

CONGRESS MODIFIES COPYRIGHT PROTECTIONS FOR THE DIGITAL AGE

by

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At the end of its 105th session, Congress passed, and President Clinton signed into law, legislation designed to ensure the continued international legal protection for copyrighted works in the digital age. Marking the first significant rewriting of the nation's copyright laws for nearly two decades, this legislation, the Digital Millennium Copyright Act ("DMCA"), H.R. 2281, P.L.105-304 (1998), implements two international treaties aimed at improving international copyright protections for digital works, including compact discs and computer software. It is the product of nearly two years of sometimes contentious negotiations that pitted proponents of strong intellectual property protection, such as authors, entertainment industry organizations, and software creators, against entities such as libraries and universities, which feared that intellectual property protection would come at the cost of legitimate research and other educational activities.

The DMCA as enacted is intended to: harmonize U.S. copyright law with international law; make it unlawful to defeat technological protections used by copyright owners to protect their works; make it unlawful to deliberately alter or delete information provided by a copyright owner which identifies a work, its owner, and its permissible uses; establish safe harbors for on-line service providers who unknowingly transmit copyrighted works; and permit the copying of software during computer maintenance. The legislation is also meant to facilitate Internet broadcasting by providing a statutory licensing system for performances and reproductions of copyrighted works by webcasters. Further, the legislation includes provisions to ensure that the treaties' ban on copyright circumvention technology does not outlaw certain specific activities, such as encryption research, computer security testing, and reverse engineering designed to allow software creators to make sure their products work with certain types of computers. Finally, the legislation also ensures the continued fair use of copyrighted digital works.

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Background. The DMCA implements two separate treaties, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, which themselves were the product of several years of work from the World Intellectual Property Organization (“WIPO”).¹ WIPO adopted the treaties in Geneva, Switzerland on December 20, 1996, in order to harmonize international intellectual property law. The WIPO Copyright Treaty protects literary and artistic works, including software, and the WIPO Performances and Phonograms Treaty covers sound recordings. Neither treaty is intended to revolutionize copyright law, but rather the treaties are intended to affirm traditional copyright law and ensure that the principles of copyright law have continued international applicability in new electronic and network environments.

As adopted, the WIPO Copyright Treaty requires that countries provide “adequate legal protection and effective legal remedies” against the circumvention of technological measures used by authors to restrict unauthorized use of copyrighted material, and “adequate and effective legal remedies” against knowing removal or alteration of rights management information that identifies the work and provides information about the terms and conditions of the use of the work. WIPO Copyright Treaty, Articles 11-12. Articles 18 and 19 of the WIPO Performances and Phonograms Treaty provide similar obligations for the benefit of performers or producers of sound recordings.

The adoption of the treaties led to a protracted debate in the 105th Congress concerning the scope of legislation necessary for their implementation, and the appropriate balance between the interests of creators of intellectual property and the public’s right to use and disseminate information through the Internet or other electronic means. The Senate originally passed one version of legislation to implement the treaties on May 14, 1998 by a vote of 99 to 0. *See* S. 2037, S. Rept. 105-190. The House of Representatives then passed more expansive legislation in H.R. 2281 (*see* H. Rept. 105-551, Parts I and II) by a voice vote on August 4, 1998. The Senate adopted a conference report by voice vote on October 8, 1998, and the House cleared the conference report (H. Rept. 105-796) on H.R. 2281 by voice vote on October 12, 1998. The President signed the bill into law on October 28, 1998.

Momentum for enacting the DMCA was created by a broad coalition of intellectual property authors, such as software developers, musicians, writers, and film makers, who were concerned that digital technology protections afforded by American copyright law would be ephemeral in the absence of international protections. DMCA proponents stressed that America’s creative communities contribute as much as \$250 billion each year to the U.S. Gross Domestic Product, support nearly three million American jobs, and account for more than \$50 billion in exports and foreign sales each year, all of which would be at risk in the absence of strong international copyright protection. *See* Testimony of Michael K. Kirk, Executive Director of American Intellectual Property Law Association before the House Subcommittee on Courts and Intellectual Property (Sept. 17, 1997). Artists and authors groups such as the Authors Guild, the Motion Picture Association of America, the Recording Industry Association of America, and ASCAP and BMI, supported enactment of the legislation.

Computer software creators argued that software is especially vulnerable to on-line infringement, and that heightened protections against circumvention technologies were necessary. Entertainment industry groups argued that film, music and literature can be distributed over electronic networks with ease. The Internet allows the instantaneous sending of flawless reproductions of intellectual property to thousands of users worldwide for a fraction of the cost and time normally associated with traditional methods of

¹WIPO is a specialized agency of the United Nations which works to increase worldwide legal protection for patents, copyrights, and trademarks. WIPO administers twenty major intellectual property treaties, promotes the adoption of new treaties, and works to update existing treaties to adapt to technological changes. *See generally* Gerald J. Mossinghoff and Ralph Oman, *The World Intellectual Property Organization: A United Nations Success Story*, 160 WORLD AFFAIRS 104 (Sept. 22, 1997).

distribution, and without leaving a trace of evidence as to the distribution. Some estimates indicate that intellectual property pirates steal twenty billion dollars worth of copyrighted materials a year, and that an average of forty percent of computer software is pirated every year worldwide. See Juliana Gruenwald, *Congress Haltingly Begins Writing the Book on Internet Regulation*, CONG. QUART. WEEKLY REPT., Oct. 17, 1998, at 2817, 2818.

DMCA proponents argued that the rapid unauthorized dissemination of intellectual property would increase substantially without the WIPO copyright legislation. For example, developing technologies providing for the delivery of books in electronic files to dedicated reading machines known as “eBooks” will likely increase the opportunity for evasion of copyright laws for published writings. Similarly, the Internet has become the means for tens of thousands of PC users to download copyrighted music performances using technology such as MP3, which compresses large music files into the narrow channels of the Internet, and a new portable innovation called the RIO now makes downloaded music transportable. See Nikhil Hutheesing, *The Web Plays On*, FORBES, Nov. 16, 1998, at 51, 52. Anyone with a CD-ROM can purchase a compact disc, compress it with MP3, and upload the music onto the Internet, from which it can be downloaded for RIO users. The music industry’s concern over piracy issues is so great concerning the RIO that it has already filed suit seeking to enjoin the sale of the device. See *Recording Industry Association of America, Inc. v. Diamond Multimedia Systems, Inc.*, No. 98-8247 (C.D. Cal.). Similarly, a device called a “Game Doctor,” sold for about \$150, allows pirates to copy video game cartridges to a floppy disk, then mass copy the software onto other disks, CDs, or upload it onto the Internet. See Testimony of Gail Markels, General Counsel & Senior Vice President, Interactive Digital Software Association before the House Subcommittee on Courts and Intellectual Property (Sept. 17, 1997). Similar concerns exist for the developing DVD market.

Key Provisions of the Digital Millenium Copyright Act. Title I of the DMCA implements the WIPO treaties, although it should be noted that U.S. copyright law already meets most of the treaties’ standards of copyright protection. The treaties are directed toward raising the standard of protection in foreign countries. Two major areas of additional protection provided by Title I prohibit the circumvention of anti-copying technology, and the alteration of copyright management information. Although these provisions will be included under Title 17 of the U.S. Code (Copyrights) at Sections 1201 and 1202, they contain distinct remedies and liability standards. The anti-circumvention protections may be enforced by civil and criminal remedies, but have certain limitations and exemptions for innocent violations and for libraries, archives, and educational institutions. 17 U.S.C. §§ 1203, 1204.

The anti-circumvention provision, and its possible impact on the fair use doctrine of copyright law, was an issue of serious concern to libraries and educational institutions. Although both the House and Senate included language aimed at addressing concerns that the provision would hamper legitimate research and educational activities, the conferees eventually agreed to retain the provision but included language to have the Library of Congress draft rules to determine what impact the ban on circumvention technology would have on fair use. 17 U.S.C. § 1201(a)(1)(C). Likewise, the conferees responded to criticism from consumer electronics groups by including a “no mandate” provision which provides that electronic telecommunications or computer products are not subject to a design mandate that the product respond to any particular anti-copying technology employed by copyright owners. 17 U.S.C. § 1201(c)(3).

Title II of the DMCA, Section 202, creates clearly defined conditions under which infringement liability may be imposed on Internet service providers as a result of on-line uses of copyrighted works. Under the DMCA, a service provider that falls within the safe harbors will be exempt from monetary damages and subjected only to carefully prescribed injunctive remedies in limited circumstances. The safe harbor protects the service provider from liability: 1) where it acts as a mere conduit for an infringing transmission, 17 U.S.C. § 512(a); 2) for “system caching,” where the caching meets certain conditions designed to protect the copyright owner’s rights and the material cached, 17 U.S.C. § 512(b); 3) where the

provider unknowingly stores infringing material, but receives no financial benefit and responds expeditiously to remove the infringing material, 17 U.S.C. § 512(c); and 4) where a provider unknowingly uses information location tools to refer or link users to a site containing infringing material, receives no financial benefit, and responds expeditiously to remove the infringing material. 17 U.S.C. § 512(d).

Title III, Section 302 ensures that authorized computer repair services may activate copyrighted software in a computer during servicing without incurring infringement liability. This provision responds to a decision by the U.S. Court of Appeals for the Ninth Circuit, which held that a computer service company's loading of copyrighted software into a computer's RAM for servicing purposes was an infringement. See *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993), *cert. denied*, 114 S.Ct. 671 (1994).

Title IV contains several miscellaneous changes, including an exemption for ephemeral reproduction of works or sound recordings during their retransmission, and an expansion of the fair use provision for libraries and archives. The DMCA also includes a compulsory licensing and royalty distribution scheme for transmission of copyrighted music on the Internet, and a means to preserve contractual obligations concerning downstream transfers of rights in motion pictures.

Title V, Section 502 provides a temporary new form of intellectual property right in the original design of boat hulls to fill the gap left when the Supreme Court invalidated this protection under state law in *Bonito Boats, Inc. v. Thundercraft, Inc.*, 489 U.S. 141 (1989).

One of the more difficult issues addressed by congressional conferees concerned the question of legal protection for information collections, such as computer databases, which would include such things as telephone books and compilations of sports statistics. The House had originally approved database legislation as a separate bill, H.R. 2652, which would have made it a crime to take an information collection and use it in a way that damaged the commercial marketability of the product. Current law does not allow copyrighting of the facts included in information collections. The House added this protection to its version of H.R. 2281; however, because of objections from educators, researchers, and libraries, the conferees removed the provision.

Conclusion. Although enactment of the DMCA represents a significant step towards ensuring intellectual property protection in a digital environment, the legislation will be only a partial victory for intellectual property authors unless other countries follow suit to implement the treaty. Moreover, the legislation as enacted still leaves unaddressed the issue of database protection, and creates some unanswered questions concerning the interpretation of the DMCA. For example, although on-line service providers seem generally pleased with the safe harbor provisions in the DMCA, the applicability of those safe harbors in specific cases will undoubtedly be a source of litigation in the coming years, as will the exemptions provided in the anti-circumvention provisions. In addition, unaddressed issues such as legislation providing parental access to on-line test materials, first sale and gray market copyright protection, and copyright protection for publisher materials used in distance learning programs, are likely to resurface in the 106th Congress. Nonetheless, the enactment of the DMCA is an important step toward ensuring that new digital technologies do not vitiate the legal protections upon which America's creative communities depend.