² Applying the substantial similarity standard in such a "non-literal" case is more complicated.³⁷³ 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,³⁷⁴ the subtractive test,³⁷⁵ the totality test,³⁷⁶ the extrinsic/intrinsic test,³⁷⁷ and the abstraction-filtration-comparison test.³⁷⁸ Applying a substantial similarity test to derivative works in the digital environment

369. *Dawson v. Hinshaw Music, Inc.*, 905 F.2d 731, 736-37 (4th Cir. 1990).

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. 1975) (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.³⁷⁹

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.³⁸⁰ *Scienter* is not a necessary element of the action.³⁸¹ Additionally, a defendant who copies from an infringing copy is liable to the copyright owner.³⁸² Furthermore, the infringing act need not be done for profit.³⁸³ Thus, a direct copyright infringement action is viewed as a form of "strict liability."³⁸⁴ To prevail on a vicarious or contributory infringement claim, the plaintiff is required to show a higher level of *scienter*.³⁸⁵ In a vicarious liability action, the plaintiff must show constructive knowledge,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.³⁸⁷ In a contributory

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").

380. 17 U.S.C. § 501(a) (1994).

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. 235, 237 (S.D.N.Y. 1960); *see also infra* note 394 and accompanying text (discussing fair use) and *infra* notes 554-57 and accompanying text (discussing damages).

382. *See Leigh v. Gerber*, 86 F. Supp. 320, 322 (S.D.N.Y. 1949) (holding a copyright was not invalid by a misdating).

383. *Pathe Exch., Inc. v. International Alliance of Theatrical Stage Employees*, 3 F. Supp. 63, 65 (S.D.N.Y. 1932).

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).

385. *See infra* notes 451-509 and accompanying text (discussing vicarious and contributory infringement).

386. *See infra* note 451 and accompanying text (discussing constructive knowledge requirement for vicarious liability).

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.³⁸⁸

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.³⁸⁹ 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,³⁹⁰ or the defendant may offer other evidence to explain similarity between the two works.³⁹¹

As in most civil cases,³⁹² when a copyright defendant offers an affirmative defense, the defendant has the burden of proof.³⁹³ 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.³⁹⁴ Nonstatutory defenses, including estop-

vicarious liability).

388. See *infra* notes 472-509 and accompanying text (discussing liability for contributory infringement).

389. *Blumcraft of Pittsburgh v. Newman Bros.*, 373 F.2d 905, 907 (6th Cir. 1967).

390. *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). In a copyright infringement action involving manufacture and distribution of a sculpture, the district court shifted the burden of persuasion to the alleged infringers. *John L. Perry Studio, Inc. v. Wernick*, 597 F.2d 1308, 1310-11 (9th Cir. 1979). Once the plaintiffs successfully established a prima facie case of infringement, the court required the defendants to show that their sculptures were independently created. *Id.*

391. *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. 456, 458 (E.D.N.Y. 1942).

392. 29 AM. JUR. 2D *Evidence* § 155-167 (1994 & Supp. 1996).

393. 29 AM. JUR. 2D *Evidence* § 160 (1994).

394. 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,³⁹⁵ misuse,³⁹⁶ unclean hands,³⁹⁷ res judicata,³⁹⁸ and laches,³⁹⁹ can bar a copyright plaintiff's recovery. Other defenses, such as acknowledgement,⁴⁰⁰ antitrust,⁴⁰¹ apparent authority,⁴⁰² good faith,⁴⁰³ in-

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

Id.

395. Proving plaintiff is at least partially responsible for alleged infringement is critical to the application of 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.

396. Misuse is an absolute defense for a copyright infringement case, but cannot be a tool for affirmative relief. *See QAD, Inc. v. ALN Assocs., 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.*

397. 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.*

398. *Jones v. Craig*, 212 F.2d 187, 187-88 (6th Cir. 1954) (discussing res judicata); *Herbert Rosenthal Jewelry Corp. v. Honora Jewelry Co.*, 378 F. Supp. 485, 490 (S.D.N.Y.), *aff'd*, 509 F.2d 64 (2d Cir. 1974) (holding that collateral estoppel barred relitigation of the adequacy of a copyright notice in a subsequent damages case).

399. *Jackson v. Axton*, 25 F.3d 884 (9th Cir. 1994) (applying the doctrine of laches to bar a copyright infringement claim by a musician who waited 22 years to assert the claim).

400. *Henry Holt & Co. ex rel. Felderman v. Liggett & Myers Tobacco Co.*, 23 F. Supp. 302, 304 (E.D. Pa. 1938) (holding that defendant's acknowledgement of the source from which copyrighted material is taken does not release defendant from legal liability).

401. *Rural Tel. Serv. Co. v. Feist Publications, Inc.*, 663 F. Supp. 214, 220 (D. Kan. 1987) (concluding that antitrust violations are not valid defenses to copyright infringement), *aff'd*, 916 F.2d 718 (10th Cir. 1990), *rev'd on other grounds*, 499 U.S. 340 (1991).

402. *Pinkham v. Sara Lee Corp.*, 983 F.2d 824, 828-30 (8th Cir. 1992) (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).

403. *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 liabili-

structions against infringement,⁴⁰⁴ lack of intent,⁴⁰⁵ 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

ty); *accord* Davis v. E.I. DuPont de Nemours & Co., 240 F. Supp. 612, 621 n.53 (S.D.N.Y. 1965).

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 Publ'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*).

409. 17 U.S.C. § 501 (1994); *see also* Olan Mills, Inc. v. Linn Photo Co., 795 F. Supp. 1423, 1437 (N.D. Iowa 1991) ("No scienter need be shown to prove infringement."), *rev'd on other grounds*, 23 F.3d 1345 (8th Cir. 1994).

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.

418. See Comments of Paul Basista, National Vice President for Legislation, Graphic Artists Guild, to the U.S. Pat. & Trademark Off., at *1 (visited Dec. 1, 1996) <gopher://sunbird.usd.edu or <http://www.wva.com>> (noting a lack of practical proposed methods for monitoring, preventing, or redressing copyright infringement).

419. See Timothy F. Bliss, *Computer Bulletin Boards and the Green Paper*, 2 J. INTELL. PROP. L. 537, 538 (1995) (identifying the daunting prospect of pursuing a claim against an NII user who lacks money to satisfy a judgment).

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 49, 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.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.⁴²²

a. Civil liability

In some recent cases, plaintiffs have pursued BBS operators for direct copyright infringement.⁴²³ In one such case, a copyright owner was successful in prosecuting a direct liability action against a BBS operator.⁴²⁴ In *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.⁴²⁵ The court reiterated that, even in the digital environment, "[i]ntent to infringe is not needed to find

421. *Working Group Hearing II*, *supra* note 4, at 56 (statement of Terry Southwick, member of the Working Group); see Maureen O'Rourke, *Proprietary Rights in Digital Data*, 41 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).

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, *Computer Bulletin Board Operator Liability for Users' Infringing Acts*, 94 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).

423. *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1562 (M.D. Fla. 1993) (finding liability for digital transmissions of photographs); *Sega Enters., Ltd. v. MAPHIA*, 857 F. Supp. 679, 686-89 (N.D. Cal. 1994) (imposing liability for on-line distribution of computer software).

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

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 *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 contributorily 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-

426. *Playboy*, 839 F. Supp. at 1559.

427. *Sega*, 857 F. Supp. at 682, 690-91; see *supra* notes 144-60 and accompanying text (discussing further the legal claims in *Sega*).

428. *Sega*, 857 F. Supp. at 683-84.

429. *Id.* at 689.

430. *Id.* at 690-91.

431. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 847 F. Supp. 1492, 1495 (E.D. Cal. 1994) (holding that plaintiffs stated a sufficient cause of action for vicarious and contributory copyright infringement), *rev'd on other grounds*, 76 F.3d 259 (9th Cir. 1996).

432. See *infra* notes 451-71 (vicarious liability), 472-73 (contributory liability) and accompanying text.

433. See *United States v. LaMacchia*, 871 F. Supp. 535 (D. Mass. 1994); S. 1122, 104th Cong., 1st Sess. (1995) (LaMacchia Bill); *Copyright Violator*, BOSTON GLOBE, Dec. 16, 1994, Economy sec., at 79 (discussing *Kenadek* case).

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 5973393; Josh Hyatt, *FBI Raids Com-*

sial case, a BBS operator was found not criminally liable for his alleged infringement activities.⁴³⁶ David LaMacchia was charged with allowing users to upload and download copyrighted software from his BBS at no charge.⁴³⁷ The government prosecuted LaMacchia based on his alleged violations of wire fraud statutes,⁴³⁸ 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.⁴³⁹ The court found that the government could not base its prosecution on wire fraud statutes because those statutes were preempted by the Copyright Act.⁴⁴⁰ As such, the case against LaMacchia was dismissed.⁴⁴¹

The outcome of *LaMacchia* infuriated many copyright owners, particularly in the software industry.⁴⁴² The Working Group opines that the *LaMacchia* decision "demonstrates that the current law is insufficient to prevent flagrant copyright violations in the NII context."⁴⁴³ Recently, a bill was introduced into Congress that would purportedly remedy this "problem."⁴⁴⁴

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.⁴⁴⁵ In *Frank Music Corp. v. CompuServe, Inc.*, CompuServe did not place songs on-line, but subscribers uploaded and downloaded songs using the CompuServe sys-

puter Bulletin Board—Giving Out Copyrighted Software is Alleged, BOSTON GLOBE, June 11, 1992, Bus. sec., at 39, available in 1994 WL 4179515.

436. *LaMacchia*, 871 F. Supp. at 537.

437. *Id.* at 536.

438. *Id.* at 536-37.

439. *Id.* at 539-40.

440. *Id.* at 545.

441. *Id.*

442. See 141 CONG. REC. S11451-52 (daily ed. Aug. 4, 1995) (comment of Senator Leahy).

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).

445. *Frank Music Corp. v. CompuServe, Inc.*, No. 93 Civ. 8153 (S.D.N.Y. filed Nov. 29, 1993).

tem.⁴⁴⁶ The plaintiffs in that action claimed that the song duplication took place at the server level, making CompuServe directly responsible for royalty payments.⁴⁴⁷ 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.”⁴⁴⁸ Because the case recently settled, the liability issue was never adjudicated.⁴⁴⁹ Without admitting liability, CompuServe agreed to make the royalty payments.⁴⁵⁰

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.”⁴⁵¹ Unlike patent law, copyright law follows no direct statutory authority concerning vicarious liability.⁴⁵² Thus, vicarious liability standards in copyright actions have developed by case law.⁴⁵³ Vicarious liability may be imposed on one who has a special relationship, such as agency or partnership, with the direct infringer.⁴⁵⁴ 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.⁴⁵⁵ A vicarious infringer is jointly and severally liable to the plaintiff.⁴⁵⁶

446. Seyamack Kouretchian, *Digital Pirates Are Plundering Performance Rights: While the Law Catches up to High-Tech, Royalties Are Not Being Paid to Owners of Protected Works*, NAT'L L.J., Oct. 23, 1995, at C12.

447. Kouretchian, *supra* note 446.

448. Matthew Goldstein, *Novel Copyright Claims Raised in Suits Against Online Providers*, N.Y.L.J., Aug. 30, 1994, at 5 (quoting Peter Herbert, attorney representing CompuServe, Inc.).

449. Rudell, *supra* note 163, at 3.

450. *Id.*

451. *Boz Scaggs Music v. KND Corp.*, 491 F. Supp. 908, 914 (D.C. Conn. 1980) (quoting *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 309 (2d Cir. 1963)).

452. *See* 35 U.S.C. § 271 (1994).

453. *See Polygram Int'l Publ'g, Inc. v. Nevada/Tig, Inc.*, 855 F. Supp. 1314, 1320 (D. Mass. 1994) (noting that both vicarious and contributory liability have, by case law, derived from the tort enterprise liability theory).

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 Publ'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.⁴⁵⁷ In those cases, courts imposed liability on owners of entertainment clubs when the bands that played there violated musical composers' performance rights.⁴⁵⁸ 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.⁴⁵⁹ Bare allegations that a defendant owned the place where the compositions were rendered, and indirectly profited from the rendering, were sufficient to establish liability.⁴⁶⁰ In fact, even when the copyright violations directly contravened an owner's instructions, the owner was still liable.⁴⁶¹ 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.⁴⁶²

457. See, e.g., *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929); *Buck v. Pettijohn*, 34 F. Supp. 968 (E.D. Tenn. 1940); *Buck v. Dacier*, 26 F. Supp. 37 (D. Mass. 1938); *Buck v. Russo*, 25 F. Supp. 317 (D. Mass. 1938); *M. Witmark & Sons v. Calloway*, 22 F.2d 412 (E.D. Tenn. 1927).

458. *Dreamland*, 36 F.2d at 355; *Pettijohn*, 34 F. Supp. at 968; *Dacier*, 26 F. Supp. at 39; *Russo*, 25 F. Supp. at 321; *M. Witmark*, 22 F.2d at 414.

459. *Dreamland*, 36 F.2d at 355; *Pettijohn*, 34 F. Supp. at 968; *Dacier*, 26 F. Supp. at 38-39; *Russo*, 25 F. Supp. at 320; *M. Witmark*, 22 F.2d at 413-14.

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).

461. *Buck v. Coe*, 32 F. Supp. 829, 830 (M.D. Pa. 1940).

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. Vasiliou*, 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.⁴⁶³

In one recent case, the court refused to impose vicarious liability on the owners of a swap meet where vendors sold counterfeit music tapes.⁴⁶⁴ 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.⁴⁶⁵ 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."⁴⁶⁶ 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.⁴⁶⁷ Thus, the swap meet owners' actions were not substantial enough to create vicarious liability.⁴⁶⁸

In the 1976 revision to the Copyright Act, Congress was asked to change vicarious liability standards, but refused to do so.⁴⁶⁹

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 [sic]. 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. 1965).

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.

464. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 847 F. Supp. 1492, 1496-97 (E.D. Cal. 1994).

465. *Id.*

466. *Id.* at 1497.

467. *Id.*

468. *Id.*

469. HOUSE COMM. ON THE JUDICIARY, H.R. REP. NO. 1476, *supra* note 48, at 159, reprinted in 1976 U.S.C.C.A.N. at 5775.

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.⁴⁷⁰

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.⁴⁷¹

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.⁴⁷² Thus, unlike direct and vicarious liability, the contributory infringer must have actual knowledge of the infringement.⁴⁷³ In addition, participation by the contributory infringers must be substantial.⁴⁷⁴ In most cases, the alleged contributory infringer provides services or equipment that assists in the direct infringement.⁴⁷⁵ In such a situation, the threshold question is whether the services or equipment have substantial noninfringing uses.⁴⁷⁶ If such substantial, noninfringing uses are found, there is no liability.⁴⁷⁷

1. Provider of Services or Equipment to the Direct Infringer

In *Sony Corp. of America v. Universal City Studios, Inc.*, the Supreme Court refused to hold VCR manufacturers liable for contributory infringement.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

470. *Id.* at 159-60, reprinted in 1976 U.S.C.C.A.N. at 5775-76.

471. See *infra* notes 510-16 and accompanying text.

472. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

473. *But see supra* notes 409 & 459 and accompanying text.

474. *Apple Computer, Inc. v. Microsoft Corp.*, 821 F. Supp. 616, 625 (N.D. Cal. 1993), *aff'd*, 35 F.3d 1435 (9th Cir. 1994), and *cert. denied*, 115 S. Ct. 1176 (1995).

475. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) (VCR manufacturers alleged to be contributory infringers).

476. *Id.* at 442.

477. *Id.*

478. *Id.* at 456.

having their broadcasts time shifted by private viewers.⁴⁷⁹ 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.”⁴⁸⁰ Therefore, the court held that the home videotape recorder was capable of substantial noninfringing uses.⁴⁸¹ Thus, the manufacturers’ sale of such equipment to the general public was not contributory infringement.⁴⁸²

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.⁴⁸³ The court reasoned that the program had substantial noninfringing uses.⁴⁸⁴ Plaintiff Vault produced copy-protected computer diskettes, called “PROLOK,” that prevented unauthorized copying of the information contained on the diskettes.⁴⁸⁵ Defendant Quaid manufactured diskettes featuring “RAMKEY,” a program which “unlocked” the protective devices contained on the PROLOK diskettes.⁴⁸⁶ The court held that Quaid was not directly liable for copyright infringement under the “essential step” exception for computer programs.⁴⁸⁷ 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.⁴⁸⁸

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.⁴⁸⁹ Defendant JS&A manufactured a device used to duplicate video games compatible with an Atari system, including copyrighted games manufactured by Atari.⁴⁹⁰ Defendant JS&A argued

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).

483. *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 255 (5th Cir. 1988).

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”).

488. *Vault Corp.*, 847 F.2d at 261-67; see 17 U.S.C. § 117(2) (1994) (excluding copying of computer program for archival purposes).

489. *Atari, Inc. v. JS&A Group, Inc.*, 597 F. Supp. 5, 10 (N.D. Ill. 1983). *Atari* was decided prior to the *Vault* decision and, accordingly, was a case of first impression for application of 17 U.S.C. § 117.

490. *Id.* at 7.

that the archiving exception of § 117⁴⁹¹ applied to duplication of these video games, thus making the device capable of substantial, noninfringing uses.⁴⁹² The court rejected this argument because of the relative indelibility of Atari game cartridges, which prevented a need for archival copies.⁴⁹³ 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.⁴⁹⁴

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.⁴⁹⁵ The promoter engaged in extensive contributory infringement through promotions of various pirate chips and other infringing devices.⁴⁹⁶ 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.⁴⁹⁷ The court determined that the promoter had actual and apparent knowledge that its computer program located in the marketed chip was copyrighted.⁴⁹⁸ In addition, the court held that the promoted items were used primarily for unlawful, infringing uses rather than legitimate, noninfringing uses.⁴⁹⁹

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.⁵⁰⁰ 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-

491. 17 U.S.C. § 117(2) (1994).

492. *Atari*, 597 F. Supp. at 8.

493. *Id.* at 9-10.

494. *Id.* at 10.

495. *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 847 (11th Cir. 1990).

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.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 infringing activity undertaken on their systems.⁵⁰²

Furthermore, a recently decided defamation case may offer some precedent for defining the scope of service provider liability.⁵⁰³ In *Cubby, Inc. v. CompuServe, Inc.*, CompuServe was sued for carrying allegedly defamatory statements about a computer database called "Skuttlebut."⁵⁰⁴ These statements were published on a CompuServe BBS called "Rumorville."⁵⁰⁵ The court absolved CompuServe from liability because of its limited function with respect to the Rumorville BBS.⁵⁰⁶ The court found that CompuServe did not "republish" the defamatory statements because it did not review the statements before they were transmitted.⁵⁰⁷ In effect, CompuServe was a passive distributor, like a bookstore or library, rather than an active distributor, like a newspaper or broadcaster.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.⁵⁰⁹

501. *Sega Enters., Ltd. v. MAPHIA*, 857 F. Supp. 679, 689 (N.D. Cal. 1994).

502. *Religious Tech. Ctr. v. Netcom*, No. C95-20091 (N.D. Cal.) (verified first amended complaint filed March 3, 1995). In *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. *Id.* In a recent published ruling, the court in the *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. *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. *Id.* at 1378-81; see Edward H. Rosenthal & Jeanne Hamburg, *Are 'Net Providers Liable for Users' Infringement? 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.

503. *Cubby, Inc. v. CompuServe, Inc.* 776 F. Supp. 135 (S.D.N.Y. 1991).

504. *Id.* at 138.

505. *Id.*

506. *Id.* at 140-41.

507. *Id.* at 139-41.

508. *Id.*

509. *Id.* at 140. *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 *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." *Id.* at *10. Unlike CompuServe, Prodigy held itself out to be a family oriented service wherein it screened for inappropriate content on its system. *Id.* at *5-6. Therefore, the court found, Prodigy could also screen for copyright violations. *Id.* at *10. Prodigy had

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."⁵¹⁰ 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.⁵¹¹ 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.⁵¹² 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.⁵¹³

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.⁵¹⁴ "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]."⁵¹⁵ Without adoption of a lesser standard, many providers believe they will be unable to withstand their liability exposure.⁵¹⁶

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).

512. Kevin M. Caws, *Online Service Providers and Copyright Law: The Need for Change*, 1 SYRACUSE J. LEGIS. & POL'Y 197, 202 (1995).

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).

515. *Working Group Hearing III*, *supra* note 4, at 39 (statement of Brian Kahin, General Counsel, Interactive Multimedia Association).

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."⁵¹⁷ 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.⁵¹⁸ 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.⁵¹⁹ 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.⁵²⁰

2. Service Providers

Arguments against a strict liability standard for service providers are even more strident.⁵²¹ 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.⁵²² Additionally, some providers warn that strict liability will burden the NII's goals, development and popularity, because additional costs will be forc-

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 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.

518. Kelly Tickle, Note, *The Vicarious Liability of Electronic Bulletin Board Operators for the Copyright Infringement Occurring on Their Bulletin Boards*, 80 IOWA L. REV. 391, 417 (1995).

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

520. *Id.*

521. *Working Group Hearing II*, *supra* note 4, at 16 (statement of Robert Simons, General Counsel, Dialog Information Services).

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 deprival 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 haves 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. TRADE-MARK & 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).

526. See 17 U.S.C. § 111(a)(3) (1994) (common carrier exemption); *Working Group Hearing III*, *supra* note 4, at 55 (statement of Allan Arlow, President and CEO, Computer and Communications Industry Association) (advocating consideration of "certain

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.⁵²⁷

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

[P]rint 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.⁵²⁸

America Online alone transmits 800,000 pieces of e-mail along with 30,000 message board postings on their 4000 message boards daily.⁵²⁹ They deal with 620 billion gigabytes of information per week, with 28 gigabytes (200,000 files) of software alone.⁵³⁰ 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.⁵³¹

passive transport or common carrier exceptions similar to one presently available to cable companies under § 111(c)(3)"); *see also Working Group Hearing II, supra* note 4, at 16 (statement of Robert Simons, General Counsel, Dialog Information Services) (arguing that common carrier exception should apply and make service providers immune from liability); *Working Group Hearing II, supra* note 4, at 55 (statement of Eugene Volokh, Professor of Law, UCLA) (expressing support for the common carrier model).

527. *Working Group Hearing I, supra* note 4, at 54 (statement of Kent Stuckey, General Counsel and Secretary, CompuServe, Inc.) (asserting that service providers provide a system function, not a content management function); *Working Group Hearing III, supra* note 4, at 28 (statement of Ellen Kirsh, Vice President, General Counsel and Secretary, America Online, Inc.) ("We are not publishers and we are not common carriers."); *Working Group Hearing III, supra* note 4, at 55 (statement of Allan Arlow, President and CEO, Computer and Communications Industry Association) (distinguishing between providers who are merely "passive conduits" and others who are more active).

528. *Working Group Hearing III, supra* note 4, at 26 (statement of Ellen Kirsh, Vice President, General Counsel and Secretary, America Online, Inc.).

529. *Id.*

530. *Id.*

531. *Id.* at 27.

3. Content Provider Opinion

Content providers vehemently oppose the notion of statutorily mandating liability standards for BBS operators or service providers.⁵³² At recent congressional hearings, witnesses argued that such changes should be left to judicial and market, rather than legislative, forces.⁵³³ Others have simply rejected contentions that service providers are not responsible for, nor able to control, NII content.⁵³⁴

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.⁵³⁵ It believes that "it is—at best—premature to reduce the liability of any type of service provider in the NII environment."⁵³⁶ 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.⁵³⁷ 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.⁵³⁸ 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.*

535. See WORKING GROUP REPORT, *supra* note 42, at 122-24.

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.⁵³⁹ Thus, the Working Group encourages further development of case law and increased participation by service providers in controlling copyright infringement.⁵⁴⁰

5. A Rebuttable Presumption?

Both types of providers, content and service, have compelling arguments for their position on provider liability.⁵⁴¹ The case law is, at best, ambiguous when defining exactly what the liability standards are—directly, contributorily, and vicariously—for NII service providers.⁵⁴² 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.⁵⁴³ Thus, the legislature should codify exactly what the standard will be.⁵⁴⁴

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.”⁵⁴⁵ 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.⁵⁴⁶ 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.⁵⁴⁷

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;⁵⁴⁸ 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.

sponsibility of either a BBS operator or service provider.⁵⁴⁹ 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,⁵⁵⁰ or (2) the operator or service provider, upon gaining actual knowledge of an infringement, failed to take reasonable steps to rectify the situation.⁵⁵¹ 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.⁵⁵²

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.⁵⁵³

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.⁵⁵⁴ Statutory damages are awarded according to what a court deems "just"—between \$500 and \$20,000 per infringed work.⁵⁵⁵ 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.

554. 17 U.S.C. § 504(a) (1994).

555. 17 U.S.C. § 504(c)(1) (1994).

ment is innocent.⁵⁵⁶ Further, a finding that the copying of material is de minimis may also be relevant to the question of damages.⁵⁵⁷

A court may “grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.”⁵⁵⁸ The court may also order all copies or phonorecords which violate the copyright owner’s rights to be impounded or destroyed.⁵⁵⁹ Courts further have the discretion to award attorney’s fees and costs to the prevailing party.⁵⁶⁰

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 balancing 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 damages. And it doesn’t mean that they have to be the maximum amount at all.”⁵⁶¹ In response, a witness suggested that “a lot of defendants, especially 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.”⁵⁶²

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.⁵⁶³ Further, fraudulent copyright notices and fraudulent re-

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 innocence). 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 statutory 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 use. 17 U.S.C. § 504(c)(2) (1994).

557. *Central Tel. Co. v. Johnson Publ’g Co., Inc.*, 526 F. Supp. 838, 844 (D.C. Colo. 1981).

558. 17 U.S.C. § 502 (1994).

559. 17 U.S.C. § 503 (1994).

560. 17 U.S.C. § 505 (1994).

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).

563. 17 U.S.C. § 506(a) (1994). Violations of the rights of attribution and integrity,

removal of copyright notices are criminal violations.⁵⁶⁴ 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.⁵⁶⁵ Additionally, the court has the power to order forfeiture and destruction of infringing material and equipment used for infringement.⁵⁶⁶

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."⁵⁶⁷ If passed, that legislation would refine the definition of "financial gain" in § 101 to include "bartering for and trading of, pirated software."⁵⁶⁸ 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.⁵⁶⁹

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.⁵⁷⁰ Thus, technology, rather than law, may be

however, are specifically excepted from criminal liability. 17 U.S.C. § 506(f) (1994).

564. 17 U.S.C. §§ 506(c)-(d) (1994).

565. 18 U.S.C. § 2319(a)-(b) (Supp. 1996).

566. 17 U.S.C. §§ 506(b), 509 (1994).

567. *Legislation: Bill Would Strengthen Penalties for Criminal Infringement on Internet*, 50 PAT. TRADEMARK & COPYRIGHT J. 368, *2 (BNA) (Aug. 10, 1995) [hereinafter *Legislation*].

568. *Id.*; see S. 1122, 104th Cong., 1st Sess. (introduced Aug. 4, 1995) [hereinafter S. 1122].

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.⁵⁷¹ However, technology can often be used to outsmart technology.⁵⁷² Therefore, the Working Group recommends a new Chapter 12 for the Copyright Act to provide strengthened remedy protection for breaches of technological copyright protections.⁵⁷³ 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.⁵⁷⁴

The civil remedy provisions in the proposed Chapter 12 closely follow those of Chapter 5 of the Copyright Act.⁵⁷⁵ Under the proposed Chapter

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.⁵⁷⁷ Finally, the court could reduce or remit all damages when the violator acts innocently.⁵⁷⁸ In addition, like § 506(c)(d) of the Act, the newly proposed Chapter 12 contains criminal remedies for fraudulent violations of copyright management information.⁵⁷⁹

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.⁵⁸⁰ However, civil remedies and standards for anti-encryption devices have created considerable controversy.⁵⁸¹

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.⁵⁸² 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.

581. 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).

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*

nents 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.⁵⁸³ Such a scheme would require the inclusion of devices in machines that respond to anti-copying software.⁵⁸⁴ 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."⁵⁸⁵

Others argue that although some legislation may be necessary to protect anti-encryption, the proposed legislation goes too far.⁵⁸⁶ Proponents contend that by replacing the "substantial, noninfringing use" standard of *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.⁵⁸⁷ Because the devices themselves cannot tell the difference between legal and illegal uses, courts should be permitted to continue applying the *Sony* standard of "substantial, noninfringing use," which would presumably leave room for anti-encryption devices that are used for legitimate purposes.⁵⁸⁸ Therefore, continued application of the *Sony* standard, rather than the "primary purpose

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).

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

584. *Id.*

585. *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).

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

587. *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); 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.

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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