

THE NII COPYRIGHT ACT OF 1995: A ROADBLOCK ALONG THE INFORMATION SUPERHIGHWAY

Julie C. Smith

We could justify any censorship only when the censors are better shielded against error than the censored.¹

I. INTRODUCTION

Imagine that Jane Doe, an average, ordinary consumer, is an avid bowling fan. Dissatisfied with coverage of the sport available in her local newspapers or cable television station, she logs on to the Internet on her personal computer, and runs a search for "bowling." From the list of "hit" sites² dedicated to bowling, Jane downloads several documents, including excerpts from a book written by a professional bowler, an interview with a rising bowling star contained in a professional sports magazine, and a list of local league bowling statistics compiled by a local fan. Jane reads these documents for her own information and enjoyment, and then discards them. Under new legislation proposed to amend current copyright law, Jane has just committed multiple acts of copyright infringement.

In 1995, Senate bill 104 S. 1284³ was introduced on the Senate floor. The

¹American Communications Ass'n. v. Douds, 339 U.S. 382, 443 (1950).

²For an explanation of the Internet search process, see generally Jeffrey R. Kuester and Peter A. Nieves, *Hyperlinks, Frames and Meta-Tags: An Intellectual Property Analysis*, 38 IDEA: J.L. & TECH. 243, 246 (1988); Coe William Ramsey, *Burning the Global Village to Roast a Pig: The Communications Decency Act of 1996 is Not Narrowly Tailored in Reno v. ACLU*, 32 WAKE FOREST L. REV. 1283, 1288 (1997).

³See S. 1284, 104th Cong., 1st Sess. §§ 1-5 (1995). An identical bill was proposed in the House of Representatives. See H.R. 2441, 104th Cong., 1st Sess. §§ 1-5 (1995). Although omitted in this article for the sake of brevity, the full text of the bill is available at <<http://ftp.loc.gov/pub/thomas/c104/s1284.is.txt>>. Given that the bills are identical, the author will make reference in this article only to the Senate bill.

bill, commonly known as the National Information Infrastructure Copyright Protection Act of 1995 ("NII Copyright Act of 1995," "S. 1284" or "the Act"), seeks to amend the Copyright Act of 1976⁴ by proscribing "transmissions"⁵ of copyrighted information and subjecting violators to both civil and criminal penalties, in an attempt to counter the widespread unauthorized dissemination of copyrighted material on the Internet.⁶ Sponsored by Senators Orrin Hatch (R-Utah) and Patrick Leahy (D-Vt.), the Act purports to accomplish this purpose by broadening the parameters of the Copyright Act and imposing tougher sanctions on violators. To achieve this goal, the proposed legislation follows the recommendations of the "White Paper"⁷ issued by the Information Infrastructure Task Force⁸ in imposing restrictions on disseminating information.

This Act appears to have been proposed in reaction to the holding of the United States District Court for the District of Massachusetts in *United States v. LaMacchia*, which determined that the Wire Fraud Act is inapplicable to what is commonly known as "cyber-piracy."⁹ The authors of the Act believe

⁴See 17 U.S.C. §§ 101-121 (1998) ("the Copyright Act").

⁵See discussion in Pamela Samuelson, *The U. S. Digital Agenda at WIPO*, 37 VA. J. INT'L L. 369, 392 (1997) (describing the United States digital agenda as highly protectionist, and stating that the White Paper in part intended to give copyright owners greater control over every transmission of works in digital form by amending the copyright statute so that digital transmissions would be regarded as distributions of copies to the public).

⁶The synopsis to S. 1284 defines the proposed amendment's purpose as intended "to adapt the copyright law to the digital, networked environment of the National Information Infrastructure," among other purposes. S. 1284; *see also* 141 CONG. REC. S14547-05, S14550 (daily ed. Sept. 28, 1995) (statement of Sen. Orrin Hatch (R-Utah)) ("I am introducing the National Information Infrastructure Copyright Protection Act of 1995, which amends the Copyright Act to bring it up to date with the digital communications age."). For an expanded definition of the Internet, *see* *ACLU v. Reno*, 929 F. Supp. 824, 830-844 (E.D. Pa. 1996) (detailing what constitutes the Internet and how information is relayed via this communication system).

⁷See U.S. Dep't of Commerce, Information Infrastructure Task Force, Intellectual Property and the National Information Infrastructure: The Report of the Working Group on Intellectual Property Rights (1995) [hereinafter the "White Paper"]. For the purposes of this article, the author will reference page numbers as they appear on an official written version of the report; however, the full text of the report is also available in <<http://ftp.aimnet.com/pub/users/carroll/law/ipnii/ipnii.txt>>.

⁸See *infra* notes 45-49 and accompanying text (discussing the formation of the Information Infrastructure Task Force and its role in promulgating the White Paper).

⁹*United States v. LaMacchia*, 871 F. Supp. 535, 543 (D. Mass. 1994), discussed *infra* at Part III(A). "Cyber-piracy" refers to activities aimed at improperly acquiring trade se-

that the proposed amendments are necessary to impose criminal sanctions for the unauthorized use of copyrighted digital information. However, recent case law demonstrates that the Copyright Act in its current form is adaptable to the medium of cyberspace.¹⁰ An examination of recent decisions will demonstrate that an amendment to the Copyright Act is neither necessary to adequately enforce the exclusive rights afforded to copyright owners, nor desirable for public policy reasons. The proposed Act poses serious threats to fair use rights¹¹ and expands the exclusive interests of authors and copyright owners to include rights previously not contemplated by Congress, and the restrictions it places on use of the Internet, or "National Information Infrastructure," could create a chilling effect. This chilling effect would hamper the dissemination of ideas, in direct conflict with the stated goal of the legislation, and in contravention of the First Amendment.

This Comment will analyze whether the proposed amendment to the Copyright Act is necessary to protect the interests of copyright owners against the dissemination of materials over the Internet. Specifically, Part II reviews the Act's text and legislative history, how it proposes to amend the current Copyright Act, the penalties for violations it would impose, and the influence of the White Paper upon the resulting legislation. Part III will address how recent copyright decisions led to or are implicated by the proposed Act. Part IV analyzes the Act, arguing that the Act both violates the fair use doctrine,¹² creates

crets or other forms of intellectual property belonging to others via cyberspace, i.e., the Internet. See generally Marco Monetti and Francois Laugier, *The Risks of Cyber-Piracy and the Evolution of Intellectual Property Protection*, 1-FALL INT'L DIMENSIONS 15 (1997).

¹⁰See *Religious Tech. Ctr. v. Netcom On-Line Communications Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995); *Sega Enters., Ltd. v. MAPHIA*, 857 F. Supp. 679 (N.D. Cal. 1994); *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993), discussed *infra* at Part III (B)-(D).

¹¹See discussion *infra* at Part IV(A).

¹²See 17 U.S.C. § 107 (1998). Section 107 provides, in pertinent part:

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.

Id. The fair use doctrine governs certain instances in which portions of a copyrighted work may be literally copied by a defendant without obtaining prior license or consent from the copyright owner, without incurring liability for infringement. See discussion on fair use, *infra* Part II(C)(3)(a).

an implied moral right of attribution in copyright works, and hinders the underlying purposes of copyright law. Further, Part IV will explain how the Act has a chilling effect on the free speech of users in contravention of the First Amendment Free Speech Clause. Part IV will also illustrate that the Act's proposed remedies are superfluous, given the remedies currently available under statutory and case law which deal with the challenges posed by the technological capabilities of the Internet. Finally, Part V will conclude by urging Congress not to pass the Act, in light of its potential to deter free speech.

II. THE NII COPYRIGHT ACT OF 1995

A. TEXT OF S. 1284

The United States Constitution enables Congress "[t]o promote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."¹³ Pursuant to the power thus conferred by the Copyright Clause, Congress developed the federal system of copyright protection. This system affords authors a limited exclusive right¹⁴ over their original works¹⁵ by allowing them

¹³U.S. CONST., art. I, § 8, cl. 8.

¹⁴See 17 U.S.C. §§ 102, 106; see *infra* notes 15-16.

¹⁵17 U.S.C. § 102. Section 102(a) states in pertinent part:

(a) Copyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of machine or device. Works of authorship include the following categories:

- (1) literary works;
- (2) musical works, including any accompanying words;
- (3) dramatic works, including any accompanying music
- (4) pantomimes and choreographic works;

the right to first publish their works and to exclude all others from using their works without benefit of license or consent,¹⁶ subject to certain exceptions, including fair use.¹⁷

(5) pictorial, graphic, and sculptural works;

(6) motion pictures and other audiovisual works;

(7) sound recordings; and

(8) architectural works.

Id.

¹⁶17 U.S.C. § 106. Section 106 enunciates the penumbra of rights copyright protection extends to the author:

Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords; (2) to prepare derivative works based upon the copyrighted work; (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; (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; (5) in the case of 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, to display the copyrighted work publicly; and (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

Id. The author's right to control the initial publication of an original work is recognized as contained within the right to control distribution under section 106. See 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 8.11[A] (1997) (viewing the distribution right in the 1976 Copyright Act as a integration of the right to "vend" a copyrighted work and the right of first publication of the work).

¹⁷The First Amendment dictates that some limitations must be set to the protection extended by copyright. See generally Robert C. Denicola, *Copyright and Free Speech: Constitutional Limitations on the Protection of Expression*, 67 CAL. L. REV. 283 (1979). 17 U.S.C. § 107 sets forth that copyright protection will not exclude the "fair use" of a copy-

As currently written, the Copyright Act defines "publication" as the "distribution of copies . . . of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending."¹⁸ The Copyright Act currently defines "transmissions" only in the context of transmitting a performance or display of a copyrighted work; it does not encompass transmissions of a copy or reproduction of a work in electronic form.¹⁹ The authors of the NII Copyright Act attempt to make copyright law expressly applicable to the Internet by expanding the definition of "publication" to include "transmissions" of reproductions.²⁰ The Act would define "transmissions" as follows: "To 'transmit' a re-

righted work. The statute states in pertinent part that "fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching . . . , scholarship, or research, is not an infringement of copyright." *See id.*; *see also, e.g.*, *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994) (upholding rap group's parodic use of portions of Roy Orbison's *Pretty Woman*); *Fisher v. Dees*, 794 F.2d 432 (9th Cir. 1986) (holding that "When Sonny Sniffs Glue," a parody of "When Sunny Gets Blue" is fair use); *Consumers Union of the United States, Inc. v. General Signal Corp.*, 724 F.2d 1044, 1050 (2d Cir. 1983) (affirming lower court's holding allowing advertiser to quote from *Consumer Reports*), *cert. denied*, 469 U.S. 823 (1984); *International News Svc. v. Associated Press*, 248 U.S. 215, 234 (1918) (stating that the "news element" in a literary publication is not the creation of the writer, but merely a report of the history of the day); *see also* 17 U.S.C. § 108 (providing express authorization for libraries and archives to make fair use of copyrighted works).

¹⁸17 U.S.C. § 101 (1998) at "publication." Additionally, 17 U.S.C. § 101 states that "[t]he offering to distribute copies . . . to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication." *Id.*

¹⁹*See id.* at "transmit." *See also* Mark A. Lemley, *Dealing With Overlapping Copyrights on the Internet*, 22 U. DAYTON L. REV. 547, 557 (1997). Professor Lemley argues that the issue of whether transmission of works constitutes a distribution is not free from doubt, notwithstanding application of section 106(3) to radio and television broadcasts. *See id.* at 557. If the distribution right does apply to network transmissions, he reasons, the clarification amendments to the Copyright Act proposed by the White Paper are unnecessary, as they would not materially change the law. *See id.* at 559. Conversely, Professor Lemley argues that if the distribution right in its current form does not apply to transmissions, adoption of the White Paper's suggestions will result in an alarming expansion of the rights that are implicated by network transmission. *See id.*

²⁰*See* S. 1284, 104th Cong., 1st Sess. § 2(b) (1995). The Act's text states in pertinent part:

(b) DEFINITIONS. - Section 101 of Title 17, United States Code, is amended-
 (1) in the definition of "publication" by striking "or by rental, lease, or lending" in the first sentence and insert "by rental, lease, or lending, or by transmission;"

Id.

production 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.”²¹ The act of accessing and downloading information on the Internet would constitute a “transmission” by the Act’s definition, because the computer bytes comprising the information are taken from the address placement within the cyber-network and brought to the individual user’s personal computer screen.²² Currently, this method of accessing information is not expressly prohibited under the Copyright Act.²³

The Act’s proponents argue that the amended legislation is needed because the Copyright Act currently reads that transmissions remain outside the scope of protected subject matter under copyright law.²⁴ However, at least one federal appellate court has recognized that “copies” of works on computer hard drives are already incorporated into the Copyright Act under common law.²⁵ Additionally, proponents assert that including transmissions into the Copyright Act’s definition of “publication” would not unduly expand owners’ distribution rights, as is feared by the Act’s opponents.²⁶ Rather, proponents argue that the

²¹See S. 1284 at § 2(b)(2).

²²See *infra* notes 62-67 and accompanying text (discussing how the structural nature of the Internet implicates copyright owners’ exclusive right to reproduction).

²³But see Lemley, *supra* note 19, at 559-61. Professor Lemley maintains that accessing digital works would be an unauthorized public performance and display violative of sections 106(4) and (5), since transmission of images or sounds across a computer network involves the use of a machine or process to cause the performance or display of the copyrighted information to be visible to the public. See *id.* at 560. Professor Lemley notes that this theory of infringement hinges upon the interpretation of such a performance as “public,” but argues that the current definition of public in the performance and display context is sufficiently expansive to encompass computer transmissions. See *id.* at 561.

²⁴See *Pending Copyright Bills, 1995: Hearings on S. 1284 Before the White House Judiciary Committee on Courts and Intellectual Property*, available in 1995 WL 677009 at 8 (1998) [hereinafter *Hearings on S. 1284*] (statement of Bruce A. Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks).

²⁵See *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518 (9th Cir. 1993), *cert. dismissed*, 510 U.S. 1033 (1994) (holding that the act of loading a software program into a computer’s hard drive by a computer servicing company employee for the purpose of checking error log for one of manufacturer’s corporate licensees created an infringing “copy” of the software on computer’s random access memory, when the servicing company was not itself a licensee of manufacturer and thus did not have authorization to load software). But cf. *NLFC, Inc. v. Devcom Mid-America, Inc.*, 916 F. Supp. 751, 759 (N.D. Ill. 1996) (dismissing as “not reasonable” plaintiff’s claim of infringement under facts analogous to those in *MAI Systems*).

²⁶See *Hearings on S. 1284*, *supra* note 24. The interests opposed to including “trans-

fair use doctrine will necessarily expand to place certain transmissions outside the scope of the distribution right.²⁷ No legislation, however, has been introduced to confirm or clarify this assumption.

Arguably the most significant change to the Copyright Act proposed by the NII Copyright Act lies in chapter 12 of the proposed Act, which embodies the Act's provisions regarding liability and available remedies for infringement. Section 1201 of the proposed Act would render a person liable for copyright infringement when that person makes or distributes any product, or provides any service, which works to "circumvent"²⁸ a digital "copyright management system."²⁹ Section 1202 further imposes liability for knowing removal, alteration or distortion of "copyright management information."³⁰ Section 1203 pro-

mission" expressly into the Copyright Act believe that the expansion will increase copyright owners' rights without "a concomitant expansion of the limitation of those rights." *Id.* at 9.

²⁷*See id.* To support their argument, the Act's proponents primarily rely upon the findings of the Clinton Administration's Information Infrastructure Task Force. *See id.* Mr. Lehman sees transmitted copies as no different from copies created via conventional methods, and believes that "copies distributed via transmission are as tangible as any distributed over the counter or through the mail. Through each method of distribution, the consumer receives a tangible copy of the work." *Id.*

²⁸Section 1201 of the Act provides in full:

No person shall import, manufacture, or distribute any device, product or component incorporated into a device or product, or offer to 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.

S. 1284 at § 4-1201.

²⁹"Copyright management systems" or CMS, are technologies which work to identify the source of the work of owner of its copyright, and enable copyright owners to regulate reliably and charge automatically for access to digital works. *See Julie Cohen, Some Reflections on Copyright Management Systems and Laws Designed to Protect Them*, 12 BERKELEY TECH. L.J. 161 (1997) (explaining how CMS function and arguing that a digital CMS regime carries the potential to proscribe technologies with lawful uses and fair uses of copyrighted works).

³⁰"Copyright management information" is anything which works to identify the author or copyright owner of the work. The Act defines "copyright management information" as "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,

vides that a copyright owner injured by violation of the Act's provisions may: bring a civil action in federal court to recover damages— actual or statutory,³¹ and punitive damages for repeat violations;³² seek temporary and permanent

and such other information as the Register of Copyrights may prescribe by regulation." S. 1284 at § 4-1202(c). The language of this definition does not expressly limit information connected with a management "system," and thus purportedly refers to any copyright or authorship notice, whether digital, on paper, or contained in some other form. *See Joint Hearing Before the Subcommittee on Courts and Intellectual Property on H.R. 2441 and S. 1284*, 104th Cong., 1st Sess. at 39 (Nov. 15, 1995) [hereinafter *Joint Hearing Before the Subcommittee*] (testimony of Bruce A. Lehman) (stating that the amendments proposed by S. 1284 "prohibits the falsification, alteration, or removal of any copyright management information—not just that which is included in or digitally linked to the copyrighted work").

³¹See S. 1284 at § 4-1203(a). Proposed section 1203(c) further provides:

(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 in 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.

(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 sum of not less than \$200 or more than \$2,500 per device, product, offer or performance of any 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.

S. 1284 at § 4-1203(c).

³²Upon a finding that a defendant violated §§ 1201 or 1202, § 1203(c)(4) allows the

injunctions;³³ or impound any equipment allegedly used to violate the Act.³⁴ In addition to civil sanctions, the Act also provides for criminal penalties for falsifying, deleting, or altering copyright management information.³⁵ An offender convicted of falsification of copyright management information in order to commit fraud faces a fine of up to \$50,000, a prison term of up to five years, or both.³⁶

B. LEGISLATIVE HISTORY OF S. 1284

The NII Copyright Act was introduced to the Senate Judiciary Committee on September 28, 1995.³⁷ The bill's text was modeled after recommendations made by the Working Group on Intellectual Property Rights of the Information Infrastructure Task Force.³⁸ Senator Hatch, co-sponsor of the Act, described the Internet as an "information highway" and acknowledged that unscrupulous persons could potentially manipulate the Internet to violate intellectual property rights.³⁹ The senator stressed the need for "highway" safety in order to ade-

court to treble the damages against the defendant as equity provides. *See* S. 1284 at § 4-1203(c)(4).

³³*See* S. 1284 at § 4-1203(b)(1).

³⁴Section 1203(b)(2) of the proposed Act provides that "the court . . . 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;" S. 1284 at § 4-1203(b)(2).

³⁵*See* S. 1284 at § 4-1204. Section 1204 makes it a criminal offense to knowingly falsify, alter or delete copyright management information, or knowingly distribute same or copies thereof. *See id.*

³⁶*See id.*

³⁷*See* S. 1284, 104th Cong., 1st Sess., §§ 1-5 (1995).

³⁸*See* 141 CONG. REC. S14547-05, S14550 (daily ed. Sept. 28, 1995) (statement of Sen. Hatch).

³⁹*See id.* Senator Hatch stated:

The National Information Infrastructure, or "NII" is a fancy name for what is popularly known as the "information highway." Probably most people today experience the information highway by means of their computers when they use electronic mail or subscribe to a bulletin board service or use other on-line serv-

quately protect intellectual property interests.⁴⁰ The Act's other sponsor, Senator Leahy, emphasized that the failure to provide special protections for copyright owners creates a disincentive for owners to provide access to information.⁴¹ He further cautioned that if such fears kept intellectual property from being released on the Internet, the amount and types of information available to people would be severely limited, rendering a national and global communications network essentially useless.⁴²

The Commissioner of Patents and Trademarks, the Honorable Bruce A. Lehman, also voiced his support of the Act before the House Judiciary Committee on Courts and Intellectual Property.⁴³ Mr. Lehman echoed the concerns expressed by Senators Hatch and Leahy, stating that without increased protection for copyright owners, access to intellectual property will be denied to Internet users because owners will be reluctant to grant access to their works

ices. But these existing services are only dirt roads compared to the superhighway of information-sharing which lies ahead.

The NII of the future will link not only computers, but also telephones, televisions, radios, fax machines, and more into an advanced, high-speed, interactive, broadband, digital communications system. Over this information superhighway, data, text, voice, sound, and images will travel, and their digital format will permit them not only to be viewed or heard, but also to be copied or manipulated. The digital format will also ensure that copies will be perfect reproductions, without the degradation that normally occurs today when audio and videotapes are copied.

Id.

⁴⁰*See id.* Comparing the Internet information highway to asphalt highways, Senator Hatch explained that intellectual property owners need "rules of the road" to protect them from piracy like drivers need rules to keep them safe. *See id.* He also warned that "[w]e might end up having enormous access to very little information, unless we can protect property rights in intellectual works." *Id.*

⁴¹*See id.* at S14552 (statement of Sen. Leahy). Senator Leahy declared that updating the copyright laws will promote use of the Internet if intellectual property rights of works presented online are sufficiently protected. *See id.*

⁴²*See id.* The senator contended that express protections for copyrighted work on the Internet are absolutely essential, because "[o]therwise, owners of intellectual property will be unwilling to put their material on-line. If there is no content worth reading on-line, the growth of this medium will be stifled, and public accessibility will be retarded." *Id.*

⁴³*See Hearings on S. 1284, supra* note 24.

for fear they will be copied wholesale.⁴⁴ The essence of the government's position is that new protective legislation is necessary to facilitate access to and promote the growth of the NII.

C. THE WHITE PAPER: THE WORKING GROUP'S SOLUTION TO COPE WITH TECHNOLOGICAL ADVANCEMENT

The proposed Act is the outgrowth of recommendations made by the Working Group on Intellectual Property Rights of the Information Infrastructure Task Force ("Working Group"). This body, chaired by Commissioner Lehman,⁴⁵ utilized the resources of twenty-six federal agencies and departments and considered the testimony and statements of nearly 100 witnesses and other interested parties⁴⁶ before making its legislative recommendations to adapting existing copyright law to the NII. The Working Group's recommendations are encapsulated in a document popularly known as the White Paper.

The Working Group is a subcommittee formed by the Information Infrastructure Task Force ("IITF") to analyze the impact of NII expansion on intellectual property rights.⁴⁷ The IITF itself was formed to implement the administration's goal of achieving a workable NII.⁴⁸ The Working Group authored the White Paper, which analyzed special intellectual property issues created by the development of the NII, and recommended that copyright law be adapted to

⁴⁴*See id.* Mr. Lehman opined that the continued existence and use by the public of the NII ultimately depends upon the dissemination of works by authors, which in turn, depends upon providing adequate protection against infringement, both domestically and internationally:

All the computers, telephones, fax machines, scanners, cameras, keyboards, televisions, monitors, printers, switches, routers, wires, cables, networks, and satellites in the world will not create a successful NII, if there is no content. What will drive the NII is the content moving through it.

Id. at 6.

⁴⁵*See* 141 CONG. REC. S14547-05, S14551.

⁴⁶*See id.* at S14550.

⁴⁷*See id.* The IITF was formed under the direction of President William J. Clinton in February, 1993. *See Hearings on S. 1284* (statement of Bruce A. Lehman), *supra* note 24, at 3.

⁴⁸*See id.*

explicitly protect owners' rights.⁴⁹ The White Paper examined the NII's capacity to alter the nature of commercial transactions;⁵⁰ the effect of NII access on copyright owners' exclusive rights;⁵¹ the liability of particular parties, including Internet service providers, for copyright infringement;⁵² the adequacy of existing civil remedies and criminal penalties for copyright infringement⁵³ to protect copyright proprietors and encourage expansion of the NII.⁵⁴

1. ON-LINE TRANSACTIONS: WHERE DO THEY FALL?

The White Paper recognized that the ability to make purchases electronically over the Internet creates increased consumer access to the marketplace.⁵⁵ While acknowledging that the Uniform Commercial Code is readily adaptable to cover paperless, on-line sales or licensing of goods,⁵⁶ the White Paper ex-

⁴⁹*See id.* The White Paper was released on September 5, 1995. *See id.* at 4. The committee considered public testimony and over 1,500 pages of written statements responding to its previous release ("the Green Paper") during the four month comment period. *See id.* at 3-4.

⁵⁰*See infra* text at Part II(C)(1) (discussing the White Paper's recommendations regarding on-line transactions).

⁵¹*See infra* text at Part II(C)(2) and (3) (considering the exclusive rights afforded by copyright, the scope of these rights, and how the Internet implicates these rights).

⁵²*See infra* text at Part II(C)(5) (reviewing how the White Paper's suggestions would affect the liability of on-line service providers for direct or contributory copyright infringement).

⁵³*See infra* text at Part II(C)(4) (comparing the current remedies for copyright infringement with the remedies proposed under S. 1284).

⁵⁴*See* White Paper, *supra* note 7, at 55-61, 66-105, 120-37.

⁵⁵*See id.* at 55-56.

⁵⁶*See id.* at 59. The Uniform Commercial Code (U.C.C.) in its current form may be adaptable to a sale of goods on-line. Basic contractual issues of offer and acceptance are resolved through the Code's inclusive language. *See* U.C.C. § 2-206 (1998) (stating that "an offer to make a contract shall be construed as inviting acceptance in any manner and by any medium reasonable in the circumstances") (emphasis added); *see also* U.C.C. § 1-205(1) - (2) (1998) (creating exceptions for "course of dealing" and "trade usage" in liberally construing agreements). Even if the current U.C.C. is not adaptable to the Internet, a draft version of new U.C.C. Article 2B has been promulgated by the National Conference of Commissioners on Uniform State Laws, which would expressly cover on-line transactions involving licensure or sale of software and information on-line. The draft is currently undergoing revisions before submission to Congress for consideration. A copy of the new

pressed concern that the Code might not apply as easily to Internet transactions involving licenses or sales of copyrighted materials which are not goods.⁵⁷ The White Paper recommended that this difficulty be resolved by amending U.C.C. Article 2 to include licensing transactions,⁵⁸ in order to provide clear guidance to Internet users regarding their rights and responsibilities.

2. EXCLUSIVE RIGHTS AFFORDED BY COPYRIGHT PROTECTION: IS DOWNLOADING A RESTRICTED RIGHT?

Under the Copyright Act, copyright owners are afforded certain "exclusive rights," which are maintained as long as the copyright remains validly in effect.⁵⁹ These include the rights to reproduce the work, to prepare derivative works, and to distribute copies of the work for sale or rental to the public.⁶⁰ In the case of literary, musical, dramatic and choreographic works, the rights to perform and display work publicly are also contained within this array of exclusive rights.⁶¹ As will be demonstrated, a copyright holder's exclusive rights can be adversely affected by unauthorized dissemination that is not a fair use.

The White Paper recognized that reproduction rights are implicated by the unique structural nature of the Internet.⁶² The Internet transmits an image to a computer monitor, essentially reproducing a copy of the copyrighted work onto

Draft Article 2B is available in the University of Houston law library web site at <<http://www.law.uh.edu/ucc2b/031098/031098.htm>> .

⁵⁷See White Paper, *supra* note 7, at 60. The White Paper questions the applicability of the U.C.C. to such transactions, positing that copyrighted materials may not qualify as "goods" under U.C.C. Article 2, and that any transaction may not constitute a "sale" under U.C.C. § 1-102, but may be more akin to a licensing agreement, in which case common law contract principles might apply. *See id.*

⁵⁸*See id.*; *see also supra* note 56, discussing new Draft Article 2B pertaining to on-line licenses of information.

⁵⁹*See* 17 U.S.C. § 106 (1998); *see also supra* note 16. Copyright protection arises the moment an original work that is protectable under the subject matter of copyright is "fixed in any tangible medium of expression." *See* 17 U.S.C. § 102(a). Under the Copyright Act of 1976, protection endures for the life of the author plus fifty years. *See* 17 U.S.C. § 302(e).

⁶⁰*See* 17 U.S.C. § 106 (1998).

⁶¹*See id.*

⁶²*See* White Paper, *supra* note 7, at 67.

the user computer's memory.⁶³ Some federal courts have characterized this placement of computer images as "reproduction" under the Copyright Act.⁶⁴ The White Paper posited several examples of common situations where a copy is made, potentially violating the copyright owner's exclusive right to reproduction.⁶⁵ For example: (1) where an on-line work is placed into memory, whether on disk, ROM, RAM or other storage device for "more than a very brief period;" (2) where a printed work is scanned into a digital file; (3) where works such as photographs, motion pictures, or sound bites are digitized; (4) where a digitized file is uploaded from a computer to a bulletin board system; (5) where a digitized file is downloaded from a bulletin board system to a computer's memory; and (6) where a file is transferred from one user's computer network to another.⁶⁶ Under proposed S. 1284, any one of these uses would violate the Act and expose the Internet user to both civil and criminal sanctions.⁶⁷

The Copyright Act also gives owners an exclusive right to prepare derivative works.⁶⁸ Any modification of copyrighted material therefore would inter-

⁶³*See id.*

⁶⁴*See id.* (citing *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 519 (9th Cir. 1993) (holding that copyright infringement occurred where computer serviceperson transferred a computer program from a software disk to a computer's random access memory in order to check the operating system's "error log"), *cert. dismissed*, 510 U.S. 1033 (1994); *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 260 (5th Cir. 1988) (stating that "the act of loading a program from a medium of storage into a computer's memory creates a copy of the program"); *Advanced Computer Servs. v. MAI Sys. Corp.*, 845 F. Supp. 356 (E.D. Va. 1994) (finding that "where . . . a copyrighted program is loaded into RAM and maintained there for minutes or longer, the RAM representation of the program is sufficiently 'fixed' to constitute a 'copy' under the [Copyright] Act.")); *see also* Lemley, *supra* note 19, at 550-56 (arguing that most Internet activities "involve the making of one or more permanent copies that unquestionably implicate" copyright's exclusive rights). *But see* Jessica Litman, *The Exclusive Right to Read*, 13 *CARDOZO ARTS & ENT. L.J.* 29, 42 (1994) (arguing that the act of reading a work into a computer's random access memory is too transitory to constitute a violation of the right to reproduction).

⁶⁵*See* White Paper, *supra* note 7, at 68-69.

⁶⁶*See id.*

⁶⁷*See* S. 1284, 104th Cong., 1st Sess., at §§ 4-1203, 4-1204 (1995).

⁶⁸*See* 17 U.S.C. § 106(2) (1998). A derivative work is defined as a work:

[B]ased upon one or more preexisting works, such as a translation, musical ar-

fere with an owner's exclusive right and would technically violate the provisions of proposed S. 1284.⁶⁹ Similarly, the unauthorized distribution of any copies of an owner's copyrighted work would also create liability for copyright infringement,⁷⁰ as such distribution would trammel the owner's exclusive right to permit or prohibit initial distribution of such copies.⁷¹ Finally, the White Paper referred to the exclusive right of public display⁷² as "extremely significant in the context of the NII,"⁷³ since use of the Internet inherently involves the display of information upon each user's computer screen. While the White Paper interpreted what constitutes a "public display" very broadly,⁷⁴ its definition does appear to comport with Congress's accepted meaning, which defines public display as projection, transmission or showing of images on a viewing

rangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work."

17 U.S.C. § 101 at "derivative work" (1998).

⁶⁹See S. 1284 at § 4-1201; *see also supra* note 28 (providing text of statutory section).

⁷⁰See 17 U.S.C. § 501(a) (1998) (providing that "[a]nyone who violates any of the exclusive rights of the copyright owner as provided in section 106A(a), or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright or rights of the author, as the case may be"); *see also* *Baxter v. MCA, Inc.*, 812 F.2d 421, 423 (9th Cir. 1987) (stating that to support a claim for copyright infringement, a plaintiff must show ownership of a valid copyright and copying of protectable expression), *cert. denied*, 484 U.S. 954 (1987); *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993), discussed *infra* at Part III(C).

⁷¹See 17 U.S.C. § 106(3) (1998). A copyright owner possesses "the exclusive right to sell, give away, rent or lend any material embodiment of his work." *Id.*

⁷²"Public display" is defined as "to show a copy of [a work], either directly or by means of a . . . television image, or any other device of process[.]" 17 U.S.C. § 101 at "public display" (1998).

⁷³White Paper, *supra* note 7, at 75.

⁷⁴See *id.* The White Paper interpreted the statutory definition of display to include "when any NII user visually 'browses' through copies of works in any medium (but not through a list of titles or other 'menus' that are not copies of the works), a public display of at least a portion of the browsed work occurs." *Id.* Thus, even the most basic uses of the Internet would be encompassed by the statutory definition. *See id.*

device connected to an information system.⁷⁵ The White Paper maintained that “a display is public on the same terms as a performance is public,” and that as such, “many NII uses would appear to fall within the law’s current comprehension of public display.”⁷⁶ However, Congress fashioned this definition in 1976, before the advent of the personal computer, at a time when projections of images onto screens was generally intended for public viewing, as in the context of movie theatres and television broadcasts.⁷⁷ It is unclear, therefore, whether Congress even intended its definition of public display to extend to displays of information via downloads to a home personal computer. Although the White Paper briefly recognized this scenario in a footnote,⁷⁸ it assumed that the right of public display was implicated by downloading, and did not adequately address whether this assumption was correct.

3. LIMITATIONS ON EXCLUSIVE RIGHTS: WHAT CAN’T COPYRIGHT OWNERS CONTROL?

a. The Fair Use Doctrine

The fair use doctrine began as a judicially created exception⁷⁹ to copyright

⁷⁵See H.R. REP. NO. 1476, 94th Cong., 2d Sess. 64 (Sept. 3, 1976). Public display was defined as “the projection of an image on a screen or other surface by any method, the transmission of an image by electronic or other means, and the showing of an image on a cathode ray tube, or similar viewing apparatus connected with any information storage and retrieval system.” *Id.*

⁷⁶White Paper, *supra* note 7, at 75.

⁷⁷See *id.* at 75 n.226.

⁷⁸See *id.*

⁷⁹The fair use doctrine has its origins in nearly 150 years of common law jurisprudence. See *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4,901). In *Folsom*, Justice Story stated that in determining whether defendants could claim a non-infringing use of copyrighted material, the courts should consider “the nature and the objects of the selections made, the quantity and value of the material used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.” *Id.* at 348. Although the 1909 Copyright Act did not have an express fair use provision, courts “simply refused to read the statute literally in every situation” and thereby created a fair use exemption. *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 447 n.29 (1984). When it later codified fair use in amending the Copyright Act in 1976, Congress stated that it “intended to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way.” *Id.* (citing H.R. REP. NO. 1476, 94th Cong., 2d Sess. 66 (Sept. 3, 1976)).

infringement which was later codified within the Copyright Act.⁸⁰ The statute outlines four factors which determine whether use of a copyrighted work falls within the gamut of this affirmative defense: (1) the purpose and character of the use; (2) the nature of the work; (3) the substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use on the economic value of the work.⁸¹

The purpose and character of the use enables the distinction to be made between "commercial" and "nonprofit" uses.⁸² Unauthorized commercial uses of copyrighted material carry a rebuttable presumption that the fair use defense is inapplicable.⁸³ One court, however, has found that a defendant must actually receive a direct financial benefit in order to preclude the possibility of fair use under this prong.⁸⁴ Other courts have determined that fair use may be satisfied when the challenged use serves a wholly different function than that originally intended by the copyright owner.⁸⁵

The nature of the copyrighted work plays a less significant role in the determination of fair use than other factors.⁸⁶ Courts have traditionally distin-

⁸⁰See 17 U.S.C. § 107 (1998) (statutorily recognizing that certain limited uses of copyright works "for the purpose of criticism, comment, news reporting, teaching, scholarship or research" will not constitute infringement); *see also supra* note 12.

⁸¹*See id.*; *see also* Patrick McGowan, *The Internet and Intellectual Property Issues*, 455 PRAC. LAW INST. 303, 391 (1996) (discussing, *inter alia*, the fair use doctrine).

⁸²*See* 17 U.S.C. § 107; *see also supra* note 12.

⁸³*See Sony Corp.*, 464 U.S. at 456 (holding that the manufacturer of video cassette recorders was not a contributory infringer merely because it provided the means for unauthorized reproduction of copyrighted works). *But see* *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 572 (holding that a parody's commercial character is only one element to be weighed in a fair use inquiry).

⁸⁴*See Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1379 (N.D. Cal. 1995), discussed *infra* at Part III(B).

⁸⁵*See Hustler Magazine, Inc. v. Moral Majority, Inc.*, 606 F. Supp. 1526, 1535 (C.D. Cal. 1985) (finding that the Reverend Jerry Falwell "did not employ [Hustler's] ad parody for the same, intrinsic purpose as plaintiff"), *aff'd*, 796 F.2d 1148 (9th Cir. 1986).

⁸⁶*See* White Paper, *supra* note 7, at 81; *see also* Benjamin Ely Marks, *Copyright Protection, Privacy Rights, and the Fair Use Doctrine: The Post-Salinger Decade Reconsidered*, 72 N.Y.U. L. REV. 1376, 1384-85 (1997) (stating that the second factor "is implicit at best in the statutory framework" and correspondingly has been "subordinated" to the other factors) (citing Stephen B. Thau, *Copyright, Privacy, and Fair Use*, 24 HOFSTRA L. REV. 179, 181 (1995)).

guished between fictional and informational works, and taken the publication status of the work into account in determining whether the defendant could maintain a fair use defense.⁸⁷ The authors of the White Paper prognosticated that courts might determine that a work in digital form should be treated differently than a work in conventional print, at least so far as this second prong of fair use analysis is concerned.⁸⁸

The White Paper referred to the third fair use factor, the amount and substantiality of the portion used, as the least important prong of the test,⁸⁹ because

⁸⁷See White Paper, *supra* note 7, at 81. The White Paper notes that the second factor weighs in the copyright owner's favor when the work is fictional or unpublished, and in the defendant's favor if the work is factual (nonfiction) or published. See *id*; see also *National Rifle Ass'n of Am. v. Handgun Control Fed'n*, 15 F.3d 559, 562 (6th Cir.) (finding that because the work copied was "almost entirely factual" the second factor supported a conclusion of fair use), *cert. denied*, 513 U.S. 815 (1994); *Twin Peaks Prods., Inc. v. Publications Int'l, Inc.*, 996 F.2d 1336, 1376 (2d Cir. 1993) (stating that "the second factor . . . must favor a creative and fictional work"); *New Era Publishers, Inc. v. Carol Publ'g Group*, 904 F.2d 152, 157 (2d Cir.) (recognizing that "whether or not a work is published is critical to its nature under factor two" because unpublished works merit a narrower fair use scope) (internal citations omitted), *cert. denied*, 498 U.S. 921 (1990); *New Era Publishers, Inc. v. Henry Holt & Co., Inc.*, 873 F.2d 576, 577 (2d Cir. 1989) (affirming district court's conclusion that Holt's use of unpublished material from L. Ron Hubbard's writings in its unauthorized biography "cannot be held to pass the fair use test"), *cert. denied*, 493 U.S. 1094 (1990).

⁸⁸See White Paper, *supra* note 7, at 82. Although the White Paper fails to elaborate on this point, one might infer that due to the sheer volume of actual and potential users on the Internet, an unpublished work might be deemed published simply by virtue of its posting online by the author. Cf., John C. Yates & Michael R. Greenlee, *Intellectual Property on the Internet: Balance of Interests Between the Cybernauts and the Bureaucrats*, 8 No. 7 J. PROPRIETARY RTS. 8, 10 (1996) (arguing that a display of information on the Internet is not a publication because no copy of the information actually changes hands).

⁸⁹Even the foremost authority on copyright infringement devotes only four sentences to a discussion of this factor. See 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05[A][3] (1997). Nimmer proclaims:

The third factor listed in Section 107 is "the amount and substantiality of the portion used in relation to the copyrighted work as a whole." This raises an issue discussed in a preceding section [the nature of the copyrighted work], and may be regarded as relating to the question of substantial similarity, rather than whether the use is "fair." This includes a determination of not just quantitative but also qualitative substantiality. To avoid circular reasoning, the plaintiff manifestly should not be heard to argue that the defendant's copying of brief passages vouchsafes their qualitative significance. In any event, whatever the use, generally it may not constitute a fair use if the entire work is reproduced.

even a small amount of copyrighted material can result in a finding of infringement.⁹⁰ However, even a small amount of copying can be damaging to the plaintiff, if the portion that the defendant takes is extremely significant to, or is the "heart" of, the copyrighted work.⁹¹ For example, in *Harper & Row Publishers, Inc. v. Nation Enterprises*, the use of only 300 words from "A Time to Heal," a biography by former President Gerald R. Ford, was held to constitute infringement, because the 300 words used were verbatim quotes concerning Ford's pardon of President Richard M. Nixon following the latter's impeachment.⁹² Although the quotes in question were an insubstantial portion of Ford's manuscript, they were "the most interesting and moving parts of the entire manuscript."⁹³ As a general rule, a defendant may fairly copy no more than is reasonably necessary from the original copyrighted work to achieve the defendant's particular use.⁹⁴

The final and most significant factor is the economic effect of the challenged use on the value of the original work.⁹⁵ In measuring the economic effect, courts do not limit their examinations to the current markets for a particular use, but also consider whether potential markets exist for any

Id. (internal footnotes omitted).

⁹⁰*See* White Paper, *supra* note 7, at 82.

⁹¹*See, e.g.,* Telerate Sys., Inc. v. Caro, 689 F. Supp. 221, 229 (S.D.N.Y. 1988) (holding that copying a few key pages out of 20,000 total pages may be unfair); Roy Export Co. Establishment v. Columbia Broad. Sys., Inc., 503 F. Supp. 1137 (S.D.N.Y. 1980) (finding that copying of one minute and fifteen seconds from plaintiff's one hour and twelve minute motion picture was qualitatively substantial so as to preclude the fair use defense), *aff'd*, 672 F.2d 1095 (2d Cir.), *cert. denied*, 459 U.S. 826 (1982). *But see* Consumers Union of U.S., Inc., v. General Signal Corp., 724 F.2d 1044 (2d Cir. 1983) (holding that verbatim copying of 29 words out of a total of 2100 words was fair use), *cert. denied*, 469 U.S. 823 (1984).

⁹²*See* Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539 (1985).

⁹³*Id.* at 565.

⁹⁴*See* Supermarket of Homes v. San Fernando Valley Bd. of Realtors, 786 F.2d 1400, 1409 (9th Cir. 1986) (stating that "[g]enerally, no more of a work may be taken than is necessary to make the accompanying comment understandable") (citing Benny v. Loew's, Inc., 239 F.2d 532, 537 (9th Cir. 1956), *aff'd*, 356 U.S. 43 (1958)).

⁹⁵*See* White Paper, *supra* note 7, at 83; *see also* Stewart v. Abend, 495 U.S. 207, 238 (1990) (stating that "the fourth factor is the 'most important, and indeed, central fair use factor'" (quoting 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05[A] at 13-181 (1989))).

conceivable use.⁹⁶ The United States Supreme Court's decisions in this area have emphasized the degree of economic harm suffered by the copyright owners in determining whether the fair use defense was available.⁹⁷ For example, in *Sony Corporation of America v. Universal City Studios, Inc.*, Universal sued Sony claiming that the sale of Betamax video tape recorders (VTRs) manufactured by Sony to the general public violated its copyrights in certain television programs broadcast on public airwaves.⁹⁸ The Court found that the copyright owners had suffered no economic harm from Sony's production of the VTRs.⁹⁹ In reaching this conclusion, the Court focused on the other non-infringing uses for video cassette recorders, as well as the large percentage of television programs that authorized home taping and the testimony of copyright owners who did not object to home taping.¹⁰⁰

⁹⁶See White Paper, *supra* note 7, at 83 (citing *Salinger v. Random House, Inc.*, 811 F.2d 90, 99 (2d. Cir.) (protecting the potential market for copyrighted works even where the author denied any intent to ever publish the works), *cert. denied*, 484 U.S. 890 (1987)). The Second Circuit determined that even though J. D. Salinger made it clear he never intended to publish his private letters, he "has the right to change his mind" and was "entitled to protect his opportunity to sell his letters, an opportunity estimated by his literary agent to have a current market value in excess of \$500,000." *Salinger*, 811 F.2d at 99.

⁹⁷See, e.g., *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) (holding that production of video cassette recorders by defendant for home taping caused no economic harm to copyright holders of television programming); *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985) (finding that quotations published by magazine from former president's memoirs directly interfered with publisher's exclusive serial license with another periodical); *Stewart v. Abend*, 495 U.S. 207 (1990) (concluding that defendant's re-release of motion picture caused financial harm to story copyright holder's ability to contract for derivative versions of the story).

⁹⁸See *Sony Corp.*, 464 U.S. at 419-20.

⁹⁹See *id.* at 443-47.

¹⁰⁰See *id.* at 443-45. The Court noted that a significant amount of television programming, including "sports, religious, educational, and other programming" was authorized for home taping. *Id.* at 444. In addition, the Court noticed that 58% of the total available programming authorized at least some form of home recording. See *id.* at 445. Finally, the Court considered the testimony of Fred Rogers, copyright holder of the childrens television show "Mr. Rogers' Neighborhood," whose audience numbered over 3 million families a day. See *id.* Mr. Rogers indicated that he had "absolutely no objection to home taping for noncommercial use." *Id.* The dissent in *Sony Corp.* argued that the creation of even a single videotape for home use fell within the purview of 17 U.S.C. § 106(1), and that absent evidence of legislative intent to provide a private use exception, the defendant could and should be held liable for contributory infringement. See *id.* at 463-66 (Blackmun, J., dissenting).

In contrast, the Court found that actual economic harm had occurred in *Harper & Row Publishers, Inc. v. Nation Enterprises*, where the defendant published quotations from former President Gerald R. Ford's autobiography, which the copyright owner, Harper & Row, had previously licensed for exclusive serial publication in *Time Magazine*.¹⁰¹ As a result of *The Nation's* unauthorized publication, *Time* cancelled its contract with the plaintiff.¹⁰² The Court affirmed the district court's finding that the unauthorized publication of the Ford quotes caused *Time* to cancel the contract, which directly resulted in plaintiff losing the licensing fee.¹⁰³ The defendant was unable to prevail in its fair use defense because its actions caused an adverse economic effect upon the value of the autobiography to the copyright owner.¹⁰⁴

Similarly, the Court found the fair use defense inapplicable in *Stewart v. Abend*.¹⁰⁵ In *Abend*, the Court determined that the defendant's public performance of a motion picture caused economic harm to the copyright owner of the short story upon which the film's screenplay was based.¹⁰⁶ Abend attempted to negotiate a contract with Home Box Office (HBO) to produce stage and television versions of the story around the same time defendants released the movie.¹⁰⁷ The Court held that defendants' fair use defense failed to satisfy the economic effect factor because the film's re-release detrimentally affected the

¹⁰¹See *Harper & Row*, 471 U.S. at 542.

¹⁰²See *id.*

¹⁰³See *id.* at 567. *Time's* cancellation caused Harper & Row to lose the first serial contract price of \$12,500. See *id.* The Court went on to state that "[r]arely will a case of copyright infringement present such clear-cut evidence of actual damage." *Id.*

¹⁰⁴See *id.* at 569.

¹⁰⁵495 U.S. 207 (1990).

¹⁰⁶See *id.* at 238. The short story by Cornell Woodrich, entitled "It Had To Be Murder," was the basis for the film "Rear Window," produced by actor James Stewart and director Alfred Hitchcock. See *id.* at 212. Woodrich assigned the rights to the story to Columbia University. See *id.* Renewal rights in the story were subsequently assigned to one Sheldon Abend for \$650 and 10% of all resulting proceeds. See *id.* Defendants Stewart, Hitchcock, and MCA, Inc. later entered into a contract with ABC to rebroadcast the film on television. See *id.* Abend informed Stewart that the rebroadcast of "Rear Window" violated his renewal rights in the story, and brought an action against defendants for copyright infringement. See *id.* at 213.

¹⁰⁷See *id.* at 213-14. Additionally, the record showed that the plaintiffs were also attempting to sell the rights to create a television sequel at the same time. See *id.* at 214.

plaintiff's ability to market new versions of the story.¹⁰⁸

b. Express Constitutional Limitations

The Copyright Clause of the United States Constitution enables Congress to grant authors a limited exclusive right over their writings.¹⁰⁹ One of the purposes of this clause is to foster creativity, while allowing the public access to the authors' works.¹¹⁰ The White Paper, however, focused almost entirely on the protection of owners' proprietary interests, and neglected to discuss the public benefit portion of the clause.¹¹¹

The Copyright Clause sets forth that, at the end of the limited term of exclusivity, the public is entitled to, and has a right to expect, free access to copyrighted works and ideas.¹¹² Congress has never specifically legislated control over who may read, listen to, or use copyrighted materials.¹¹³ In a

¹⁰⁸*See id.* at 238.

¹⁰⁹*See* U.S. CONST. art. I, § 8, cl. 8. The Copyright Clause states: "The Congress shall have the Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;" *See id.*; *see also supra* notes 79-108 and accompanying text.

¹¹⁰*See, e.g.,* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984). In the majority opinion, Justice O'Connor stated:

[This] limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.

Id.

¹¹¹*See generally*, Litman, *supra* note 64 (arguing that the alterations suggested by the White Paper are not in the public's best interests, as they work to prohibit individuals' private actions which have traditionally fallen within statutory exemptions to infringement); *see also* United States v. LaMacchia, 871 F. Supp. 535, 537 (1994) (stating that "the limited nature of the property interest conferred by the copyright stems from an overriding First Amendment concern for the free dissemination of ideas").

¹¹²*See* Jessica Litman, *Revising Copyright Law for the Information Age*, 75 OR. L. REV. 19, 32 (1996). Professor Litman argues that while public access may not be necessary to the progress of arts and sciences, it is a goal of copyright protection: "[the copyright scheme] trades a property-like set of rights precisely to encourage the holders of protectable works to forgo access restrictions in aid of self-help." *Id.* at 33.

¹¹³*See id.* at 35.

sense, the proponents of S. 1284 seek to control who can read this material by re-defining the material they are accessing.¹¹⁴ When the viewing of Internet materials on a personal computer monitor is deemed a "reproduction" or copy of the original, indirect control over who can access copyrighted materials is asserted. Only persons who have obtained consent in one form or another from the copyright owner can legitimately access the information in a way that is non-infringing.¹¹⁵ Such a view can only stymie public access.¹¹⁶ A possible solution to this problem would be to limit the owner's exclusive right to reproduction intended for commercial exploitation and create an exception for non-commercial uses.¹¹⁷ Doing so would permit expansion of the NII while simultaneously protecting copyright owners' ability to profit from their works. Because the creation of a digital copy is a necessary precursor to the legitimate utilization of a work obtained via the NII, it is seemingly counter-intuitive to limit the public's ability to do so, especially in light of S. 1284's stated goal of disseminating information.¹¹⁸

4. REMEDIES FOR INFRINGEMENT UNDER CURRENT COPYRIGHT LAW: WHAT IS THE RECOURSE ABSENT S. 1284?

Several remedies for infringement are available to copyright owners under existing law. First, an owner can apply to the court for an injunction against

¹¹⁴See Litman, *supra* note 64, at 31-32 (arguing that the White Paper's recommendations "would enhance the exclusive rights in the copyright bundle so far as to give the copyright owner the exclusive right to control reading, viewing, or listening to any work in digitized form").

¹¹⁵See Litman, *supra* note 112, at 21. Professor Litman states that "making digital reproductions is an unavoidable incident of reading, viewing, listening to, learning from, sharing, improving and reusing works embodied in digital media." *Id.* Professor Litman argues that the Legislature's intent in granting authors an exclusive right over reproduction should not extend to the digital medium, at least so far as non-commercial uses are concerned. *See id.* at 42-44. In support of her proposition, Professor Litman points to the historically high costs of copying as the reason Congress initially included reproduction within the copyright holder's bundle of rights; the prohibitive costs of multiple reproduction necessitated that the purpose and use of the copying be commercial in nature. *See id.* at 37. Because copying is central to the use of digital technology, Professor Litman argues, "reproduction is no longer an appropriate way to measure infringement." *Id.*

¹¹⁶*See id.*

¹¹⁷*See id.* at 44.

¹¹⁸*See* 141 CONG. REC. S14547-05, S14550 (daily ed. Sept. 28, 1995) (statement of Sen. Hatch).

the infringing activity.¹¹⁹ In addition, copyright owners can seek to collect either actual or statutory monetary damages resulting from infringement.¹²⁰ To

¹¹⁹See 17 U.S.C. § 502 (1998). Section 502 provides:

(a) Any court having jurisdiction of a civil action arising under this title may, subject to the provisions of [this title] grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.

(b) Any such injunction may be served anywhere in the United States on the person enjoined; it shall be operative throughout the United States and shall be enforceable, by proceedings in contempt or otherwise, by any United States court having jurisdiction of that person. The clerk of the court granting the injunction shall, when requested by any other court in which enforcement of the injunction is sought, transmit promptly to the other court a certified copy of all the papers in the case on file in such clerk's office.

Id.

¹²⁰See 17 U.S.C. §§ 504(a)-(c)(1) (1998). The statute states, in pertinent part, that:

(a) In General. – Except as otherwise provided by this title, an infringer of copyright is liable for either –

(1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b);

(2) statutory damages, as provided by subsection (c)

(b) Actual Damages and Profits.—The copyright owner is entitled to recover the actual damages suffered by him . . . as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyright work.

(c) Statutory Damages. –

(1). . . [T]he copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of

receive actual damages under the statute, a copyright owner need only show the infringer's gross revenue. The defendant bears the burden of demonstrating what amount of its gross profits is *not* attributable to the infringement.¹²¹ Should the owner elect statutory damages and demonstrate willful infringement by the defendant, the court may impose punitive damages over and above the statutory ceiling.¹²² At the court's discretion, a copyright owner may also recover attorneys fees and costs of litigation.¹²³

The current copyright statute also provides for criminal penalties for infringement. However, to impose criminal sanctions, the court must find that the infringer's conduct was both willful and for the purpose of commercial advantage or private financial gain.¹²⁴ Should an infringer be convicted based on

statutory damages for all infringements involved in the action, with respect to any one work, . . . in a sum of notless than \$500 or more than \$20,000 as the court considers just . . .

Id.

¹²¹See 17 U.S.C. § 504(b), *supra* note 120.

¹²²See 17 U.S.C. § 504(c)(1), *supra* note 120. The court is authorized, if it deems appropriate, to increase the statutory award from a minimum of \$500 - \$20,000 up to \$100,000. See 17 U.S.C. § 504(c)(2). However, should the court determine that the infringement was innocent, it may reduce the statutory damage award to not less than \$200. See *id.* Innocent infringement occurs when one copies a work, without realizing that the work is protected; an example would be copying from a third source, wrongfully copied from a copyrighted work, without knowledge that the third source was infringing. See *Lipton v. Nature Co.*, 71 F.3d 464, 471-72 (2d Cir. 1995) (remanding to determine whether defendant, who copied a list of animal group terms from the design of a scarf, had knowledge at the time of the copying that the terms on the scarf infringed plaintiff's copyright in a book of collective entymological terms). Note, however, that a finding of innocent infringement does not absolve the defendant of liability for infringement, but does give the court discretion as to damages. See 17 U.S.C. § 504(c)(2).

¹²³See 17 U.S.C. § 505 (1998). The statute provides that "the court in its discretion may allow the recovery of full costs by or against any party . . . Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs." *Id.*

¹²⁴17 U.S.C. section 506(a) (1998) states:

Criminal infringement.— Any person who infringes a copyright willfully either—for purposes of commercial advantage or private financial gain . . . shall be punished as provided under section 2319 of title 18, United States Code. For purposes of this subsection, evidence of reproduction or distribution of a copyrighted work, by itself, shall not be sufficient to establish willful infringement.

willful conduct, the court may also order the defendant to forfeit and destroy all infringing copies and any devices or equipment used to manufacture the copies.¹²⁵

The remedies proposed by S. 1284 do not differ or appear more effective in any significant degree than those already available under existing law. Aside from increasing the statutory damage award to provide for aggregation of damages,¹²⁶ the only exceptional civil remedy presented is the court's ability to order the destruction of goods or materials used to further the infringement.¹²⁷ The Act also creates civil liability for interference with copyright management information.¹²⁸ However, because copyrighted works can be published and protected even without inclusion of the copyright information,¹²⁹ it is difficult

Id. Senator Leahy (D-Vt.), who co-sponsored S. 1284, recently introduced another bill re-defining "financial gain" to include "receipt of anything of value, including the receipt of copyrighted works," a much lower standard than the current definition, which is generally accepted to mean actual economic gain. S. 1122, 104th Cong., 1st Sess. § 2 (1995), *infra* note 172.

¹²⁵17 U.S.C. section 506(b) (1998) declares:

(b) Forfeiture and Destruction.—When any person is convicted of any violation of subsection (a), the court in its judgment of conviction shall, in addition to the penalty therein prescribed, order the forfeiture and destruction or other disposition of all infringing copies or phonorecords and all implements, devices, or equipment used in the manufacture of such infringing copies or phonorecords.

Id.

¹²⁶Under 17 U.S.C. section 504(c)(1), a ceiling on statutory damages is set at \$20,000 per work infringed. *See id.* S. 1284's proposed scheme would allow a plaintiff to elect to recover from \$200 - \$2,500 per infringing use, at an amount ultimately determined by the court. *See* S. 1284, 104th Cong., 1st Sess. § 4-1203(c)(3)(A) (1995). Given the volume of information on the Internet and immense number of users, the potential for damages to aggregate exists under the proposed legislation, allowing for monumental resulting damage awards.

¹²⁷*See id.* at § 4-1203(b)(6), discussed in more detail *infra* at note 221 and accompanying text.

¹²⁸*See id.* at § 4-1202(a)-(b).

¹²⁹*See* 17 U.S.C. § 301(a)-(b) (1998) (stating that after Jan. 1, 1978, federal copyright protection inures upon fixation of works in a tangible medium of expression, whether or not they are published or unpublished). Additionally, several states have promulgated statutes creating causes of action for common-law conversion of intellectual property. These statutes have been acknowledged by federal courts so long as the state cause of action is not pre-

to ascertain how much additional protection, if any, this provision actually grants.

Proposed S. 1284's imposition of criminal penalties for interference with copyright management information is again similar to penalties already imposed under current law. The Copyright Act currently levies criminal fines for publishing fraudulent copyright notices¹³⁰ and for the fraudulent removal or alteration of a legitimate copyright notice.¹³¹ The proposed Act merely increases the fine from the current \$2,500 to a maximum of \$500,000.¹³² S. 1284 also would allow a court to impose a prison sentence of up to five years for the same offense, either as an alternative to, or in addition to, the imposition of a monetary fine.¹³³ Although imposing harsher penalties upon willful infringers may deter future infringement, a question arises as to whether the offense of deleting copyright information is egregious enough to merit imprisonment.

5. ON-LINE SERVICE PROVIDERS: LIABLE OR NOT?

Scholars debate about the extent to which on-line service providers, such as CompuServe or America Online, should be held directly or contributorily liable for infringement. Although it recognizes the necessary role of service providers in the development of the NII community, the IITF does not recommend limiting the liability of these companies.¹³⁴ The White Paper seemingly

empted under 17 U.S.C. § 301(a). *See Computer Assoc. Int'l, Inc. v. Altai*, 982 F.2d 693, 716 (2d Cir. 1992) (explaining that common law or state cause of action is not preempted if it requires proof of some additional element differentiating it from a copyright infringement claim); *Waldman Publ'g Corp. v. Landoll, Inc.*, 848 F. Supp. 498, 505 (S.D.N.Y. 1994) (holding that plaintiff's claims of reverse passing off under the Lanham Act are preempted under § 301 of the Copyright Act because the claim was grounded in allegation that defendant copied plaintiff's product).

¹³⁰*See* 17 U.S.C. § 506(c) (1998). This section provides that any person who publicly distributes a knowingly false copyright notice shall be fined up to \$2,500. *See id.*

¹³¹*See* 17 U.S.C. § 506(d) (1998). Section 506(d) provides that "[a]ny person who, with fraudulent intent, removes or alters any notice of copyright appearing on a copy of a copyrighted work shall be fined not more than \$2,500." *Id.*

¹³²*See* S. 1284 at § 4-1204.

¹³³*See id.*

¹³⁴*See* White Paper, *supra* note 7, at 123. The White Paper acknowledges that on-line service providers play a crucial role in development of the Internet and in its function as a public forum. *See id.* However, the White Paper maintains that they should not automati-

equated on-line service providers with publishers and producers,¹³⁵ although this is a questionable analogy.

On-line service providers argue that they should be given a higher threshold for liability because of the complex nature of the electronic information industry.¹³⁶ The White Paper, however, maintained that on-line service providers must take appropriate action *upon notification* that infringing material exists on their systems in order to limit the providers' liability to that of innocent infringers.¹³⁷ Yet, in a confusing contradiction, the document also places the onus of policing its system in order to prevent copyright infringement primarily on on-line providers, rather than copyright owners.¹³⁸ In addition, the White

cally be removed from liability simply because they perform these functions, since they have the ability to do so without infringing copyrighted expression. *See id.* In a footnote, the White Paper analogizes on-line service providers to bookstores and photocopying centers. *See id.* at 123 n.376. In actuality, however, a court might consider a photocopying service an innocent infringer, since its only infringing activity is the copying of the work at another party's request and thereby reduce the damages accordingly. *See* 17 U.S.C. § 504(c)(2) (1998).

¹³⁵*See* White Paper, *supra* note 7, at 126 (citing 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.08 at 13-291 (1994) (arguing against extending the innocent infringement defense to publishers and producers)); *see also* White Paper, *supra* note 7, at 128 (referring to on-line providers as "electronic publishers").

¹³⁶Data in cyberspace is transmitted in electronic binary code, 00s and 11s; from the transmitter's standpoint, "infringing" bits are indistinguishable from "authorized" bits. *See id.* at 122. In arguing that the electronic information system is too complex to effectively monitor, on-line service providers point to the volume of material on the system and the difficulty in identifying infringing material. *See id.* On-line providers caution that subjecting providers to liability will result in the impairment of communication, the shutdown of service providers, and eventual failure of the NII. *See id.* Furthermore, the providers contend that liability should only properly be imposed on providers who assume responsibility for the activities of their subscribers. *See id.* In addition, service providers assert that they are essentially only "secondary transmitters" or conduit services, since their customers are the ones who actually decide what content to access, unlike booksellers and cable television stations which are actively involved in book orders and programming. *See* Robert D. Collet, *White Paper: A Brief Analysis of the Role of Internet Access Providers in the Copyright Law Revisions*, <<http://www.cix.org/archive/1996/Governance/Legislative/copyright.html>> (last visited Mar. 6, 1998). However, at least one court has adopted the rationale that bulletin board service providers are strictly liable for the infringing activities of users. *See Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1559 (M.D. Fla. 1993), discussed *infra* at Part III(C).

¹³⁷*See* White Paper, *supra* note 7, at 123.

¹³⁸*See id.* at 124. The White Paper claims that the service providers are the only party suited to the task of policing infringing activity, because they are the only party "in the position to know the identity and activities of their subscribers" due to the contractual business

Paper recognizes that service providers will probably be unable to subrogate the full extent of their damages from the infringing user, and thus most likely will be forced to bear most, if not all, of the liability resulting from infringing activity.¹³⁹ The White Paper does not acknowledge, however, that this cost will be passed on to consumers, including innocent users. Consequently, the disbursement of such costs will eventually restrict the availability of the NII to those able to afford increased service charges, thereby inhibiting the free flow of information.

Nevertheless, despite the IITF's recommendations, the authors of S. 1284 appear hesitant to directly extend statutory strict liability to on-line service providers. The statutory language gives courts some leeway to find that service providers' primary purpose is to create an electronic forum for the dissemination of ideas, rather than to circumvent the exclusive rights to copyright owners.¹⁴⁰ It may still be possible, therefore, for service providers to limit their liability to that of "innocent infringers" under the proposed legislation.¹⁴¹

6. CONTROLLING THE USE OF PROTECTED WORKS: NO SELF-POLICING REQUIRED?

In addition to providing copyright owners with remedies for the infringement of their works, the White Paper recommended that owners themselves protect their works through a variety of methods, including encryption programs to prevent copying, and limiting files to read or listen-only.¹⁴² Further, computer hardware can be programmed to read encrypted bits, which would permit copying only where an authorized user has access to a particular code or

relationship between service providers and Internet users. *Id.* at 123 (footnotes omitted). This position contributed to a number of lawsuits brought against on-line service providers by the Software Publishers Association for copyright infringement, after the service providers refused to monitor their systems for infringing material. See Dan Goodin, *Software Publishers vs. Internet Providers: A Legal Clash Over Cyber-Piracy*, LEGAL TIMES, Oct. 28, 1996, at A2.

¹³⁹See White Paper, *supra* note 7, at 124.

¹⁴⁰See S. 1284, 104th Cong., 1st Sess. § 4-1201 (1995); see also *supra* note 28 (providing text of proposed statutory section).

¹⁴¹S. 1284 also creates an exception for innocent violations. See S. 1284 at § 4-1203(c)(5). This section places the burden of proof on the alleged violator to show that it had no knowledge of the infringing activity; it also gives the court the option to reduce or remit damages entirely. See *id.*

¹⁴²See White Paper, *supra* note 7, at 194-95.

decryption “key.”¹⁴³ Incorporation of encryption technology within copyrighted works disseminated over the Internet would allow the copyright owner to limit the number of times his or her work could be retrieved, opened, printed or copied.¹⁴⁴ These methods would in turn limit users’ abilities to violate owners’ exclusive rights and limit the potential liability of on-line service providers for copyright infringement.¹⁴⁵ The text of S. 1284 does not reflect the White Paper’s recommendations, but instead appears to prefer saddling service providers with the burden of insuring that Internet users observe owners’ exclusive rights, with the costs of this protection falling upon consumers. Failure of the Act’s authors to allocate a portion of this burden to copyright owners again seems at odds with the Act’s purpose, namely to increase the accessibility of the NII and attract copyright owners to disseminate information over the NII.¹⁴⁶ Since Congress has previously placed the costs of protecting intellectual on proprietors in similar situations,¹⁴⁷ it is unclear why Congress

¹⁴³See *id.* at 198. The White Paper cites to the technology utilized in the Audio Home Recording Act, 17 U.S.C. § 1002 (1998), which requires manufacturers of digital audio recording devices to use specially programmed hardware in order to limit serial copying by unauthorized persons. See White Paper, *supra* note 7, at 198.

¹⁴⁴See *id.* at 199.

¹⁴⁵See *id.* However, encryption would also tend to curtail lawful access, such as fair use. See Cohen, *supra* note 29, at 174 (arguing that encryptions and other types of copyright management systems can work to hinder fair use of copyrighted works or works that are in the public domain).

¹⁴⁶See 141 CONG. REC. S14547-05, S14552 (daily ed. Sept. 28, 1995) (statement of Sen. Leahy).

¹⁴⁷For example, copyright owners must take care to provide proper notification of their copyright registrations before distributing their works to the public, or risk possible forfeiture of their ownership rights. See, e.g., *National Comic Publications, Inc. v. Fawcett Publications, Inc.*, 191 F.2d 594, 601 (2d Cir. 1951) (finding that because the copyright proprietor to certain Superman comic strips failed to affix copyright notices before publication of the strips in its syndicated newspapers, the strips fell into the public domain upon publication); see also *Hardwick Airmasters v. Lennox Indus., Inc.*, 78 F.3d 1332, 1337 (8th Cir. 1996) (holding that copyright on an advertisement was rendered invalid by the creator’s omission of a copyright notice on initial publication and failure to take reasonable steps to add notice upon discovery of omission); *Original Appalachian Artworks, Inc., v. Toy Loft, Inc.*, 684 F.2d 821, 823 n.1 (11th Cir. 1982) (noting that “in order to protect his copyright, an author must attach a copyright notice to any copies of his work that are “published” as that term is defined in section 101 of the Copyright Act”). In the trademark context, failure to police marks can cause them to lose significance as an indicator of origin and can cause them to be deemed abandoned. See 15 U.S.C. §§ 1127, 1064, 1092 (establishing, collectively, that abandoned trademarks are entitled to no protection under the Lanham Act); see also *Rossner v. CBS, Inc.*, 612 F. Supp. 334, 339 (S.D.N.Y. 1985) (determining that no

failed to place the costs on copyright holders in regards to the NII.

III. THE INFLUENCE OF PRIOR INTERNET COPYRIGHT DECISIONS UPON S. 1284.

A. *UNITED STATES v. LAMACCHIA*: VIOLATIONS OF COPYRIGHT ACT NOT SUBJECT TO CRIMINAL PENALTY UNDER THE WIRE FRAUD ACT

The movement to provide tougher sanctions for copyright infringement on the Internet was spearheaded by the decision of the United States District Court for the District of Massachusetts in *United States v. LaMacchia*.¹⁴⁸ In *LaMacchia*, the court dismissed the government's action against defendant, David LaMacchia, under the Wire Fraud statute¹⁴⁹ for allegedly violating the Copyright Act by providing users with copies of copyrighted software via use of a computer bulletin board.¹⁵⁰ The defendant, a twenty-one year old college student at MIT, utilized his college's computer network to gain access to the Internet, and subsequently created an electronic bulletin board.¹⁵¹ He then encouraged users to upload computer software onto his bulletin board, where they

claim existed under the Lanham Act for infringement of plaintiff's title "Looking for Mr. Goodbar" where author had failed to control subsequent use of the word "Goodbar" to identify sources other than herself and such uses diminished the strength of the word as a trademark); *Wallflower Mfrs., Ltd. v. Crown Wallcoverings Corp.*, 680 F.2d 755, 766 (C.C.P.A. 1982) (stating that the failure of copyright owners to guard their marks can cause them to lose trademark significance and contribute to an abandonment of the mark).

¹⁴⁸871 F. Supp. 535 (D. Mass. 1994).

¹⁴⁹See 18 U.S.C. § 1343 (1998). The Wire Fraud statute provides:

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined under this title or imprisoned not more than five years, or both.

Id.

¹⁵⁰See *LaMacchia*, 871 F. Supp. at 545.

¹⁵¹See *id.* at 536.

could be accessed and downloaded by additional users.¹⁵² Eventually, news of the access to free software applications spread and caught the attention of federal authorities.¹⁵³

LaMacchia was indicted for violations of the provisions of the Wire Fraud statute.¹⁵⁴ Specifically, he was charged with conspiring with “persons unknown” to defraud copyright owners of royalties and licensing fees, causing losses in excess of one million dollars.¹⁵⁵ LaMacchia made a motion to dismiss the charges on the grounds that the government improperly relied on the Wire Fraud statute to enforce the exclusive rights granted via the Copyright Act.¹⁵⁶ The district court granted the defendant’s motion, distinguishing copyright interests from ordinary chattel and finding the Wire Fraud statute inapplicable.¹⁵⁷

¹⁵²*See id.* The software LaMacchia provided to bulletin board users included WordPerfect 6.0 and Sim City 2000, a popular computer game. *See id.*

¹⁵³*See id.*

¹⁵⁴*See id.*

¹⁵⁵*See id.* at 536-37. The injured parties probably sought criminal, rather than civil, remedies because David LaMacchia was a university student with limited funds, and effectively judgment proof.

¹⁵⁶*See id.* at 537. In making the motion, LaMacchia relied on the Supreme Court’s holding in *Dowling v. United States*, 473 U.S. 207 (1985). The *Dowling* Court held that copyrighted material copied onto a bootleg phonograph record was not “stolen, converted or taken by fraud” under 18 U.S.C. § 2314, the Stolen Property Act. *Id.* at 216 (internal quotations omitted). The Court’s rationale for thus holding the Stolen Property Act inapplicable for copyright enforcement was that stolen property cases involved “physical goods, wares [or] merchandise.” *Id.* at 214 (internal quotations omitted). Justice Blackmun’s majority opinion refuted the government’s argument that the unauthorized use of the copyright was sufficient to render the bootleg recordings property “stolen, converted or taken by fraud” under the statute:

[T]he Government’s theory here would make theft, conversion, or fraud equivalent to wrongful appropriation of statutorily protected rights in copyright. The copyright owner, however, holds no ordinary chattel. A copyright, like other intellectual property, comprises a series of carefully defined and carefully delimited interests to which the law affords correspondingly exact protections.

See id. at 216. Justice Blackmun further noted that, because the character of copyright is distinct from property interests in goods, “interference with copyright does not easily equate with theft, conversion or fraud.” *Id.* at 217.

¹⁵⁷*See LaMacchia*, 871 F. Supp. at 543-45 (relying on *Dowling v. United States*, 473 U.S. 206, 228 (1985)).

In reaching this determination, the United States District Court for the District of Massachusetts relied on the Supreme Court's decision in *Dowling v. United States*, which held that copyrighted material copied onto a bootleg phonorecord was not "stolen" under the Stolen Property Act.¹⁵⁸ In analyzing the relevant provision of the Copyright Act, the *LaMacchia* court observed that these provisions themselves defined the applicable criminal sanctions for copyright infringement.¹⁵⁹ Opining that that copyright prosecutions should be limited to those available pursuant to the Copyright Act,¹⁶⁰ the court held that the Wire Fraud Act could not be applied to prosecute *LaMacchia*.¹⁶¹

Although the court characterized the government's goal in criminally sanctioning the behavior exhibited by *LaMacchia* as "laudable,"¹⁶² it expressed serious concerns about the public policy ramifications of extending the Wire Fraud Act to encompass this conduct.¹⁶³ The court ultimately concluded that it

¹⁵⁸See *Dowling*, 473 U.S. at 229; see also *supra* note 156 for a discussion of *Dowling*.

¹⁵⁹See *LaMacchia*, 871 F. Supp. at 538-40. The district court noted that section 506(a) of the Copyright Act prescribed criminal penalties for infringement where the defendant is found to have acted "willfully and for purpose of commercial advantage or private financial gain." *Id.* at 540 (quoting 17 U.S.C. § 506(a)).

¹⁶⁰However, since defendant *LaMacchia* provided the computer programs to users free of charge, the government could not viably prosecute him under § 506(a). See *id.* at 537; see also 18 U.S.C. § 2319 (1998) (requiring specific intent to derive commercial benefit or private financial gain as an element of the felony of copyright infringement).

¹⁶¹See *LaMacchia*, 871 F. Supp. at 545. The court also stressed the Legislature's intent in making the determination that the Wire Fraud Act could not be used to prosecute *LaMacchia*. See *id.* The Senate Report accompanying 18 U.S.C. § 2319, the statute which promulgates criminal penalties for copyright infringement, provides that "[t]he only defense against [software] piracy is the copyright law." S. REP. NO. 268, 102nd Cong., 2nd Sess. (1992). In addition, Senator Orrin Hatch (R-Utah), who sponsored 18 U.S.C. § 2319, observed: "the [unauthorized] copying must be undertaken to make money, and even incidental financial benefits that might accrue as a result of the copying should not contravene the law where the achievement of those benefits were not the motivation behind the copying." 138 CONG. REC. S17958-02, S17959 (daily ed. Oct. 8, 1992) (statement of Sen. Hatch).

¹⁶²The district court referred to *LaMacchia*'s conduct as "at best . . . heedlessly irresponsible, and at worst . . . nihilistic, self-indulgent, and lacking in any fundamental sense of values." *LaMacchia*, 871 F. Supp. at 545. Even though it ultimately found the Wire Fraud Act inapplicable to prosecute the defendant, the court opined that "[c]riminal as well as civil penalties should probably attach to willful, multiple infringements of copyrighted software even absent a commercial motive on the part of the infringer." *Id.*

¹⁶³See *id.* at 544. Specifically, the court cautioned that the government's interpretation of the statute would encompass and render criminal the act of each and every person who might "succumb to the temptation to copy even a single software program for private use."

was the prerogative of the legislature, not the court, to specifically proscribe such behavior.¹⁶⁴

The result in *LaMacchia* was criticized in the White Paper,¹⁶⁵ which viewed the case as illustrative of how “the current law is insufficient to prevent flagrant copyright violations in the NIT (sic) context.”¹⁶⁶ The White Paper criticized the decision, which rendered the government unable to impose criminal penalties against *LaMacchia*, despite the fact that he had committed a “wanton and malicious large-scale endeavor [] to copy and provide on the NII limitless numbers of unauthorized copies of valuable copyrighted works . . .”¹⁶⁷ The *LaMacchia* decision had a direct effect on Congressional desire to pass legislation to fortify the protections afforded to copyright owners and curb the potential for the Internet to develop into a legal “free-for-all,”¹⁶⁸ and ultimately re-

Id. The court noted that even heads of the software industry cautioned against the imposition of criminal liability for such conduct: “[t]here are millions of people with personal computers to make copies. That is exactly one of the reasons I think you want to be careful. You do not want to be accidentally taking a large percentage of the American people, either small business of citizens, into the gray area of criminal law.” *Id.* at n.18 (quoting *Hearing on S. 893 Before the House Judiciary Subcommittee on Intellectual Property and Judicial Administration*, 102nd Cong., 2nd Sess. at 65 (Aug. 12, 1992) (statement of Edward J. Black, Vice President and General Counsel of the Computer & Communications Industry Association)).

¹⁶⁴*See LaMacchia*, 871 F. Supp. at 544-45. The court stated:

The judiciary’s reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme. Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the institutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology.

Id. at 544 (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 431 (1984)).

¹⁶⁵*See White Paper*, *supra* note 7, at 134.

¹⁶⁶*Pending Copyright Bills, 1995: Joint Hearing on NII Copyright Protection Act Before the House Judiciary Committee on Court and Intellectual Property*, 1995 WL 677001 at 3 (Nov. 15, 1995) [hereinafter *Joint Hearing on NII CPA*] (statement of Sen. Leahy).

¹⁶⁷*White Paper*, *supra* note 7, at 239.

¹⁶⁸*White Paper*, *supra* note 7, at 16 (positing that a lack of copyright laws on the Internet will create a “legal free for all [which] would transform the [Internet] into a veritable

sulted in the proposed S. 1284.¹⁶⁹

Even if the NII Copyright Act of 1995 were applied to the facts of *LaMacchia*, it is not clear that LaMacchia would be subject to criminal penalties under section 1204.¹⁷⁰ Under that section of the proposed Act, criminal liability will attach when a person knowingly deletes, alters or falsifies "copyright management information."¹⁷¹ The facts in the *LaMacchia* decision are ambiguous as to exactly how and what portions of the pirated software David LaMacchia posted on the Internet. If LaMacchia included the software's copyright management information, he probably would not be found criminally liable under the proposed chapter 12.¹⁷² Arguably, therefore, S. 1284 does not provide a viable remedy to deter and punish the infringing conduct at issue in *LaMacchia*.

B. RELIGIOUS TECHNOLOGY CENTER v. NETCOM ON-LINE COMMUNICATION

copyright Dodge City").

¹⁶⁹See Joint Hearing on NII CPA, *supra* note 166, at 3 (statement of S. 1284 co-sponsor Sen. Leahy). The senator declared that the LaMacchia decision "represented an enormous loophole in criminal liability for willful infringers who can use digital technology to make exact copies of copyrighted software or other digitally encoded works, and then use computer networks for quick, inexpensive and mass distribution of pirated, infringing works." *Id.* LaMacchia was also directly responsible for Congress passing the No Electronic Theft (NET) Act, signed into law by President William J. Clinton on December 17, 1997. See H.R. 2265, 105th Cong., 1st Sess., §§ 1-3 (1997). The NET Act amends federal copyright law to define "financial gain" to include the receipt of anything of value, including the receipt of other copyrighted works, and toughens applicable civil and criminal sanctions for infringement. See *id.*

¹⁷⁰See S. 1284, 104th Cong., 1st Sess. § 4-1204 (1995) (providing criminal penalty for knowing interference with copyright management information).

¹⁷¹See *id.* "Copyright management information" is the "name and other identifying information of the author of a work, the name and other identifying information of the copyright owner, [and] terms and conditions for uses of the work[.]" *Id.* at § 4-1202(c).

¹⁷²However, a defendant in an identical situation might be liable under the Criminal Copyright Improvement Act of 1995. See S. 1122, 104th Cong., 1st Sess. §§ 1-2 (1995). The bill seeks to amend the Copyright Act to redefine "financial gain" as "receipt of anything of value, including the receipt of other copyrighted works." *Id.* at § 2(a). Thus, LaMacchia and any users who downloaded programs from the bulletin board system could be subject to the criminal penalties provided for in the bill. The Criminal Copyright Improvement Act amends 18 U.S.C. § 2319 and 17 U.S.C. § 506(a)(2) to establish penalties of up to five years' imprisonment for copyright infringement if the works have a retail value of at least \$5,000. See *id.* at § 2(d)(1)-(2). This act also provides authorizes the submission of victim impact statements by producers and sellers of copyrighted works, copyright owners, and their legal representatives, in pre-sentence reports. See *id.* at § 2(e)(2)(d).

SERVICES, INC.: NO LIABILITY FOR ON-LINE SERVICE PROVIDER

In *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*,¹⁷³ the operator of a bulletin board service and an on-line service provider were charged with facilitating copyright infringement when a user utilized the bulletin board service ("BBS") and the access provider to display a portion of copyrighted material owned by the plaintiff.¹⁷⁴ When the user refused to heed plaintiff's request to cease posting the excerpts, the plaintiff contacted both the BBS and the access provider directly and requested that they either deny access to or screen the particular postings at issue.¹⁷⁵ The access provider and BBS refused these requests as impracticable,¹⁷⁶ and subsequently both were named as defendants in plaintiff's copyright infringement claim.¹⁷⁷ Almost immediately, defendants moved for summary judgment.¹⁷⁸

Initially, the United States District Court for the Northern District of California considered whether the defendants' postings were "copies" made under the Copyright Act.¹⁷⁹ The court ruled that under *MAI Systems Corp. v. Peak Computer, Inc.*,¹⁸⁰ the storage of plaintiff's copyrighted works in defendants'

¹⁷³907 F. Supp. 1361 (N.D. Cal. 1995).

¹⁷⁴*See id.* at 1365-66. The user, Dennis Erlich, also a named defendant, was a former minister of the plaintiff's church, who posted excerpts from Scientology founder L. Ron Hubbard's work on a local Usenet site dedicated to the "discussion and criticism of Scientology." *Id.* at 1365.

¹⁷⁵*See id.* at 1366.

¹⁷⁶*See id.* The service provider claimed that it would be "impossible to pre-screen Erlich's postings" and that prohibiting Erlich from using the Internet also "meant kicking off the hundreds of users" of the BBS. *Id.*

¹⁷⁷*See id.*

¹⁷⁸*See id.* Defendants' motion to dismiss on the pleadings was treated as a motion for summary judgment, since additional evidence had been introduced. *See id.* (citing *Grove v. Mead Sch. Dist.*, 753 F.2d 1528, 1532 (9th Cir. 1985)).

¹⁷⁹*See id.* at 1368.

¹⁸⁰*See MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993). In *MAI Systems Corp.*, a repair person who was not licensed to use the computer owner's licensed operating system software, turned on the computer and loaded the operating system into the computer's random access memory (RAM) in order to check the "error log." *See id.* at 517-18.

systems constituted a reproduction under the Copyright Act.¹⁸¹ The district court distinguished *MAI Systems Corp.* from the present case, because the service providers in *Religious Technology Center* did not initiate the copying, but rather forwarded data which had already been copied by the user, Erlich.¹⁸² Accordingly, the court found that the issue as to the service providers' liability should properly be analyzed under a contributory infringement standard.¹⁸³

Under the contributory infringement standard, plaintiff must prove defendants' (1) knowledge of the infringing activity, and (2) inducement of, causation of, or material contribution to another party's infringement.¹⁸⁴ The court determined that a summary judgment could not be granted as to contributory infringement, as a material question of fact existed as to whether defendant Netcom had received actual notice that Erlich was using its services to infringe plaintiffs' copyright.¹⁸⁵ The court also found that a question of fact existed as

¹⁸¹See *Religious Tech. Ctr.*, 907 F. Supp. at 1368. The court in *MAI Systems Corp.* found that the unauthorized loading of data from a storage device (disk) into a computer's hard drive RAM violated an owner's exclusive right to reproduce a work, as the data remains within the computer's memory for a sufficient time to be perceived by a user. See *MAI Sys. Corp.*, 991 F.2d at 518.

¹⁸²See *Religious Tech. Ctr.*, 907 F. Supp. at 1368.

¹⁸³See *id.* at 1369. The district court dismissed plaintiffs' argument that *MAI Systems Corp.* dictated defendants must be held directly liable, even though the copies were maintained in defendants' systems for eleven days. See *id.* at 1368-69. The court found that the service acted "more like a conduit" because it did not "keep an archive of files for more than a short duration;" the court further opined that holding defendants directly liable for infringement would "involve an unreasonably broad construction of public distribution and display rights." See *id.* at 1372. However, the court did find that defendants were liable as contributory infringers, as delineated in *Sony Corp.*:

[T]he absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringement on certain parties who have not themselves engaged in the infringing activity. For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.

Id. at 1373 (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984)).

¹⁸⁴See *id.* (citing *Gershwin Publ'g Co. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)).

¹⁸⁵See *id.* at 1374.

to whether Netcom's participation in Erlich's infringement was substantial.¹⁸⁶ However, the court did grant summary judgment to Netcom on the issue of vicarious liability,¹⁸⁷ finding that plaintiffs had failed to raise any genuine issue as to whether Netcom received a direct financial benefit from Erlich's activities.¹⁸⁸ The court rejected Netcom's motion based on the fair use defense, finding that applicability of the defense was a contested issue.¹⁸⁹

The California district court noted that First Amendment interests should be considered in denying plaintiffs' request for a preliminary injunction against Netcom and the BBS.¹⁹⁰ The court also opined that the plaintiffs' likelihood of

¹⁸⁶*See id.* at 1375. The court reasoned that on-line service providers do not release control over their networks to users; rather, they are more akin to radio stations, which can be held liable for "rebroadcasts" of an infringing broadcast. *See id.* (citing *Select Theatres Corp. v. Ronzoni Macaroni Corp.*, 59 U.S.P.Q. 288, 291 (S.D.N.Y. 1943)). Additionally, the court noted that principles of fundamental fairness were not offended by holding Netcom contributorily liable, as Netcom could easily have taken "simple measures" to prevent further infringement. *See id.*

¹⁸⁷*See id.* at 1375. A defendant can be held vicariously liable for the infringing actions of another when the defendant's relationship with the infringer is one in which the defendant can, by right and ability, control the infringer's acts' and in which the defendant directly benefits financially from the infringement. *See id.* (citing *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 306 (2d Cir. 1963)).

¹⁸⁸*See id.* at 1377. While the court found that the evidence presented as to Netcom's ability to delete specific postings demonstrated that it had the ability to control Erlich's actions, the court ruled that plaintiffs had not shown that Netcom derived financial benefit from the infringement. *See id.* at 1375-77.

¹⁸⁹*See id.* at 1381. The district court examined the four factors considered for fair use under 17 U.S.C. § 107. *See id.* at 1378-81. As to the purpose and character of the use, the court found that although Netcom's use benefited the public by permitting the dissemination of ideas, it was commercial in nature because Netcom charged a fee for use of its system. *See id.* at 1379. However, because Netcom gained no direct financial benefit from the infringing material, it could characterize its use as "fair." *See id.* The court found the second factor, nature of the copyrighted work, to be neutral in the fair use determination, because Netcom's use merely facilitated the posting of the materials on the Internet. *See id.* The third factor, amount or substantiality of the portion used, was found by the court to be substantial as to the percentage of the original copied, but no more than necessary to function as a service provider because Netcom had no option but to copy all files posted by defendant Erlich. *See id.* at 1380. The court held, however, that a question of fact existed as to the fourth factor, the effect of the use on the marketplace, since more than 25 million people have Internet access and the potential market for plaintiffs' works could have been damaged. *See id.* The court therefore denied Netcom's motion for summary judgment based on fair use. *See id.*

¹⁹⁰*See id.* at 1383. The court reiterated the traditional presumption against the imposition of prior restraints on free speech, and noted that the injunction which plaintiffs sought

success on the merits was slim, since the defendants had not substantially participated in the infringing activity.¹⁹¹

The result in *Religious Technology Center* might have been different under the provisions of S. 1284. Assuming that when Erlich posted the Scientology-instructive excerpts, he did not include the terms regarding secrecy that the religion's members are generally required to adhere to as conditions of instruction, the issue becomes whether Netcom or any other service provider would be held liable solely because it furnished the means, via its on-line service, for distribution of copies of works without such protection information. Pursuant to section 1202, any person or service knowingly distributing copyright management information that has been altered or removed can be held liable.¹⁹² While a court would likely hold that the primary purpose of an on-line service provider is to provide access to information, rather than to interfere with copyright management information, the potential still exists for liability to accrue.¹⁹³ If a court determined that an on-line provider was primarily engaged in the unauthorized distribution of works with altered or removed copyright management information, and that the provider had received notification that its system was being used for this purpose, a court could also impose criminal liability upon the provider.¹⁹⁴

C. *PLAYBOY ENTERPRISES, INC. v. FRENA*: LIABILITY DESPITE ON-LINE
PROVIDER'S LACK OF ACTUAL KNOWLEDGE

*Playboy Enterprises, Inc. v. Frena*¹⁹⁵ involved a suit brought by Playboy Magazine against a BBS operator for the unauthorized use of its copyrighted

was "broader than necessary to prevent the" infringement. *Id.* (quoting *CBS, Inc. v. Davis*, 510 U.S. 1315 (1994)). "Netcom and [the BBS provider] play a vital role in the speech of their users. Requiring them to pre-screen postings for possible infringement would chill their users' speech." *Id.*

¹⁹¹*See id.*

¹⁹²*See* S. 1284, 104th Cong., 1st Sess. § 4-1202(b) (1995) (making interference with copyright protection a violation of the proposed statute).

¹⁹³*See supra* text at Part II(C)(5) (discussing the White Paper's recommendations regarding on-line service provider liability).

¹⁹⁴*See* S. 1284 at § 4; *see also Religious Tech. Ctr.*, 907 F. Supp. at 1375 (holding that the issue of substantiality of the service providers' involvement was a question of fact, since plaintiff had notified it of the infringement).

¹⁹⁵839 F. Supp. 1552 (M. D. Fla. 1993).

photographs and its corporate logo.¹⁹⁶ Although the defendant admitted that the photographs were displayed on his BBS and had been downloaded by users, he denied uploading any of these images himself.¹⁹⁷ Frena denied any actual knowledge of the presence of the copyrighted material until Playboy's counsel served him with a summons.¹⁹⁸ In addition, Frena alleged that as soon as the matter was brought to his attention, he removed the materials from his BBS and began monitoring the service to ensure that no more of Playboy's copyrighted images were posted.¹⁹⁹

The Florida district court found that Frena had violated the plaintiff's right to public distribution²⁰⁰ and display.²⁰¹ The court dismissed Frena's fair use defense, finding that all four fair use factors weighed in Playboy's favor.²⁰² In granting Playboy partial summary judgment on the infringement issue, the court determined that Frena's claim that he was ignorant of the infringing activity was irrelevant for the purposes of assessing liability.²⁰³ Rather, the court stated that intent or lack of intent to infringe only mattered in determining an

¹⁹⁶*See id.* at 1554. Defendant George Frena operated a subscription Internet bulletin board service (BBS) on which users uploaded approximately 170 photographs copyrighted by the plaintiff. *See id.* Other users later downloaded and stored these photographs into their home computers. *See id.*

¹⁹⁷*See id.*

¹⁹⁸*See id.*

¹⁹⁹*See id.*

²⁰⁰*See id.* at 1556.

²⁰¹*See id.*; *see also* 17 U.S.C. §106(5) (creating exclusive right to public display); *supra* notes 72-75 (discussing right of public display and the White Paper's interpretation of this right in the Internet context).

²⁰²*See Frena*, 839 F. Supp. at 1557-59. In analyzing the four factors, the court found that (1) defendant's use was commercial, because he charged \$25 per month for his BBS service; (2) the nature of the copyrighted material was "entertainment" and thus worked against a finding of fair use; (3) despite the deletion of the text accompanying the images, the images were an essential part of the copyrighted work; and (4) unrestricted disbursement of Playboy's copyrighted photographs would adversely affect the market for the material. *See id.*

²⁰³*See id.* at 1559. The court went on to state that intent was not an element of infringement under the statute, as even an innocent infringer was subject to equitable liability. *See id.* (citing *D.C. Comics, Inc. v. Mini Gift Shop*, 912 F.2d 29 (2d Cir. 1990)).

equitable remedy.²⁰⁴

The result in *Frena* would likely remain the same under S. 1284; however, the penalties assessed against the defendant would likely be much more severe. Although a court might be reluctant to find that the primary purpose of a BBS is to violate copyright owners' exclusive rights,²⁰⁵ it could still order the impoundment of any equipment used by *Frena* to create the BBS under the proposed Section 1203(b)(2).²⁰⁶ The potential for a BBS operator's service to be suspended indefinitely, should the operator become negligent in policing its users' activities certainly, operates to chill free speech, as service providers will be reluctant to permit the posting of even marginally questionable material on their bulletin boards. Further, in creating a broad provision authorizing the impoundment of "any device or product that is in the custody . . . of the alleged violator,"²⁰⁷ S. 1284 could be viewed as a prior restraint on free speech.²⁰⁸

D. *SEGA ENTERPRISES, LTD. v. MAPHIA*: ERADICATION OF INFRINGING
MATERIAL ORDERED AS PLAINTIFF'S REMEDY

*Sega Enterprises, Ltd. v. MAPHIA*²⁰⁹ represents another situation in which the current copyright law adequately provided a copyright victim with a viable

²⁰⁴*See id.*

²⁰⁵For example, in a fair use analysis, the court may determine that the purpose and character of the defendant's use of copyrighted works was not to intentionally infringe, but that the other factors still weigh in favor of the plaintiff. *See* 17 U.S.C. § 107 (1998); *see also supra* text Part II(C)(3) (discussing the fair use factors).

²⁰⁶For text of statutory section relating to damages, *see* S. 1284, 104th Cong., 1st Sess. § 4; *see also supra* note 34 and accompanying text.

²⁰⁷S. 1284 at § 4-1203(b)(2).

²⁰⁸The court in *Religious Technology Center* denied injunctive relief, reasoning that the on-line provider and the BBS "play a vital role in the speech of their users" and that requiring them to pre-screen postings would have a chilling effect on free speech. *See Religious Technology Center*, 907 F. Supp. 1361, 1383 (N.D. Cal. 1995); *see also supra* note 190. Logically, if requiring pre-screening would chill free speech, then it follows that adding the looming threat of impoundment of a server's equipment for failure to do so would pose an even greater incentive for service providers to limit speech over the Internet. Further, if impoundment of equipment did occur, innocent users would be adversely affected, as they would be unable to utilize their bulletin board pages until the injunction were lifted or an alternate provider was found.

²⁰⁹857 F. Supp. 679 (N.D. Cal. 1994).

remedy.²¹⁰ In *Sega*, the defendant, a local San Francisco business, operated a BBS utilized by approximately 400 users.²¹¹ Unauthorized copies of several computer video games owned and copyrighted by computer video game manufacturer and distributor, Sega, were uploaded and downloaded via this system.²¹² The facts of the case established that the BBS provider was aware of and encouraged users to perform these activities.²¹³ The defendant further offered "free downloads" of games owned by the plaintiff in exchange for an annual fee or lifetime subscription to the BBS.²¹⁴

The district court found that the primary use of the services sold by MAPHIA was to create unauthorized copies of copyrighted works, and rejected the defendant's assertions that other uses existed.²¹⁵ The court then ordered defendant's premises to be searched and its computer and memory devices seized, pursuant to an *ex parte* temporary restraining order.²¹⁶ Once the copyrighted works were deleted from the memory of the BBS devices, they were returned to the defendant.²¹⁷ On rehearing, the court found no merit to MAPHIA's fair

²¹⁰*See id.* at 690-91.

²¹¹*See id.* at 683. The MAPHIA system was run from the home of defendant Chad Scherman. In addition to providing electronic BBS services, MAPHIA was also linked to a network of bulletin boards called PARSEC. *See id.* As a function of this network, MAPHIA reportedly allowed BBS users to download software in exchange for payment for other goods, such as video game copiers, modems, hard drives or calling cards purchased from one of the other PARSEC network businesses. *See id.* at 683-85.

²¹²*See id.* at 683.

²¹³*See id.*

²¹⁴*See id.* The MAPHIA bulletin board offered subscribers, as a bonus for purchasing a copier from an affiliate company, a "Free Download Ratio" which purportedly would enable a user to download approximately 20 SuperNintendo or Sega Genesis games. *See id.* Additionally, when they used this free memory, users were offered one year of free downloads for a \$200 fee or a lifetime of the same for a onetime payment of \$500. *See id.* Users who uploaded games onto the BBS were provided with additional downloading privileges. *See id.* at 683-84.

²¹⁵*See id.* at 685. The court based this finding on the fact that the retail price of the video game copiers were \$350, while Sega's video games sold for \$30 to \$70. *See id.* The court reasoned that sales of MAPHIA's copiers and other computer related equipment, since it was "unlikely that customers would purchase a copier to back-up games, which are on reliable cartridges, for this price." *Id.*

²¹⁶*See id.*

²¹⁷*See id.*

use defense,²¹⁸ and further enjoined defendant from copying or making any unauthorized use of plaintiff's copyrights, from distributing or displaying any computer video games bearing a likeness to any of Sega's copyrighted works, or engaging in any activity which would constitute an infringement of Sega's copyrights.²¹⁹ The court also ordered the defendant to immediately deliver to Sega's counsel any unauthorized copies of the plaintiff's video games which remained in MAPHIA's possession.²²⁰

The remedies afforded to Sega are sufficient to protect the interests of the copyright owners against infringement. The additional sanctions available under S. 1284 are merely redundant in light of the ability of the *Sega* court to fashion an adequate remedy under existing law. Although S. 1284 would have enabled the court to order that all MAPHIA's computer equipment be impounded,²²¹ such an action seems unduly harsh, even under the facts of *Sega*.²²² Such a remedy also carries the potential to irreparably injure innocent infringers, perhaps driving a small provider out of business.

IV. ANALYSIS OF S. 1284: AN UNNECESSARY, INEFFECTIVE CONSTRAINT ON FREE SPEECH

A. RELATION TO FAIR USE AND THE FIRST AMENDMENT

The White Paper referred to the fair use defense as "[t]he most significant and, perhaps, murky of the limitations on a copyright owner's exclusive

²¹⁸*See id.* at 687-88. The court determined that the copies were made for a commercial purpose, that the copyrighted materials were fictional/entertainment in nature, that entire programs were copied, and that due to the large number of bulletin board systems in existence, MAPHIA's provision of downloading privileges posed the potential to cause an adverse effect on the market for Sega's games. *See id.* The court thus found the factors to weigh heavily against a finding of fair use. *See id.* at 688.

²¹⁹*See id.* at 690-91.

²²⁰*See id.* at 691.

²²¹*See* S. 1284, 104th Cong., 1st Sess. § 4-1203(b)(2) (1995). This section of the proposed statute authorizes a court to order the destruction of any materials or devices impounded as part of an order of final judgment. *See id.* at § 4-1203(b)(6). Rather than destroying MAPHIA's BBS system, the *Sega* court merely ordered that all materials pertaining to plaintiff's copyrighted works be erased from the computer memory of defendant's system, but the property was then to be returned to MAPHIA. *See Sega*, 857 F. Supp. at 685.

²²²*See supra* notes 209-214 and accompanying text (discussing facts of *Sega*).

rights.”²²³ Perhaps this explains the Working Group’s reluctance to expressly acknowledge fair use protections.²²⁴ In contrast, federal courts have uniformly conducted a fair use analysis whenever the defense has been raised, even where facts clearly indicate that the defense is inapplicable.²²⁵

S. 1284 carries a very real potential to revoke the availability of the fair use defense to individual users and on-line service providers. The Act does provide an exception for innocent infringement,²²⁶ which permits a court to reduce or eliminate damages, provided that the violator demonstrates it was unaware and had no reason to believe that its actions amounted to infringement.²²⁷ However, the Act makes no provision for fair use of copyright managed works.²²⁸ Circumvention of copyright management systems or altering the copyright management information is a violation of the Act, even if circumvention is intended to enable fair uses of copyrighted works.²²⁹

Moreover, the Act’s proposed extension of liability to users and on-line

²²³See White Paper, *supra* note 7, at 76.

²²⁴Bruce Lehman, the Assistant Secretary of Commerce and Commissioner of Patent and Trademarks, recently acknowledged that the White Paper did not “adequately emphasize” that fair use protection should be maintained for non-commercial uses. See Barry D. Weiss, *Barbed Wires and Branding in Cyberspace: The Future of Copyright Protection*, 450 PLI/PAT 397, 408 (1996) (citing Bruce A. Lehman, Remarks at Conference on “The On Line Service Industry: Today and Tomorrow” (May 6, 1996)).

²²⁵See *Sega*, 857 F. Supp. at 683-84. In *Sega*, the defendant encouraged users to upload and download other people’s copyrighted software onto his bulletin board system, in an effort to create a need for and encourage sales of his video game copiers. See *id.* For a discussion and analysis of *Sega*, see *supra* notes 209-222 and accompanying text.

²²⁶See S. 1284 at § 4-1203(c)(5).

²²⁷See *id.*

²²⁸See generally S. 1284.

²²⁹See Cohen, *supra* note 29, at 174. Professor Cohen faults the White Paper and the Act for its “failure to recognize that some instances of tampering with CMS may be necessary to preserve the public’s current rights.” *Id.* Professor Cohen argues that under S. 1284, certain products and services, merely by virtue of what they are technologically capable of doing, i.e. circumventing copyright management information, “could be banned outright—even though it might also be used to facilitate ‘lawful tampering.’” *Id.* Professor Cohen emphasizes that “copyright management systems that prevent all copying, or all free copying, will almost certainly frustrate some actions that the Copyright Act would permit,” such as fair use of copyrighted works, copying of public domain materials or copying of materials that are wholly devoid of copyright protection. *Id.* at 175.

service providers based on the transmission of copies²³⁰ has serious and significant First Amendment implications.²³¹ The White Paper's definition of copying materials through transmission²³² essentially transforms any downloading or uploading of copyrighted works into a violation under the Act's provisions.²³³ Although the White Paper maintains that service providers can limit their liability by monitoring their users' conduct to prevent infringing activities,²³⁴ at least one court has recognized that requiring on-line service providers to perform this sort of monitoring would chill free speech.²³⁵

In another case involving the same party, *Religious Technology Center v. Lerma*,²³⁶ the publication of copyrighted materials for the purpose of criticism was found to be protected by the First Amendment.²³⁷ The district court dismissed the Center's argument that the excerpts of its copyrighted works appearing in defendant's newspaper did not constitute fair use under the Copyright Act.²³⁸ The court denied the Center's request for a preliminary injunction against defendant Lerma, who had published excerpts from the plaintiff's works on the Internet.²³⁹ In denying the injunction, the court recognized that

²³⁰See S. 1284 at § 2(a)-(b).

²³¹The First Amendment provides that "Congress shall make no law abridging the freedom of speech[.]" U.S. CONST. amend. I.

²³²See White Paper, *supra* note 7, at 67-69 (citing *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F. 2d 511, 518 (9th Cir. 1993), *cert. dismissed*, 510 U.S. 1033 (1994)).

²³³See Litman, *supra* note 112, at 42-44.

²³⁴See White Paper, *supra* note 7, at 123; *see also supra* notes 134-141 and accompanying text.

²³⁵See *Religious Tech. Ctr. v. Netcom On-Line Communication Svcs., Inc.*, 907 F. Supp. 1361, 1383 (N.D. Cal. 1995).

²³⁶908 F. Supp. 1353 (E.D. Va. 1995).

²³⁷See *id.* at 1359.

²³⁸See *id.* at 1358. In *Lerma*, *The Washington Post* had published excerpts from the works of Scientology leader L. Ron Hubbard which were considered secret to the Scientology religion. See *id.* at 1357.

²³⁹See *id.* at 1359. The court denied the plaintiff's request for an injunction against Lerma despite the fact that Lerma copied certain portions of Hubbard's works "without any comment or criticism whatsoever." See *id.* Although Lerma argued that the Center's motion should be denied on the basis of "unclean hands," the court determined that even absent this allegation, plaintiff had failed to sustain its burden of proof under the *Blackwelder* test.

the First Amendment Free Press Clause protects individual Internet users, as well as members of the institutional press.²⁴⁰ Both *Religious Technology Center* and *Lerma* specifically stated that the speech of Internet users is protected from undue restraint by the First Amendment.

The rationale in these decisions suggests that the White Paper's mandate that on-line service providers be required to prescreen users' speech²⁴¹ would work as a prior restraint on user speech because service providers must screen out any content that they might believe would impose liability on them. Such a prior restraint is presumptively invalid under the First Amendment.²⁴²

B. CREATION OF MORAL RIGHTS

The Act's extension of liability for interference with copyright management

See id. (citing *Blackwelder Furniture Co. v. Selig Mfg. Co.*, 550 F.2d 189, 196 (4th Cir. 1977) (holding that a preliminary injunction should only be granted where plaintiff demonstrates a risk of irreparable harm, that relief would not work harm to defendant, that there is a likelihood of success on merits, and that no detrimental effect on public interest will result)).

²⁴⁰*See id.* In support of extending First Amendment rights to defendant *Lerma*, the district court stated:

[T]he First Amendment's protections of the freedom of the press extends to individuals and groups in addition to commercial news organizations such as *The [Washington] Post*. As a result, *Lerma* would also suffer irreparable harm from the prior restraint which would result from a grant of the injunction. "[L]iberty of the press is the right of the lonely pamphleteer who uses carbon paper or mimeograph just as much as of the large metropolitan publisher who utilizes the latest photocomposition methods."

Rather than publishing in a newspaper, *Lerma* has used the Internet, which is rapidly evolving into both a universal newspaper and public forum. And although the law has not yet decided how to deal with the Internet, it is certain this form of communication will retain First Amendment protections.

Id. at 1359 (quoting *Branzburg v. Hayes*, 408 U.S. 665, 704 (1972)).

²⁴¹*See White Paper*, *supra* note 7, at 124.

²⁴²*See Bantam Books v. Sullivan*, 372 U.S. 58, 70 (1963) (stating that "[a]ny system of prior restraints of expression comes to [the Supreme] Court bearing a heavy presumption against its constitutional validity").

information²⁴³ has serious practical and policy ramifications for the public, both inside and outside the context of the Internet. The Act's definition of copyright management information, at least on its face, can refer to any copyright or authorship notice, whether digital or on paper.²⁴⁴ Therefore, the performance of any act which works to remove, distort, or alter the copyright notice—such as the tearing off of the front cover of a law journal containing the copyright notice, or discarding the box packaging for software disks, which contains the shrink-wrapped²⁴⁵ terms and conditions of use, and giving the disks to a friend—will subject the performer liability for violation of the statute.²⁴⁶ Somewhat alarmingly, the statute creates no express limitation on either the scope of this liability or on who has standing to enforce it. Therefore, presumably, even if a software owner sells certain disks outright to a purchaser, that purchaser could be held liable for throwing away the identifying information.²⁴⁷ In essence, the liability provisions of S. 1284 regarding copyright management information would create a moral right of attribution²⁴⁸ in any

²⁴³See S. 1284, 104th Cong., 1st Sess., at § 4-1202 (1995); see also *supra* notes 30-31 and accompanying text.

²⁴⁴See *id.*; see also *supra* note 30.

²⁴⁵"Shrinkwrap licenses" are adhesion agreements regarding the use software found predominantly on products intended for on mass-market purchase. For a discussion of shrink-wrap licenses, see generally Mark A. Lemley, *Intellectual Property and Shrinkwrap Licenses*, 68 S. CAL. L. REV. 1239 (1995).

²⁴⁶The foregoing example assumes that the copyrighted works contain a single copyright notice provision located at a single location within the work. Were a law journal to contain multiple notices in various portions of the work, then removal of the front cover might not actually "remove" the necessary information from the user's purview, and thus may not trigger liability. It remains unclear, however, how broadly the liability provisions of S. 1284 are intended to extend.

²⁴⁷See *Joint Hearing Before the Subcommittee*, *supra* note 244, at 52 (statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services) (stating that the broad provisions of 1202 may improperly impose liability to persons who attach their own names to works as author or owner under a good faith belief in legal ownership).

²⁴⁸The right of attribution, also known as the right of paternity, is the continuing right of the artist to prevent misattribution of his or her work. See generally, Tom W. Bell, *Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright's Fair Use Doctrine*, 76 N.C. L. REV. 557 (1998); Dane S. Ciolino, *Rethinking the Compatibility of Moral Rights and Fair Use*, 54 WASH. & LEE L. REV. 33 (1997); Geri J. Yonover, *The Precarious Balance: Moral Rights, Parody, and Fair Use*, 14 CARDOZO ARTS & ENT. L.J. 79 (1996).

copyrighted works relating to the digital environment. Although the concept of moral rights²⁴⁹ is accepted in European civil law countries and in the United Kingdom, the United States has never recognized moral rights in any subject matter of copyright outside of visual works,²⁵⁰ in part due to the importance we as a nation attach to free expression.²⁵¹ Moreover, a recent judicial opinion explicitly rejects the idea that non-author copyright holders have a moral right to object to modifications of the work.²⁵²

²⁴⁹"The moral rights doctrine preserves for artists limited rights in their works, even after such works are transferred to others." Ciolino, *supra* note 248, at 34. The concept of moral rights is grounded upon the notion that an artist's individualism and personality are contained within, and inseparable from, her art. See Yanover, *supra* note 248, at 86.

²⁵⁰Only in 1990 did Congress enact express legislation providing federal moral rights protection for certain visual arts. See Visual Artists' Rights Act of 1990 ("VARA"), Pub. L. No. 101-650, 104 Stat. 5128 (1990) (codified at 17 U.S.C. §§ 101, 106A, 107, 113, 301, 411, 412, 501, 506 (1994)). Under the provisions of VARA, "American artists now have the right (1) to claim authorship of their own works of visual art and to prevent the use of their names on works that they did not create [. . .] and (2) to prevent the "distortion, mutilation or modification" of their works under certain circumstances [. . .]." Ciolino, *supra* note 248, at 36.

²⁵¹See Yanover, *supra* note 248, at 92. Yanover notes that the civil law countries in which moral rights are most fervently embraced, such as France, Germany and Italy have no explicit protections of speech, unlike America's First Amendment. See *id.* at 92-93. Yanover directly attributes First Amendment concerns about the effect of attribution and integrity rights on expression to the United States' reluctance to accept moral rights. See *id.*

²⁵²See *Lee v. A.R.T. Co.*, 125 F.3d 580 (7th Cir. 1997). Plaintiff Lee, an artist who designed and sold notecards, sued A.R.T., a wholesale distributor of decorative ceramic tiles, for copyright infringement. See *Lee v. Deck The Walls, Inc.*, 925 F. Supp. 576, 577 (N.D. Ill. 1996). A.R.T. had purchased Lee's copyrighted cards, mounted them on tiles, and sold them to retailers. See *id.* A unanimous panel of the United States Court of Appeals for the Seventh Circuit held that mounting the cards on the tiles did not constitute preparation of derivative works, as the plaintiff had claimed. See *Lee v. A.R.T. Co.*, 125 F.3d 580, 583 (7th Cir. 1997). The panel reasoned that, to find infringement, it would have to construe the statutory definition of derivative works so broadly that "any alteration of [a copyrighted] work, however slight, [would] require the author's permission." *Id.* at 582. The court concluded that such a broad construction of § 106(2) would give even non-author copyright holders the equivalent of a moral right to object to modifications, which would circumvent Congressional limitations set forth in VARA defining moral rights as highly circumscribed, nontransferable rights of authorship. See *id.* at 582-83. The court declined to allow Lee to use the derivative works doctrine to "provide artists with exclusive rights deliberately omitted from [VARA]." *Id.* at 583.

C. CRITICISM OF S. 1284

Both the White Paper and S. 1284 have been criticized as being anti-fair use due to the lack of acknowledgement the fair use doctrine was given in these documents. A representative of the Digital Future Coalition remarked that the clarification of copyright law would be incomplete without a restatement of the fair use applications to any new legislation.²⁵³ The representative also criticized the Act's lack of clarification as to exactly what parties would be liable for infringement.²⁵⁴ Ultimately, the Coalition urged that express provisions concerning fair use be added to S. 1284's text.²⁵⁵ The National Writers Union similarly attacked the White Paper's interpretation of fair use, labeling it a

²⁵³See *Testimony on the NII Copyright Protection Act of 1995 Before the Senate Committee on the Judiciary*, 1996 WL 10163321 (May 7, 1996) (statement of Robert L. Oakley, Washington Affairs Representative for the American Association of Law Libraries, a member of the Digital Future Coalition). Professor Oakley stated:

[I]f the nature and scope of the monopoly rights granted to copyright holders is to be "clarified" by changing the U.S. Code, then the nature and scope of a key counterbalance to those rights – the Fair Use Doctrine – must be made equally clear in the law;

It means that, even as the Fair Use Doctrine is philosophically reaffirmed, Congress must practically assure that the continued ability of Americans in business, academia and the public at large to rely on and use copyrighted information – and to develop new business models for its distribution – are not precluded by overboard restrictions on the manufacture of devices and systems needed to make fair use rights real . . .

Id.

²⁵⁴See *id.* Professor Oakley suggested that:

Congress must deal directly in S. 1284 with the issue of who should be liable, when, and to what extent if a commercial . . . computer network carries copyrighted information without the author's permission. Without increased certainty in this critical area of the law, however, both commercial and non-commercial use of the NII . . . will be dramatically chilled by the potential for crippling litigation and liability.

Id.

²⁵⁵See *id.*

“murky definition of fair use” with a “chilling effect on both free speech and commerce” that is against the public interest.²⁵⁶

The Bill was also condemned in several documents distributed over the Internet. One such document noted that the White Paper abrogates fair use rights, where a licensing market exists for the copyrighted works, by inaccurately interpreting the Supreme Court’s ruling in *Sony Corp.*²⁵⁷ This criticism extended to the White Paper’s implicit inclusion of the right to prohibit Internet browsing within copyright owners’ exclusive right to prohibit copying.²⁵⁸ Other commentators have suggested that owners would benefit from a “content is free” approach, encouraging users to browse or download intellectual property without cost, in order to sell services or relationships at a later date.²⁵⁹ Other authors have advanced a market theory of copyright protection in place of codified law, rationalizing that software companies continue to make profits despite cyber-piracy, due to the benefits of actual ownership which allow users to most effectively utilize software programs.²⁶⁰

²⁵⁶See *National Writers Union Critiques Government White Paper on Intellectual Property & the National Information Infrastructure* (Oct. 3, 1995) <http://www.eff.org/pub/Intellectual_property/nwu_ipwg_paper_comments> at 3. In its press release, the NWU took issue with the White Paper’s assertion that fair use constituted a tax on copyright owners as information “haves” for the benefit of “have-nots” in order to ensure “universal access” to information, stating that such an interpretation “would be a callous abdication of social responsibility on the part of the Working Group.” *Id.* at 3 (citing White Paper, *supra* note 7, at 88).

²⁵⁷See Pamela Samuelson, *The Copyright Grab* (visited Mar. 26, 1998) <<http://www.hotwired.com/wired/whitepaper.html>> at 4. Professor Samuelson argues that the Court created a presumption of fair use where private, noncommercial copying is concerned, and the White Paper’s proposition that fair use rights only apply where no licensing market exists is “neither historically accurate nor good public policy.” *Id.*

²⁵⁸See *id.* at 3; see also Litman, *supra* note 112, at 42-44.

²⁵⁹See Esther Dyson, *Intellectual Value* (visited Mar. 26, 1998) <<http://www.hotwired.com/wired/3.07/features/dyson.html>> at 1. Dyson argues that utilizing such a market strategy will enable creators to widely distribute initial works, with payment realized in high payment for subsequent works. See *id.* at 3.

²⁶⁰See John Perry Barlow, *The Economy of Ideas* (visited Mar. 26, 1998) <<http://www.hotwired.com/wired/2.03/features/economy.ideas.html>> at 12. Barlow asserts that the software industry continues to be profitable despite copying, because:

[P]eople seem to buy the software they really use. Once a program becomes central to your work, you want the latest version of it, the best support, the actual manuals, all privileges attached to ownership. Such practical considerations will, in the absence of working law, become more and more important in getting

Additionally, both the White Paper and S. 1284 have been criticized for catering to the rights of copyright owners at the expense of public access to information, in contradiction of historical precedent.²⁶¹ Even computer industry leaders, who presumably only stand to gain from the additional protections afforded by the proposed legislation, have spoken out against the fundamental changes proposed to the Copyright Act.²⁶²

V. CONCLUSION

Congress should not approve the NII Copyright Act of 1995 in its current form, as the Act is problematic in several ways. First, the Act's express inclusion of "transmissions" as another method of copying is superfluous, in light of the fact that courts already have construed that transmissions are already covered under the Copyright Act.²⁶³ While it may be desirable to have this issue clarified in order to avoid inconsistent judgments, this appears impossible to do

paid for what might easily be obtained for nothing.

Id.

²⁶¹See John Gibeaut, *Zapping Cyber-Piracy*, 83-FEB A.B.A. J. 60 (Feb. 1997). Gibeaut quotes Adam M. Eisgrau, legislative counsel for the American Library Association, as stating "[w]hen you read the Constitution, the purpose of copyright protection is very clear – to promote science and the useful arts[.] What the founding fathers wanted was to permit the flow of knowledge, and they said so in the Constitution." *Id.* at 61.

²⁶²See Edupage, *Gates Says Old Laws Are Good Enough For The Net* (visited Mar. 26, 1998) <<http://webserv. educom.edu/edupage/97/edupage-0204.html>>. Edupage is a summary of news about information technology, provided as an educational service of Educom, a Washington, D.C.-based consortium of colleges and universities. In the February 4, 1997 issue of Edupage, Microsoft owner Bill Gates was quoted as stating:

It's always surprising how old concepts carry over into the new medium. It's overly idealistic to act like, Oh, the Internet is the one place where people should be able to do whatever they wish: present child pornography, do scams, libel people, steal copyrighted material. Society's values have not changed fundamentally just because its an Internet page. Take copyright. Sure, there should be some clarifications about copyright, but the old principles work surprisingly well in the new medium. Anybody who says you have to start over —I don't agree with that.

Id. (quoting GEORGE, February 1997).

²⁶³See *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518 (9th Cir. 1993), *cert. dismissed*, 510 U.S. 1033 (1994).

without unduly widening the umbrella of infringing activities. Close examination of the NII Copyright Act's definition of transmissions reveals that the Act's expansion of copyright owners' rights to inhibit browsing will potentially result in a restriction on the dissemination of ideas. Users will be prohibited from reading works available on the Internet because a copy would be created whenever Internet materials are transmitted to a particular user's personal computer monitor.²⁶⁴

Secondly, the proposed civil remedies under S. 1284 are redundant because sufficient remedies already exist under current law.²⁶⁵ While the Act provides for an innocent user exception, the statutory language mandates that the defense must affirmatively be proven by the accused.²⁶⁶ The specified criminal sanctions also are unnecessarily harsh, despite the perceived need for such penalties arising from the decision of a single district court.²⁶⁷ Moreover, the Act's proponents do not appear to take market forces into account in either assessing or responding to this need.²⁶⁸

Thirdly, the Act's liability provisions with respect to copyright management information are alarmingly overbroad, and will ostensibly work to circumscribe private conduct which has heretofore been considered lawful. The provisions also implicitly create a new moral right of attribution for copyright holders which has not, to date, been accepted by Congress.

Finally, adoption of the NII's proposed legislation may detrimentally affect statutory fair use provisions.²⁶⁹ S. 1284's tacit repeal of the fair use defense in the NII context with respect to copyright managed works might eliminate the leeway that courts have so far enjoyed to interpret and maintain a fair use exemption based on common law precedent. However, the vague liability provisions of the Act arguably violate the First Amendment. S. 1284 fails to address exactly which parties will be liable for infringement. This flaw in the legislation, taken in conjunction with recent judicial decisions, will likely cause on-line providers to begin monitoring user speech for content for fear of as-

²⁶⁴See Litman, *supra* note 112, at 38.

²⁶⁵See 17 U.S.C. §§ 502, 504-505 (1998); *see also supra* notes 119-123.

²⁶⁶See S. 1284, 104th Cong., 1st Sess. § 4-1203(5) (1995).

²⁶⁷See *United States v. LaMacchia*, 871 F. Supp. 535 (D. Mass. 1994), discussed *supra* at notes 148-172 and accompanying text.

²⁶⁸See *supra* notes 259-260 and accompanying text.

²⁶⁹See *supra* notes 223-242 and accompanying text.

suming liability.²⁷⁰ An on-line provider's refusal to allow users to post or publish information which might include infringing material, if interpreted as a requirement under the law or subsequent agency regulations, will almost certainly operate as a prior restraint implicating the First Amendment. Moreover, the mere knowledge that transmissions are being monitored by service providers may have a chilling effect on this mode of speech.²⁷¹ This effect may, in itself, contravene First Amendment principles.²⁷² S. 1284's provisions restricting access to information limit the potential of the Internet to act as a forum for the dissemination of ideas, and while the legislation may not be unconstitutional on its face, depending upon how its provisions are enforced, it may chill free speech.

²⁷⁰*See Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1559 (M.D. Fla. 1993) (holding that BBS provider's claim that it was ignorant of users' infringing activity was irrelevant for purposes of establishing liability). *Cf.*, *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361-1369 (N.D. Cal. 1995) (requiring plaintiff to demonstrate knowledge of infringement, since the court found that the on-line access provider and BBS were at most contributory infringers which acted "more like a conduit").

²⁷¹*See Religious Tech. Ctr.*, 907 F. Supp. at 1383, discussed *supra* at note 190.

²⁷²*See Denver Area Educ. Telecomms. Consortium, Inc. v. FCC*, 518 U.S. 727 (1996) (holding agency regulations requiring cable television stations to "segregate and block" or to prohibit patently offensive or indecent programming violated First Amendment, as the least restrictive means were not used and viewers may refrain from subscribing out of fear that operator would disclose subscriber list). *But see* *Regan v. Time, Inc.*, 468 U.S. 641, 698 (1984) (Stevens, J., concurring in part and dissenting in part) (opining that the Copyright Clause is not violative of the First Amendment in allowing governmental authorities to make decisions based on content).