



U.S. DEPARTMENT OF COMMERCE

Dec 19

14 December 1994

To : John D. Podesta
Assistant to the President and Staff Secretary

From: Robert Stoll
Executive Assistant to the
Assistant Secretary of Commerce and
Commissioner of Patents and Trademarks

Enclosed are preparatory materials and an agenda
for the Policy Roundtable on the National
Information Infrastructure (NII) which will be
held from 2:00 to 5:00 p.m. on December 19, 1994,
in Room 4830 in the Main Commerce Building.

We look forward to a very productive meeting.

Sincerely,

Robert Stoll

FW
Please put in
binder for me
most is already
punched

Call
at 1:50

INTELLECTUAL PROPERTY/NII ROUNDTABLE

December 19, 1994

AGENDA

2 p.m. - 3 p.m.

Welcome, Introductions

The Honorable Bruce A. Lehman
Assistant Secretary of Commerce
and Commissioner of Patents
and Trademarks

Remarks

The Honorable Ronald H. Brown
Secretary of Commerce

Briefing on the NII Report

Terri A. Southwick
Attorney-Advisor
U.S. Patent and Trademark Office

Overview of Global Audio/Visual
Market Access Issues

Donald S. Abelson
Assistant U.S. Trade Representative
for Services, Investment and
Intellectual Property

Overview of Global IPR Issues

Michael S. Keplinger
Attorney-Advisor
U.S. Patent and Trademark Office

3 p.m. - 5 p.m.

Discussion of High Priority NII/GII Issues

Moderator:
The Honorable Bruce A. Lehman

1. International protection, harmonization and national treatment
2. Domestic protection, including distribution by transmission
3. Technological protection
4. Voluntary rights management mechanisms
5. Public performance right for sound recordings
6. Liability of on-line service providers
7. Fair use and library exemption
8. Database protection
9. NII and GII access for content providers
10. Public education on intellectual property
11. Other concerns

Closing Remarks

The Honorable Bruce A. Lehman

List of Participants

Government

Ronald H. Brown
Secretary of Commerce

David J. Barram
Deputy Secretary of Commerce

Bruce A. Lehman
Assistant Secretary of Commerce and
Commissioner of Patents and Trademarks

Mary L. Good
Under Secretary of Commerce for Technology

Robert J. Stein
Chief of Staff to the Secretary of Commerce

Larry Irving
Assistant Secretary for Communications and Information

Raymond Vickery
Assistant Secretary for Trade Development

Michael K. Kirk
Deputy Assistant Secretary of Commerce and
Deputy Commissioner of Patents and Trademarks

Jonathan Sallet
Assistant to the Secretary of Commerce and
Director, Office of Policy and Strategic Planning

Denise Michel
Senior Policy Advisor to the Secretary of Commerce

Ginger Lew
General Counsel
U.S. Department of Commerce

John D. Podesta
Assistant to the President and Staff Secretary

W. Bowman Cutter
Deputy Assistant to the President
for Economic Policy

Gregory Simon
Chief Domestic Policy Advisor
to the Vice President

Donald Abelson
Assistant U.S. Trade Representative
for Services, Investment and Intellectual Property

Ira Shapiro
General Counsel
Office of the United States Trade Representative

Private Sector

Joseph S. Alen
President and Chief Executive Officer
Copyright Clearance Center

Marilyn Bergman
President
ASCAP

Stephen Case
Chairman of the Board
America Online

James C. Dowdle
Executive Vice President
Tribune Broadcasting Co.

Charles Ellis
President and Chief Executive Officer
John Wiley & Sons, Inc.

Edward O. Fritts
President
National Association of Broadcasters

Jack Golodner
President
Department for Professional Employees, AFL-CIO

Robert W. Holleyman, II
President
Business Software Alliance

1. no disagreement on importance
2. working on potential changes. Green paper on copyright
3. work on partnership with security encryption
4. strategy on how to get more access to works

→ compulsory licensing regimes for digital environment
voluntary rights with necessary works + efficient

fair use used to underpin rather than strengthen the regime
confuse fair use with good use

no demonstration
security encryption
copyright with system
controls etc.

Paul LeClerc
President
New York City Public Library

Edward Murphy
President and Chief Executive Officer
Harry Fox Agency

compulsory license

Jonathan Newcomb
President and Chief Executive Officer
Simon & Schuster, Inc.

Peter Norton
President
Encyclopedia Britannica, Inc.

Vance K. Opperman
President
West Publishing Company

Ralph Peer, II
Chairman and Chief Executive Officer
peermusic

Frances Preston
President
Broadcast Music, Inc.

Virgil Roberts
President and General Counsel
Solar Records

Hilary Rosen
President and Chief Operating Officer
Recording Industry Association
of America

*1) copyright w/ technologies technical
2) accountability for retransmitters & trans
3) public performance right*

Al Teller
Chairman, MCA Entertainment Group
MCA, Inc.

piracy / hoped

*2/3 revenue goes overseas
2/3 of that from American artists*

Jack Valenti
President and Chief Executive Officer
Motion Picture Association of America

*we have in US comedians GATT WAPA
grow twice rate of national economy
natural person on video series
investment quotas*

Steven Weiswasser
President
Capital Cities/ABC Multimedia Group

NII ROUNDTABLE

DECEMBER 19, 1994

INTELLECTUAL PROPERTY AND THE NII

I. BACKGROUND

In February 1993, President Clinton formed the Information Infrastructure Task Force (IITF) to articulate and implement the Administration's vision for the National Information Infrastructure (NII). The IITF is chaired by Secretary of Commerce Ronald H. Brown and consists of high-level representatives of the Federal agencies that play a role in advancing the development and application of information technologies. Guided by the principles for Government action described in The NII Agenda for Action, the participating agencies are working with the private sector, public interest groups, Congress, and State and local governments to develop comprehensive telecommunications and information policies and programs that best meet the country's needs.

To drive these efforts, the IITF is organized into three committees: the Telecommunications Policy Committee, which formulates Administration positions on key telecommunications issues; the Committee on Applications and Technology, which coordinates Administration efforts to develop, demonstrate and promote applications of information technologies in key areas; and the Information Policy Committee, which addresses critical information policy issues that must be dealt with if the NII is to be fully deployed and utilized. In addition, the IITF established a Security Issues Forum to assess the security needs and concerns of users, service providers, information providers, State governments and others. Secretary Brown also established an Advisory Council on the NII to advise him on matters related to the development of the NII. The Advisory Council is made up of representatives of the fields of telecommunications, computing, information, applications and related disciplines.

The Working Group on Intellectual Property Rights, which is chaired by Assistant Secretary of Commerce and Commissioner of Patents and Trademarks Bruce A. Lehman, was established within

the Information Policy Committee to examine the intellectual property implications of the NII.

The Working Group held a public hearing on November 18, 1993, at which 30 witnesses testified. The Working Group also solicited written comments and received some 70 statements during a public comment period which closed on December 10, 1993. Through this process, the Working Group heard from representatives of a wide variety of interested parties, including the computer software, motion picture, music, broadcasting, publishing and other information industries, as well as various electronic industries. Views of the academic, research, library and legal communities were also heard, as well as those of individual copyright owners and users.

In July 1994, the Working Group issued The Preliminary Draft of the Report of the Working Group on Intellectual Property Rights (the "Green Paper"). While it addresses each of the major areas of intellectual property law, it focuses on copyright law and its application and effectiveness for the NII.

The Working Group issued its Report in Preliminary Draft form in order to solicit additional public comment. In September 1994, it held four days of public hearings -- in Chicago, Los Angeles and Washington, D.C. -- at which approximately 65 people testified. It has also received more than 150 written comments.

The Working Group held its initial meeting of the Conference on Fair Use September 21, 1994. The purpose of the Conference is to bring together copyright owner and user interests to try to develop updated voluntary fair use guidelines for use of copyrighted works in and by libraries and educational institutions in an NII environment.

II. ISSUES

The principal findings and recommendations in the Green Paper fell into three areas: law, technology and education.

A. LAW

The principal legal conclusion of the Working Group was that the copyright law is generally in good shape to deal with many of the issues that are likely to arise under the NII. However, the Working

Group made a few preliminary recommendations for modification of the copyright law, including:

- The exclusive distribution right should include the right to transmit copies or phonorecords of a work.
- The manufacture, distribution or importation of devices or services the primary purpose or effect of which is to defeat, without the authorization of the copyright owner or the law, security measures intended to protect works in the NII should be prohibited.
- The fraudulent introduction of false copyright management information or the fraudulent removal or modification of such information should be prohibited.
- Sound recordings should be granted a public performance right with respect to digital transmissions.

In addition, the Working Group made the following preliminary findings:

- The fair use doctrine, as codified in Section 107 of the Copyright Act, is flexible enough to work in the NII environment without amendment. However, the specific exemptions in Sections 108 and 110 for libraries and educational institutions may need study.
- No additional compulsory licenses are necessary or desirable in the context of the NII. The marketplace will develop appropriate licensing schemes.
- Adequate and effective protection at the international level is essential to ensure that the emerging GII will succeed.

B. TECHNOLOGY

The Working Group recommended that where standards are needed, there should be no diminution of intellectual property protection in the standard setting process.

C. EDUCATION

The Working Group found that effective education of the public about intellectual property rights will be crucial to the successful development of the NII. Therefore it will sponsor a conference on intellectual property education to facilitate the development of curricula that may be used in schools and libraries.

III. CURRENT STATUS

The Working Group on Intellectual Property Rights is analyzing the testimony and comments it has received over the past five months so that it can take proper account of them in preparing the Final Report of the Working Group.

The Conference on Fair Use continues as the participants try to develop voluntary guidelines for use of copyrighted works by and in libraries and educational institutions.

IV. GOVERNMENT PLANS

The Working Group hopes to release its Final Report, with any legislative proposals, in early Spring 1995. The Working Group will convene the Conference on Intellectual Property Education in the next few months, and continue to sponsor the Conference on Fair Use.

V. PRIVATE SECTOR ROLE

The comments and testimony received from the private sector during the past five months will play a significant role in the decision-making process of the Working Group as it prepares its Final Report. Participation by the private sector in the Conference on Fair Use and the Conference on Intellectual Property Education is essential.

Audiovisual in the NII/GII

"Creative Content: Access Issues"

market access

HISTORY/BACKGROUND

The GII provides an opportunity for the United States to gain international consensus that unrestricted access should be provided to suppliers and consumers of the creative content that will flow over the "information superhighway". Unfortunately, emotional arguments about "cultural specificity" have enabled protectionists to influence some foreign governments to place restrictions on the access of U.S. programs have to overseas markets. *11**

In 1985, the European Council enacted a directive that mandates-- "whenever practicable"--a quota system for television broadcasters in Europe. The quota system denies access to U.S. programs by stipulating that a majority of television transmission time be devoted to European programs. (Programs include fictional works, such as films, mini-series and cartoons.) The U.S. Government tried unsuccessfully in the Uruguay Round to secure EU commitments regarding open access to the European market for audiovisual programs.

The directive is currently under review; revisions proposed by bureaucrats in the EU Commission's "audiovisual directorate" (DG X) aim to tighten the directive, introduce an investment quota and extend the reach of the directive to new technologies, such as "video on demand".

Additionally, domestic content quotas appear in the legislation and policies of other countries (such as Canada and South Africa). In the case of Canada, such policies threatened to disrupt the Summit of the Americas and were raised in the recent G7 Telecom Summit planning meeting. ***

ISSUE

- The GII should provide unrestricted access to suppliers and consumers of the creative content¹ that will flow over the "information superhighway".
- As the GII's expansion will be driven by mass consumer markets that will demand a diverse body of content, regulations must not impede the availability of content.

¹ Creative content includes information services, data services, entertainment, cultural programming, sporting events, telemarketing and teleshopping, interactive games, educational services, home banking and other financial services, and other forms of content to be provided over the networks.

- The GII should be based on flexible regulatory regimes that stimulate a wide dissemination of content and maximize consumer choice.

CURRENT STATUS

Agreement was reached in Brussels on eight core principles for achieving the objective of citizen's access to the information infrastructure. The fourth principle provides for open access to networks. During the meetings, EU officials clarified their understanding that this principle includes providing open access to providers of creative content to networks.

GOVERNMENT OBJECTIVES/PLANS

The Administration's objective is to use the GII to gain international consensus that unrestricted access should be provided to suppliers and consumers of the creative content that will flow over the "information superhighway". This can be accomplished by persuading foreign officials in telecommunications, broadcasting, industry, finance and economics agencies that imposing content quotas on the GII is inconsistent with efforts to attract private investors and to achieve global goals.

PRIVATE ^{TAKING} SECTOR ROLE

The private sector has a role in providing specific examples of how GII investment decisions are linked to the ability to offer services and content to consumers that are based on sound commercial practices.

RECOMMENDATIONS

Discussions of the GII should focus on:

- securing unrestricted access to suppliers and consumers of the creative content that will flow over the "information superhighway";
- recognizing that the GII demands a wide, diverse body of content and, thus, regulations that do not impede the availability of content; and,
- establishing a based of flexible regulatory regimes that stimulate a wide dissemination of content and maximize consumer choice.

NII ROUNDTABLE
December 19, 1994

GLOBAL INTELLECTUAL PROPERTY RIGHTS ISSUES

- I. HISTORY/BACKGROUND: Strong high-level legal and technological protection for the creative content -- data bases, books, computer programs, motion pictures, sound recordings and other works -- that will flow over the Global Information Infrastructure (GII) is widely recognized as essential to its successful development. Ensuring this result in the world spanning GI is complex, in part because U.S. and European intellectual property (IP) laws rest on different theories of protection. U.S. copyright law is based on the principle that providing economic rewards to authors will increase the production of creative works to the benefit of the public. European civil law regimes for the protection of authors' rights are based on the assumption that creative works reflect the personality of the author and hence, their protection is a basic human right. This leads to fundamental differences in the way in which rights are implemented in national laws. The result is that civil law systems have developed two kinds of protection, one for authors, and the other for producers, performers and broadcasters, while under U.S. law there is copyright protection for authors and performers and broadcasters to the extent that they are copyright owners. In the past, when most works were exploited through public performances or through distribution in the form of hard copy, since both systems included the basic right to make copies and publicly perform works, differences in levels of protection in the two legal traditions did not create significant commercial problems. However, as technology has added new ways to exploit works and made copying easy and cheap, each system has adapted to these changes in different ways. The economic effects of these different approaches to protection have created real problems.

U As an example, certain European countries have created systems for collecting royalties on the sale of blank audio and video tapes. This royalty is paid to producers of the works, performers and to authors whose works are used in sound recordings and motion pictures to compensate them for sales revenues lost due to home copying of their works made possible by the widespread use of audio and video recorders. However, these benefits are not granted to all U.S. rights holders because we do not have the same system in place for compensating all of those rights holders. The U.S. views this as inconsistent with the widely applied standard of national treatment in the intellectual property conventions.

Although the TRIPs Agreement achieved significant levels of improvement in the international norms for the protection of intellectual property, and

made steps toward achieving high levels of copyright protection, it did not deal with all of the issues relevant to the GII. Attempts to resolve the audiovisual national treatment issues in the TRIPs negotiations in the Uruguay Round were unsuccessful.

This focus also makes it clear that it will be necessary to take further steps to make U.S. copyright protection more compatible with author's rights laws. Some steps can be accomplished through building bridges between the copyright system and the authors' rights/neighbors rights systems in the ongoing work in WIPO. However, bridge building can only go so far and it appears more and more likely that changes in some areas of U.S. law will be needed for the legal and technical protection that is needed for the GII. These areas include some form of additional protection for data bases, performers' rights and performance rights in sound recordings.

- II. ISSUES: The United States and other information societies have begun the process of laying out policies for the development of national and global information superhighways. The key issues to be resolved include:
- Achieving high, internationally recognized norms for the protection of IPRs while taking into account differences among national legal traditions.
 - Providing efficient means for creators and producers to effectively accumulate the rights needed for efficient dissemination of creative content through the GII, while recognizing differences in national legal traditions and respecting the legitimate interests of the original creators.
 - Determining international norms for the applicability of national law in the case of transitional copy delivery, performance, transmission or distribution.
 - Identifying the appropriate roles of collecting societies and direct licensing systems in the GII, opposing the establishment of rules for mandatory or compulsory licensing in the GII.
 - Establishing international standards for fair use.
 - Prohibition of devices and services that defeat anti-copying systems.
 - Ensuring the integrity of copyright management information in the GII.
- III. CURRENT STATUS: The Administration is working to identify the needed changes to the U.S. copyright law for the NII through the Working Group on Intellectual Property chaired by Assistant Secretary of Commerce and

Commissioner of Patents and Trademarks Bruce A. Lehman. The Draft Report of the IP Working Group was published in July to elicit the public's views on its preliminary recommendations. The USPTO has held three hearings on the Draft Report and has received voluminous written submissions which are being reviewed and evaluated.

The USPTO is leading an interagency effort to achieve an international agreement on the levels of IP protection that is needed to lay a sound foundation for the growth of the GII. The World Intellectual Property Organization (WIPO) is considering a Draft Protocol to update the Berne Convention for the Protection of Performers and Producers of Phonograms. While the main thrust of this work in the recent past has been on "conventional" issues, the United States has been working to reorient this work to focus on the IP needs of the GII and has achieved significant success in the Meetings that were held in Geneva from December 5 to 16. The next meeting to take place in early September will be based on papers to be submitted by governments rather than WIPO, and will focus principally on the GII-related issues that are common to both the Protocol and New Instrument.

As the Secretary noted in his December 6 speech to the IPO Conference, one of his principal goals in the coming G-7 Ministerial meeting on the GII will be "achieving an endorsement of the need to ensure adequate legal and technical protection and access of creative content." We believe that this endorsement will help in the work in WIPO to achieve agreement on adequate technical and legal protection.

- IV. GOVERNMENT OBJECTIVES/PLANS: The USPTO will work with other Agencies and the private sector to prepare its paper for submission to WIPO by its June 15 deadline for translation and submission to other states so they can prepare for the September WIPO meeting on the digital aspects of the Berne Protocol and the New Instrument.

As noted, the Secretary has committed to "work toward an endorsement by the G-7 Ministers for the development in the World Intellectual Property Organization and other fora of intellectual property protection that will promote the growth of the GII, and toward the adoption of adequate levels of legal and technological protection.

- V. PRIVATE SECTOR ROLE: Aside from advising the Government of its needs and concerns, the private sector -- creators, producers and users -- will produce the content and demand for its use. Trade in creative content will be the engine that will pull the GII into being through economic growth. New industries and new jobs will be needed to produce the creative content for the GII.

INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE

A PRELIMINARY DRAFT OF
THE REPORT OF THE WORKING GROUP
ON INTELLECTUAL PROPERTY RIGHTS

Executive Summary

INTRODUCTION

The Working Group on Intellectual Property Rights, chaired by Assistant Secretary of Commerce and Commissioner of Patents and Trademarks Bruce A. Lehman, was established as part of the White House Information Infrastructure Task Force. The Task Force, chaired by Secretary of Commerce Ronald H. Brown, was created to articulate and implement the Administration's vision for the National Information Infrastructure (NII). The Task Force is working with the private sector, public interest groups, Congress and State and local governments to develop comprehensive telecommunications and information policies and programs that best meet the country's needs.

The Preliminary Draft of the Report of the Working Group on Intellectual Property Rights represents the Working Group's examination and analysis to date of the intellectual property implications of the NII. While it addresses each of the major areas of intellectual property law, it focuses primarily on copyright law and its application and effectiveness in the context of the NII. The Working Group issued the report in preliminary draft form to solicit public comment prior to making final recommendations and issuing a final report.

BACKGROUND

The NII has great potential to increase access to information and entertainment resources that will be delivered quickly and economically anywhere in the country in the blink of an eye. For

instance, hundreds of channels of "television" programming, thousands of musical recordings, and literally millions of "magazines" and "books" can be made available to homes and businesses across the United States and, eventually, the world. It can improve the Nation's education and health care systems. It can enhance the ability of U.S. firms to compete and succeed in the global economy, generating more jobs for Americans. New job opportunities can also be created in the processing, organizing, packaging and dissemination of the information and entertainment products flowing through the NII.

The NII is much more than computers, telephones, fax machines, scanners, cameras, keyboards, televisions, monitors, printers, switches, routers, wires, cables, networks and satellites. What will drive the success of the NII is the content moving through it. Therefore, the potential of the NII will not be realized if the content is not protected effectively. Owners of intellectual property rights will not be willing to put their interests at risk if appropriate systems -- both in the U.S. and internationally -- are not in place to permit them to set and enforce the terms and conditions under which their works are made available in the NII environment. Likewise, the public will not use the services available on the NII and generate the market necessary for its success unless access to a wide variety of works is provided under equitable and reasonable terms and conditions, and the integrity of those works is assured.

PRELIMINARY FINDINGS AND RECOMMENDATIONS

A. LAW

The Draft Report analyzes current copyright law and its application in the NII environment. The Working Group concludes that, with the following limited amendments and clarifications, the Copyright Act will provide the necessary protection of rights in copyrighted works -- and appropriate limitations on those rights.

1. DISTRIBUTION BY TRANSMISSION

a. THE DISTRIBUTION RIGHT

The Copyright Act gives a copyright owner the exclusive right "to distribute copies or phonorecords of the copyrighted work" to the

public. A copy or phonorecord is a material object in which a copyrighted work is fixed, such as a compact disc, a videocassette or a paperback book. It is not clear that a transmission can constitute a distribution of copies of the work under the current law.

Yet, in the world of high-speed, communications systems, it is possible to transmit a copy of a work from one location to another. This may be the case, for instance, when a computer program is transmitted from one computer to ten other computers. When the transmission is complete, the original copy remains in the transmitting computer and a copy resides in the memory of, or in a storage device associated with, each of the other computers. Therefore, this transmission results essentially in the distribution of ten copies of the work.

The Working Group recommends that Section 106 of the Copyright Act be amended to reflect the fact that copies of works can be distributed to the public by transmission, and that such transmissions fall within the exclusive distribution right of the copyright owner. The Working Group also recommends that the definition of "transmit" in Section 101 of the Copyright Act be amended to delineate between those transmissions that are communications of performances or displays and those that are distributions of reproductions. When a transmission may constitute both a communication of a performance or display and a distribution of a reproduction (such as when a phonorecord of a sound recording is distributed and the recipient may listen to it while it is being downloaded), the Working Group recommends that such a transmission be considered a distribution of a reproduction if the primary purpose or effect of the transmission is to distribute a copy or phonorecord of the work to the recipient of the transmission.

The Working Group also recommends that the prohibitions on importation be amended to reflect the fact that copies or phonorecords of copyrighted works can be imported into the United States by transmission. Although the Working Group recognizes that the U.S. Customs Service cannot, for all practical purposes, enforce a prohibition on importation by transmission, given the global dimensions of the information infrastructure of the future, it is important that copyright owners have the other remedies for infringements of this type available to them.

b. PUBLICATION

The legislative history to the Copyright Act makes clear that any form of dissemination of a work in which a material object does not change hands is not a "publication" of the work, no matter how many people are exposed to it. Thus, a transmission of a performance or display via the NII would not constitute publication, since a material object does not change hands. However, in the case of a transmission of a reproduction, the recipient of the transmission ends up with a copy of the work. Therefore, the Working Group recommends that the definition of "publication" in Section 101 of the Copyright Act be amended to include the concept of distribution by transmission.

c. FIRST SALE DOCTRINE

The first sale doctrine allows the owner of a particular, lawfully-made copy of a work to dispose of it in any manner, with certain exceptions, without infringing the copyright owner's exclusive right of distribution. In the case of transmissions, that particular copy of the work remains with the first owner (and the recipient of the transmission receives a reproduction of the work); the owner does not dispose of his or her copy. Therefore, the Working Group recommends that Section 109 of the Copyright Act be amended to make clear that the first sale doctrine does not apply to transmissions.

2. TECHNOLOGICAL PROTECTION

The ease of infringement and the difficulty of detection and enforcement will cause copyright owners to look to technology, as well as the law, for protection of their works. Technology can be used to help protect copyrighted works against unauthorized access, reproduction, manipulation, distribution, performance or display. It can also be useful in the authentication of the integrity of copyrighted works and in the management and licensing of the rights in such works. However, it is clear that technology can also be used to defeat any protection that technology provides.

Therefore, the Working Group recommends that the Copyright Act be amended to prohibit the importation, manufacture and distribution of devices (or any component or circuitry incorporated

into any device or product), or the offering or performance of any service, the primary purpose or effect of which is to avoid, bypass, remove, deactivate, or otherwise circumvent, without authority of the copyright owner or the law, any process, treatment, mechanism or system which prevents or inhibits the exercise of any of the exclusive rights under Section 106. The Working Group also recommends other related amendments to provide civil causes of action and remedies for violations of the proposed prohibition.

3. COPYRIGHT MANAGEMENT INFORMATION

In the future, the copyright management information associated with a work -- such as the name of the copyright owner, and the terms and conditions for uses of the work -- may be critical to the efficient operation and success of the NII. The public should be protected from fraud in the creation or alteration of such information. Therefore, the Working Group recommends that Section 506 of the Copyright Act be amended to prohibit fraudulent copyright management information and fraudulent removal or alteration of copyright management information.

4. PUBLIC PERFORMANCE RIGHT

Sound recordings are the only copyrighted works that are capable of being performed that are not granted a public performance right. The Working Group believes that it is time to rectify this inequity. The Working Group notes that the Administration supports two bills introduced in Congress that would grant a limited performance right to sound recordings. The bills, H.R. 2576 and S. 1421, would add to the exclusive rights of a copyright owner in a sound recording the right to perform or authorize the performance of the sound recording by "digital transmission." The right granted in the bill is not the full performance right granted to other copyrighted works. For instance, the legislation would not change the law with respect to live public performances. It would also not touch analog transmissions -- the transmissions currently received over the radio. It would only grant a right with respect to transmissions in a digital format -- those that pose the greatest threat to the copyright owners of sound recordings.

5. FAIR USE

The Working Group believes that the fair use doctrine in Section 107 of the Copyright Act will continue to work well in the NII environment. However, the Working Group has significant concerns regarding the ability of certain limitations on copyright owners' exclusive rights -- particularly those limitations found in Sections 108 (library exemptions) and 110(1) and (2) (educational uses) -- to provide adequate access to copyrighted works transmitted via the NII in educational and library settings. As more and more works are available primarily or exclusively on-line, it is critical that researchers, students and other members of the public have opportunities on-line equivalent to their current opportunities off-line to browse through copyrighted works in their schools and public libraries. Public libraries and schools historically have been safeguards against the United States becoming a nation of information "haves" and "have nots." We must ensure that they continue to be able to assume that role.

Guidelines for library and educational use of printed matter and music were voluntarily adopted by diverse parties and set out in the House and Conference reports accompanying the 1976 revisions to the Copyright Act. While the principles should still be applicable, it is difficult, and perhaps inappropriate, to apply the specific language of some of those guidelines in the context of digital works and on-line services. Therefore, the Working Group is sponsoring a multi-meeting conference to bring together copyright owner and user interests to develop guidelines for fair uses of copyrighted works by and in public libraries and schools. While participation in the conference will be by invitation, the public may attend.

6. LICENSING

With limited exceptions, intellectual property law leaves the licensing of rights to the marketplace. In certain circumstances, particularly where transaction costs are believed to dwarf per-transaction royalties, Congress has found it necessary to provide for compulsory licenses. The Working Group finds that under current conditions, additional compulsory licensing of intellectual property rights is neither necessary nor desirable. The marketplace should be allowed to develop whatever licensing systems may be appropriate for the NII.

7. INTERNATIONAL

There must be adequate and effective protection for entertainment and information products delivered via the global information infrastructure (GII). This protection should be granted on the basis of national treatment -- without regard to the origin of the transmission or the nationality of the author. An appropriate intellectual property rights regime to protect the content transmitted over the GII is an essential condition precedent if the full benefits of the GII are to be enjoyed.

To attain the needed level of protection internationally, we must also find ways to span the differences between the continental droit d'auteur and neighboring rights systems and the Anglo-American copyright systems. An essential element of this effort will be to harmonize levels of protection.

B. TECHNOLOGY

Interoperability and interconnectivity of networks, systems, services and products operating within the NII will enhance its development and success. Standardization of copyright management (standardized header information and format, for instance) as well as technological protection methods (such as encryption) may also be useful. However, intellectual property rights should not be diminished in the standard-setting process, unless agreed to by the owners of such rights.

C. EDUCATION

Effective education of the public about intellectual property rights is crucial to the successful development of the NII. Therefore, the principles of intellectual property law must be taught in our schools and libraries. Educational efforts to increase the public's awareness of their own intellectual property rights, as well as those of others, will increase respect for those rights. Clearer guidelines with respect to the exclusive rights of copyright and other intellectual property rights holders, as well as the limitations on those rights, will make compliance with the law easier.

Following its conference on fair use, the Working Group will sponsor a second conference on intellectual property education. The purpose of that conference will be to develop curricula that may be used in schools and libraries. Additional means of education, particularly those that use the NII itself, will also be explored and developed. Participation in the conference will be by invitation, but all proceedings will be open to the public.

* * *

The Working Group solicited public comment on the Preliminary Draft, which was issued in July 1994. The public was invited to submit written comments to the Commissioner of Patents and Trademarks on or before September 7, 1994. Additional reply comments were accepted until October 21, 1994. The Working Group also held four days of public hearings on the Preliminary Draft in Washington, D.C., Chicago and Los Angeles during September.

The Preliminary Draft and the transcripts of the public hearings are available from the Patent and Trademark Office. They are also available on the IITF Bulletin Board, which can be accessed through the Internet by pointing the Gopher Client to iitf.doc.gov or by telnet to iitf.doc.gov (log in as gopher). The Bulletin Board is also accessible at 202-501-1920 using a personal computer and modem.

GREEN PAPER

INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE

A PRELIMINARY DRAFT OF THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS

*Bruce A. Lehman, Assistant Secretary of Commerce and
Commissioner of Patents and Trademarks, Chair*

INFORMATION INFRASTRUCTURE TASK FORCE
Ronald H. Brown, Secretary of Commerce, Chair

JULY 1994

GREEN PAPER

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TABLE OF CONTENTS

INTRODUCTION	1
BACKGROUND	5
I. LAW	11
A. COPYRIGHT	11
1. SUBJECT MATTER AND SCOPE OF PROTECTION	11
a. ELIGIBILITY FOR PROTECTION	11
b. PUBLISHED AND UNPUBLISHED WORKS	15
c. WORKS NOT PROTECTED	18
d. CATEGORIES OF PROTECTIBLE WORKS	20
2. COPYRIGHT OWNERSHIP	28
a. TRANSFER OF OWNERSHIP	31
b. LICENSING	32
3. TERM OF PROTECTION	34
4. EXCLUSIVE RIGHTS	34
a. THE RIGHT TO REPRODUCE THE WORK	35
b. THE RIGHT TO PREPARE DERIVATIVE WORKS	37
c. THE RIGHT TO DISTRIBUTE COPIES	38
d. THE RIGHT TO PERFORM THE WORK PUBLICLY	42
e. THE RIGHT TO DISPLAY THE WORK PUBLICLY	44
5. LIMITATIONS ON THE EXCLUSIVE RIGHTS	44
a. FAIR USE	45
b. FIRST SALE DOCTRINE	53
c. LIBRARY EXEMPTIONS	56
d. EDUCATIONAL USE EXEMPTIONS	60
e. OTHER LIMITATIONS	61
6. COPYRIGHT INFRINGEMENT	65
a. GENERAL	65
b. INFRINGING IMPORTATION	72
c. CONTRIBUTORY AND VICARIOUS LIABILITY	73
d. CONFLICT OF LAWS	82
7. INTERNATIONAL IMPLICATIONS	82
a. BACKGROUND	82
b. THE INTERNATIONAL FRAMEWORK	85
c. COPYRIGHT HARMONIZATION	89
d. NATIONAL TREATMENT	90
e. PRIVATE COPYING ROYALTY SYSTEMS	94
f. MORAL RIGHTS	94
B. PATENT	95
C. TRADEMARK	102
D. TRADE SECRET	106

II. TECHNOLOGY	108
A. CONTROLLING ACCESS TO PROTECTED WORKS	108
1. CONTROLLING ACCESS AT THE SERVER LEVEL	109
2. CONTROLLING ACCESS AT THE FILE LEVEL	110
B. CONTROLLING USE OF THE WORK	112
C. AUTHENTICATING THE WORK	113
D. MANAGING RIGHTS IN THE WORK	114
E. DEVELOPMENT OF STANDARDS	116
III. EDUCATION	117
IV. PRELIMINARY FINDINGS AND RECOMMENDATIONS	120
A. LAW	120
1. DISTRIBUTION BY TRANSMISSION	120
a. THE DISTRIBUTION RIGHT	120
b. PUBLICATION	123
c. FIRST SALE DOCTRINE	124
d. OTHER RELATED AMENDMENTS	125
2. TECHNOLOGICAL PROTECTION	125
3. COPYRIGHT MANAGEMENT INFORMATION	130
4. PUBLIC PERFORMANCE RIGHT	131
5. FAIR USE	133
6. LICENSING	134
7. INTERNATIONAL	135
B. TECHNOLOGY	139
C. EDUCATION	140

INTRODUCTION

In February 1993, President Clinton formed the Information Infrastructure Task Force (IITF) to articulate and implement the Administration's vision for the National Information Infrastructure (NII). The IITF is chaired by Secretary of Commerce Ronald H. Brown and consists of high-level representatives of the Federal agencies that play a role in advancing the development and application of information technologies. Guided by the principles for government action described in The NII Agenda for Action,¹ the participating agencies are working with the private sector, public interest groups, Congress, and State and local governments to develop comprehensive telecommunications and information policies and programs that best meet the country's needs.

To drive these efforts, the IITF is organized into three committees: the Telecommunications Policy Committee, which formulates Administration positions on key telecommunications issues; the Committee on Applications and Technology, which coordinates Administration efforts to develop, demonstrate and promote applications of information technologies in key areas; and the Information Policy Committee, which addresses critical information policy issues that must be dealt with if the NII is to be fully deployed and utilized. In addition, the IITF recently established a Security Issues Forum to assess the security needs and concerns of users, service providers, information providers, State governments and others.

The Working Group on Intellectual Property Rights, which is chaired by Assistant Secretary of Commerce and Commissioner of Patents and Trademarks Bruce A. Lehman, was established within the Information Policy Committee to examine the intellectual property implications of the NII.

This Report represents the Working Group's examination and analysis to date. While it addresses each of the major areas of

¹ Information Infrastructure Task Force, National Telecommunications and Information Administration, The National Information Infrastructure: Agenda for Action (Sept. 15, 1993).

intellectual property law, it focuses primarily on copyright law and its application and effectiveness in the context of the NII.²

To prepare this Report, the Working Group drew upon the expertise of its members from the Executive Branch and observers from the Legislative Branch. In addition, the Working Group received and considered views of the public.

The Working Group held a public hearing on November 18, 1993, at which 30 witnesses testified. The Working Group also solicited written comments and received some 70 statements during a public comment period which closed on December 10, 1993. Through this process, the Working Group heard from representatives of a wide variety of interested parties, including the computer software, motion picture, music, broadcasting, publishing and other information industries, as well as various electronic industries. Views of the academic, research, library and legal communities were also heard, as well as those of individual copyright owners and users.

The special intellectual property concerns and issues raised by the development and use of the NII are the subject of this Report; it does not attempt to address all existing intellectual property issues.³ Because of the legal nature of the subject, this Report uses certain words and phrases that may be unfamiliar to some readers or that

2 The "National Information Infrastructure," as it is discussed in this Report, is intended to encompass the digital, interactive services now available, such as the Internet, as well as those contemplated for the future. To make our analysis more concrete, however, we have, in many instances, evaluated the intellectual property implications of activity on the Internet, the superstructure whose protocols and rules effectively create (or permit the creation of) a "network of networks." This reflects neither an endorsement of the Internet nor a derogation of any other existing or proposed network or service that may be available via the NII, but, rather, an acknowledgment that a currently functioning structure lends itself more readily to legal analysis than a hypothetical construct.

3 For instance, the current debate over whether or to what extent certain aspects of computer programs are or should be protected under copyright law is not covered by this Report. Likewise, certain patent issues, such as pre-grant publication and reexamination, are not addressed.

do not have their ordinary meaning when used in the context of intellectual property law. The Working Group has attempted to identify these terms of art and provide their legal definitions.

The Working Group is issuing this Preliminary Draft of its Report to solicit public comment on the Report and, particularly, its preliminary findings and recommendations. An original and four copies of written comments should be submitted on or before September 7, 1994, to:

The Commissioner of Patents and Trademarks
U.S. Patent and Trademark Office
Box 4
Washington, D.C. 20231

Attention: Terri A. Southwick
Attorney-Advisor
Office of Legislative and International Affairs

Alternatively, comments may be submitted electronically to the following Internet address: nii-ip@uspto.gov.

Comments received will be available for public inspection at the Scientific and Technical Information Center of the U.S. Patent and Trademark Office, Room 2C01, Crystal Plaza 34, 2021 Jefferson Davis Highway, Arlington, Virginia, between the hours of 9 a.m. and 4 p.m., Monday through Friday.

Reply comments may be submitted electronically or in writing no later than September 28, 1994.

This Report is also available on the IITF Bulletin Board. The Bulletin Board can be accessed through the Internet by pointing the Gopher Client to iitf.doc.gov or by telnet to [iitf.doc.gov](tel://iitf.doc.gov) (log in as gopher). The Bulletin Board is also accessible at 202-501-1920 using a personal computer and a telephone modem. The Report may be found under "Speeches, Testimony and Documents" and is listed as "Intellectual Property Working Group Draft Report."

Public hearings will be held on this Report, and will be announced in the press, on the IITF Bulletin Board and in the Federal Register.

BACKGROUND

Intellectual property is a subtle and esoteric area of the law that evolves in response to technological change.⁴ Copyright law, in particular, responds to technological challenges for authors and copyright owners, from Gutenberg's moveable type printing press to digital audio recorders, and everything in between – photocopiers, radio, television, videocassette recorders, cable television and satellites. The use of computer technology – such as digitization – and communications technology – such as fiber optic cable – has had an enormous impact on the creation, reproduction and dissemination of copyrighted works. The development of the National Information Infrastructure will merge computer and communications technology into an integrated information technology, and will generate both unprecedented challenges and important opportunities for the copyright marketplace.

A national information infrastructure already exists. Telephones, televisions, radios, computers and fax machines are used every day to receive, store, process, perform, display and transmit data, text, voice, sound and images in homes and businesses throughout the country. Fiber optics, wires, cables, switches, routers, microwave networks, satellites and other communications technologies connect telephones to telephones, computers to computers, and fax machines to fax machines. The NII of tomorrow will be much more than these separate communications networks; it will integrate them into an advanced high-speed, interactive, broadband, digital communications system. Computers, telephones, televisions, radios, fax machines, and more will be linked by the NII and will be able to communicate and interact with other computers,

⁴ Supreme Court Justice Story found that copyright and patent cases come "nearer than any other class of cases belonging to forensic discussions, to what may be called the metaphysics of the law where the distinctions are, or at least may be, very subtle [sic] and refined, and, sometimes, almost evanescent." See Folsom v. Marsh, 9 F. Cas. 342, 344 (C.C.D. Mass. 1841) (No. 4,901).

telephones, televisions, radios, fax machines and more -- all in digital format.⁵

The NII has great potential to increase access to information and entertainment resources that will be delivered quickly and economically anywhere in the country in the blink of an eye. For instance, hundreds of channels of "television" programming, thousands of musical recordings, and literally millions of "magazines" and "books" can be made available to homes and businesses across the United States and, eventually, the world.⁶ It can improve the nation's educational and health care systems. It can enhance the ability of U.S. firms to compete and succeed in the global economy, generating more jobs for Americans. New job opportunities can also be created in the processing, organizing, packaging and dissemination of the information and entertainment products flowing through the NII.

Yet, the potential of the NII will not be realized if the information and entertainment products protectible by intellectual property laws are not protected effectively when disseminated via the NII. Owners of intellectual property rights will not be willing to put their interests at risk if appropriate systems -- both in the U.S. and internationally -- are not in place to permit them to set and enforce the terms and conditions under which their works are made available in the NII environment. Likewise, the public will not use the services available on the NII and generate the market necessary for its success unless access to a wide variety of works is provided under equitable and reasonable terms and conditions, and the integrity of those works is assured. All the computers, telephones,

5 These devices will be linked not only to each other (computer to computer, for example) but will also be cross-linked (computer to television).

6 The United States and other countries are working toward the development of a Global Information Infrastructure (GII) that "will allow us to share information, to connect, and to communicate as a global community." And as that information moves through international channels, "[p]rotecting intellectual property is absolutely essential." See Remarks Prepared for Delivery by Vice President Al Gore at the International Telecommunications Union in Buenos Aires, Argentina (March 21, 1994).

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 not content. What will drive the NII is the content moving through it.

The development of the NII is obviously neither the first nor the last technological challenge to copyright owners' ability to prevent unauthorized uses of their works.⁷ For instance, the advent of the photocopying machine caused great apprehension among copyright owners of printed works.⁸ But time, cost and quality were on the copyright owner's side. It was, and still is, more efficient and cheaper to buy an extra copy of most books than to photocopy them – and the quality of a book from the original publisher is typically higher than that of a photocopy. The introduction of audio tape recorders also posed problems for copyright owners. But again, the physical attributes of the work made reproductions cheaper, but lower in quality – until, of course, the introduction of digital audio recorders, which reproduce sound recordings both cheaply and with no degradation of sound quality. Congress responded to this threat to sound recordings with enactment of the Audio Home Recording Act of 1992, which combined legal and technological safeguards.⁹

7 See Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417, 430-31 nn. 11-12 (1984) (hereinafter "Sony") (significance of changes in technology and their effect on copyright law).

8 The Commission on New Technological Uses of Copyrighted Works (hereinafter "CONTU") reported about the issues raised by photocopiers and computers back in 1978, using language that is applicable again today:

The ownership and control of information and the means of disseminating it are emerging as national and international policy issues. Concerns about the impact on individual freedom posed by the control of the flow of information are at the forefront of public debate. The adequacy of the legal structure to cope with the pace and rate of technological change frequently has been called into question.

Final Report of the National Commission on New Technological Uses of Copyrighted Works (hereinafter "CONTU Final Report") at 3 (citations omitted).

9 See 17 U.S.C. § 1001 et seq. (Supp. V 1993). The Audio Home Recording Act requires a serial copy management system in all digital audio recording devices and digital audio interface devices imported, manufactured or

Advances in digital technology and the rapid development of electronic networks and other communications technologies raise the stakes considerably. Any two-dimensional work can readily be "digitized" – i.e., translated into digital code (a series of zeros and ones). The work can then be stored and used in that digital format. This dramatically increases: the ease and speed with which a work can be reproduced; the quality of the copies (both the first and the hundredth "generation"); the ability to manipulate and change the work; and the speed with which copies (authorized and unauthorized) can be "delivered" to the public. Works also can be combined easily with other works into a single medium, such as a CD-ROM, which is causing a blurring of the lines that typically divide types of works.

The establishment of high-speed, high-capacity electronic information systems makes it possible for one individual, with a few key strokes, to deliver perfect copies of digitized works to scores of other individuals – or to upload a copy to a bulletin board or other service where thousands of individuals can download it or print unlimited "hard" copies on paper or disks. The emergence of integrated information technology is dramatically changing, and will continue to change, how people and businesses deal in information and entertainment products and services, and how works are created, owned, distributed, reproduced, displayed, performed, licensed, managed, presented, organized, sold, accessed, used, and stored. This leads, understandably, to a call for change in the law.

distributed in the United States. Such a system allows unlimited first generation digital copying of sound recordings, but prevents the making of digital copies from copies. The Act prohibits the importation, manufacture or distribution of any device, or the offering or performance of any service, the primary purpose of which is to circumvent any program or circuit which implements a serial copy management system. The Act also establishes a royalty system through which importers and manufacturers of digital audio recording devices and digital audio recording media make royalty payments on each device or medium they distribute. Such payments are collected by the Copyright Office and distributed annually to record companies, performers, music publishers and songwriters.

Thomas Jefferson stated:

I am not an advocate for frequent changes in laws and constitutions. But laws and institutions must go hand and hand with the progress of the human mind. As that becomes more developed, more enlightened, as new discoveries are made, new truths discovered and manners and opinions change, with the change of circumstances, institutions must advance also to keep pace with the times. We might as well require a man to wear still the coat which fitted him when a boy¹⁰

Our task is to determine whether the coat still fits in this new information age.

Our intellectual property regime must (1) recognize the legitimate rights and commercial expectations of persons and entities whose works are used in the NII environment, whether at their instance or without their permission, and (2) ensure that users have access to the broadest feasible variety of works on terms and conditions that, in the language of the Constitution, "promote the progress of science and the useful arts."¹¹

For more than two centuries copyright law, with periodic amendment, has provided protection for an increasing variety of works of authorship. The most recent complete revision of the law -- The Copyright Act of 1976 -- was enacted in response to "significant changes in technology [that had] affected the operation of the copyright law."¹² The legislative history of the 1976 Act noted that

10 See Inscription at the Jefferson Memorial. As Secretary of State, Thomas Jefferson was the first head of the U.S. Patent Office.

11 Congress' authority to grant certain intellectual property rights is derived from Article I, Section 8, Clause 8 of the U.S. Constitution: "The Congress shall have 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."

12 See H.R. Rep. No. 1476, 94th Cong., 2d Sess. 47 (1976), reprinted in 1976 U.S.C.C.A.N. 5659 (hereinafter "House Report") ("During the past half century a wide range of new techniques for capturing and communicating printed

those changes had "generated new industries and new methods for the reproduction and dissemination of copyrighted works, and the business relations between authors and users have evolved new patterns."¹³

We are once again faced with significant changes in technology, and views on the appropriate response to these changes vary widely. There are some who argue that the Copyright Act is adequate without any modification. Others suggest that a complete overhaul of the intellectual property regime is in order.¹⁴ We believe that with no more than minor clarification and amendment, the Copyright Act, like the Patent Act, will provide the necessary protection of rights -- and limitations on those rights -- to promote the progress of science and the useful arts. There must be, however, effort in three disciplines -- the law, technology and education -- to successfully resolve the intellectual property issues raised by the development and use of the NII.

matter, visual images, and recorded sounds have come into use, and the increasing use of information storage and retrieval devices, communications satellites, and laser technology promises even greater changes in the near future.").

¹³ See House Report at 47, reprinted in 1976 U.S.C.C.A.N. 5660.

¹⁴ It has even been suggested that intellectual property law is an antiquated system which has no place in the NII environment.

I. LAW

A. COPYRIGHT

1. SUBJECT MATTER AND SCOPE OF PROTECTION

a. ELIGIBILITY FOR PROTECTION

The subject matter eligible for protection under the Copyright Act¹⁵ is set forth in Section 102(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 a machine or device.¹⁶

¹⁵ The Copyright Act of 1976, as amended, is codified at 17 U.S.C. § 101 *et seq.* (1988 & Supp. V 1993). Hereinafter, the Act is cited as "17 U.S.C. § ____." The Copyright Act preempts any grant of equivalents rights for works of authorship within the specified subject matter. Section 301 provides:

On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

17 U.S.C. § 301(a) (1988).

¹⁶ 17 U.S.C. § 102(a) (1988 & Supp. V 1993). The Copyright Act specifically excludes from protectible subject matter any "idea, procedure, process, system, method of operation, concept, principle or discovery" even if it meets the criteria for protection. *See* 17 U.S.C. § 102(b) (1988).

From this provision, the courts have derived three basic requirements for copyright protection – originality, creativity and fixation.

The requirements of originality and creativity are derived from the statutory qualification that copyright protection extends only to "original works of authorship."¹⁷ To be original, a work merely must be one of independent creation – i.e., not copied from another. There is no requirement that the work be novel (as in patent law), unique or ingenious. While there must also be a modicum of creativity in the work, the level of creativity required is exceedingly low; "even a slight amount will suffice."¹⁸

The final requirement for copyright protection is fixation in a tangible medium of expression. Protection attaches automatically to an eligible work of authorship the moment the work is sufficiently fixed.¹⁹ Congress provided considerable room for technological advances in the area of fixation by noting that the medium may be "now known or later developed."²⁰

The Copyright Act divides the possible media for fixation into "copies" and "phonorecords":

"Copies" are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived,

17 See 17 U.S.C. § 102(a) (1988 & Supp. V 1993). The statutory qualification is derived from Congress' limited Constitutional authority to grant copyright protection to "authors" for their "writings." See U.S. CONST., art. I, § 8, cl. 8.

18 Feist Publications, Inc. v. Rural Tele. Serv. Co., 499 U.S. 340, 345 (1991) ("vast majority of works make the grade quite easily, as they possess some creative spark").

19 Formal requirements for obtaining or enjoying copyright protection – such as registration or a copyright notice – have been abolished.

20 See 17 U.S.C. § 102(a) (1988 & Supp. V 1993).

reproduced, or otherwise communicated, either directly or with the aid of a machine or device.²¹

"Phonorecords" are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.²²

According to the House Report accompanying the Copyright Act of 1976, Congress intended the terms "copies" and "phonorecords" to "comprise all of the material objects in which copyrightable works are capable of being fixed."²³

The form of the fixation and the manner, method or medium used are virtually unlimited. A work may be fixed in "words, numbers, notes, sounds, pictures, or any other graphic or symbolic indicia"; may be embodied in a physical object in "written, printed, photographic, sculptural, punched, magnetic, or any other stable form"; and may be capable of perception either "directly or by means of any machine or device 'now known or later developed.'"²⁴

All works created for placement on the NII or transmission through it will be "fixed" in a manner that requires their protection by copyright. In a digital format, a work is fixed in a series of zeros and ones, which fits within the House Report's list of permissible manners of fixation.²⁵ Virtually all works also will be fixed in acceptable material objects. For instance, floppy disks, compact discs (CDs), CD-ROMs, optical disks, CD-Is, digital tape, and other digital

21 17 U.S.C. § 101 (1988) (definition of "copies").

22 17 U.S.C. § 101 (1988) (definition of "phonorecords").

23 House Report at 53, reprinted in 1976 U.S.C.C.A.N. 5666-67.

24 House Report at 52, reprinted in 1976 U.S.C.C.A.N. 5665-66.

25 See id.

storage devices are all stable forms in which works may be fixed and from which works may be perceived, reproduced or communicated by means of a machine or device.²⁶

The question of whether interactive works are fixed (given the user's ability to constantly alter the sequence of the "action") has been resolved by the courts in the context of video games and should not present a new issue in the context of the NII. Such works are generally considered sufficiently fixed.²⁷ The sufficiency of the fixation of works transmitted via the NII, however, where no copy or phonorecord has been made prior to the transmission, is not so clear.

A transmission is not a fixation. While a transmission may result in a fixation, a work is not fixed by virtue of the transmission alone. Therefore, works transmitted "live" via the NII will not meet the fixation requirement, and will be unprotected by the Copyright Act unless the work is being fixed at the same time as it is being transmitted.²⁸ The Copyright Act provides that a work "consisting of sounds, images, or both, that are being transmitted" meets the fixation requirement "if a fixation of the work is being made simultaneously with its transmission."²⁹ To obtain protection for a work under this "simultaneous fixation" provision, the simultaneous fixation of the transmitted work must itself qualify as a sufficient fixation.

26 See, e.g., Stern Elecs., Inc. v. Kaufman, 669 F.2d 852, 855 (2d Cir. 1982) (putting work in "memory devices" of a computer "satisf[ies] the statutory requirement of a 'copy' in which the work is 'fixed'").

27 See, e.g., Atari Games Corp. v. Oman, 888 F.2d 878 (D.C. Cir. 1989).

28 Unfixed broadcasts are not within the subject matter of Federal copyright law. Therefore, protection of such works is not preempted and may be provided in state statutory or common law. See 17 U.S.C. § 301 (1988 & Supp. V 1993).

29 See 17 U.S.C. § 101 (1988) (definition of "fixed"); see also Baltimore Orioles, Inc. v. Major League Baseball Players Assoc., 805 F.2d 663, 668 (7th Cir. 1986) (telecasts that are videotaped at the same time that they are broadcast are fixed in tangible form), cert. denied, 480 U.S. 941 (1987). It is understood that the "fixation" must be made or authorized by the author.

A simultaneous fixation (or any other fixation) meets the requirements if its embodiment in a copy or phonorecord is "sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration."³⁰ Works are not sufficiently fixed if they are "purely evanescent or transient" in nature, "such as those projected briefly on a screen, shown electronically on a television or cathode ray tube, or captured momentarily in the 'memory' of a computer."³¹ Electronic network transmissions from one computer to another, such as e-mail, may only reside on each computer in RAM (random access memory), but that has been found to be sufficient fixation.³²

b. PUBLISHED AND UNPUBLISHED WORKS

Although prior to 1978, Federal copyright protection generally was available only for published works, such protection is now available for published as well as unpublished works.³³ The Copyright Act provides a definition of "publication" to draw the line between published and unpublished works.

³⁰ 17 U.S.C. § 101 (1988) (definition of "fixed").

³¹ House Report at 53, reprinted in 1976 U.S.C.C.A.N. 5666-67.

³² See Advanced Computer Services of Michigan Inc. v. MAI Systems Corp., 845 F. Supp. 356, 363 (E.D. Va. 1994) (conclusion that program stored only in RAM is sufficiently fixed is confirmed, not refuted, by argument that it "disappears from RAM the instant the computer is turned off"; if power remains on (and work remain in RAM) for only seconds or fractions of a second, "the resulting RAM representation of the program arguably would be too ephemeral to be considered 'fixed'"). There may be too much of a delay between transmission and "fixation" (if any) on the receiving computer's screen or RAM to qualify as a "simultaneous" fixation.

³³ See 17 U.S.C. § 104 (1988 & Supp. V 1993). Prior to 1978, certain unpublished works, particularly dramatic works and musical compositions, could obtain copyright protection through registration with the Copyright Office. Since 1978, all otherwise eligible unpublished works are protected. See 17 U.S.C. § 104(a) (1988 & Supp. V 1993).

"Publication" is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display constitutes publication. A public performance or display of a work does not of itself constitute publication.³⁴

The definition was intended to make clear that "any form of dissemination in which a material object does not change hands – performances or displays on television, for example – is not a publication no matter how many people are exposed to the work."³⁵ Therefore, unless otherwise published, a work only displayed or performed via the NII would not be considered "published" under the Copyright Act, no matter how many people have access to it. The House Report also states, however, that the definition was intended to clarify that the offering of copies or phonorecords to a group of, for instance, wholesalers, broadcasters or motion picture theater operators constitutes publication if the purpose of the offering is "further distribution, public performance, or display."³⁶ Therefore, if sufficient numbers of actual copies of the work are offered to bulletin board system ("BBS")³⁷ operators or others for upload onto systems on the NII, publication may occur.

34 17 U.S.C. § 101 (1988) (definition of "publication").

35 See House Report at 138, reprinted in 1976 U.S.C.C.A.N. 5754. See also discussion of transmissions and the "distribution" of copies infra pp. 38-42.

36 See House Report at 138.

37 A bulletin board system is a computer system to which subscribers have telecommunications access for many purposes, including sending and receiving electronic mail, and obtaining and delivering files (which may consist of software, text, graphic images, or anything else that may be placed in a digital format). A BBS may be (1) commercial, as in the examples of CompuServe, Prodigy, and the like, (2) institutional, as in the case of a university BBS, or (3) individually owned and operated.

The classification of a work as either published or unpublished has significant repercussions under the Copyright Act. For example:

- works that are published in the United States are subject to mandatory deposit in the Library of Congress;³⁸
- unpublished works are eligible for protection without regard to the nationality or domicile of the author;³⁹
- published works must bear a copyright notice if published before March 1, 1989;⁴⁰
- certain limitations on the exclusive rights of a copyright owner are applicable only to published works;⁴¹

38 17 U.S.C. § 407 (1988). "[T]he owner of copyright or of the exclusive right of publication in a work published in the United States shall deposit, within three months after the date of publication – (1) two complete copies of the best edition; or (2) if the work is a sound recording, two complete phonorecords of the best edition, together with any printed or other visually perceptible material published with such phonorecords." 17 U.S.C. § 407(a) (1988). The deposit requirements are not conditions of copyright protection, but failure to deposit copies of a published work may subject the copyright owner to significant fines. See 17 U.S.C. § 407(a), (d) (1988).

39 17 U.S.C. § 104(a) (1988 & Supp. V 1993); see also 17 U.S.C. § 104(b) (1988 & Supp. V 1993) (national origin requirements for published works).

40 17 U.S.C. § 405 (1988). For such works, failure to include a copyright notice risks total loss of copyright protection. See id. Works published after March 1, 1989 (the effective date of the Berne Implementation Act) may (but are not required to) bear a copyright notice identifying the year of publication and the name of the copyright owner. See 17 U.S.C. § 401 (1988).

41 See generally 17 U.S.C. §§ 107 - 120 (1988 & Supp. V 1993). See, e.g., 17 U.S.C. § 118 (1988 & Supp. V 1993) (compulsory license is available for the use of certain published works in connection with noncommercial broadcasting). Whether a work is considered published or unpublished is also relevant in a fair use analysis. See discussion of fair use infra notes 145, 147 and accompanying text.

- deposit requirements for registration with the Copyright Office differ depending on whether a work is published or unpublished;⁴² and
- the duration of protection for works made for hire may be determined by the date of publication.⁴³

c. WORKS NOT PROTECTED

Certain works of authorship are expressly excluded from protection under the Copyright Act, regardless of their originality, creativity and fixation. Copyright protection, for example, does not extend to any "idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied" in such work.⁴⁴ Thus, although a magazine article on how to tune a car engine is protected by copyright, that protection extends only to the expression of the ideas, facts and procedures in the article, not the ideas, facts and procedures themselves, no matter how creative or original they may be. Anyone may "use" the ideas, facts and procedures in the article to tune an engine – or to write another article on the same subject. What may not be taken is the expression used by the original author to describe or explain those ideas, facts and procedures.⁴⁵

42 See 17 U.S.C. § 408(b) (1988) ("the material deposited for registration shall include – (1) in the case of an unpublished work, one complete copy or phonorecord; (2) in the case of a published work, two complete copies or phonorecords of the best edition; (3) in the case of a work first published outside the United States, one complete copy or phonorecord as so published; (4) in the case of a contribution to a collective work, one complete copy or phonorecord of the best edition of the collective work").

43 See 17 U.S.C. § 302(c) (1988).

44 17 U.S.C. § 102(b) (1988).

45 This is usually referred to as the "idea/expression dichotomy." The ideas are not protected; the expression is. The line between idea and expression is not easy to draw. The distinction is not that one is fixed and the other is not – they are both fixed in the copyrighted work of authorship. At some point, the

Copyright protection is not extended under the Copyright Act to works of the U.S. Government.⁴⁶ A work of the U.S. Government may, therefore, be reproduced and distributed without infringement liability under U.S. copyright laws.⁴⁷ Titles, names, short phrases, and slogans⁴⁸ also do not enjoy copyright protection under the Copyright Act.⁴⁹

idea becomes detailed enough to constitute expression. Judge Learned Hand explained:

Upon any work . . . a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the [work] is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the [author] could prevent the use of his "ideas," to which, apart from their expression, his property is never extended.

Nichols v. Universal Pictures Corp., 45 F.2d 119, 121 (2d Cir. 1930).

46 17 U.S.C. § 105 (1988). While Section 105 leaves works created by the U.S. Government unprotected under U.S. copyright laws, Congress did not intend for the section to have any effect on the protection of U.S. government works abroad. See House Report at 59, reprinted in 1976 U.S.C.C.A.N. 5672. Further, while works created by the U.S. Government are not protected by the Copyright Act, copyright interests transferred to the U.S. Government by assignment, bequest or otherwise may be held and enforced by it. See 17 U.S.C. § 105 (1988).

47 A work of the U.S. Government is a work "prepared by an officer or employee of the United States Government as part of that person's official duties." 17 U.S.C. § 101 (definition of "work of the United States Government"). Although the wording of this definition is not identical to that of a "work made for hire," the concepts "are intended to be construed in the same way." House Report at 58, reprinted in 1976 U.S.C.C.A.N. 5672. See discussion of works made for hire infra notes 84-86 and accompanying text.

48 See, e.g., Takeall v. Pepsico Inc., 29 U.S.P.Q.2d 1913 (4th Cir. 1993) (unpublished) (holding phrase "You got the right one, uh-huh" is not copyrightable and, thus, was not infringed by commercial using phrase "You got the right one baby, uh-huh"). While short phrases are not copyrightable standing alone, they may be protected as part of a larger, copyrighted work. See e.g. Dawn Assoc. v. Links, 203 U.S.P.Q. 831 (N.D. Ill. 1978) (holding phrase

d. CATEGORIES OF PROTECTIBLE WORKS

The Copyright Act enumerates eight broad categories of protectible subject matter:

- (1) literary works;
- (2) musical works, including any accompanying words;
- (3) dramatic works, including any accompanying music;
- (4) pantomimes and choreographic works;
- (5) pictorial, graphic and sculptural works;
- (6) motion pictures and other audiovisual works;
- (7) sound recordings; and
- (8) architectural works.⁵⁰

LITERARY WORKS

Although many categories of works will be available via the NII, the majority of works currently available on computer networks such as the Internet are literary works.

"Literary works," are works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals,

"When there is no room in hell . . . the dead will walk the earth" to be an integral part of a copyrighted advertisement, and defendant's unauthorized use of it was therefore infringing); Grand Upright Music Ltd. v. Warner Bros. Records, Inc., 780 F. Supp. 182, 183-85 (S.D.N.Y. 1991) (finding lyric "alone again" to be protected as part of a copyrighted work and infringed by defendant rap artist's "sampling").

49 Other material ineligible for copyright protection includes the utilitarian elements of industrial designs; familiar symbols or designs; simple geometrical shapes; mere variations of typographic ornamentation, lettering or coloring; common works considered public property, such as standard calendars, height and weight charts, and tape measures and rulers.

50 17 U.S.C. § 102(a) (1988 & Supp. V 1993).

manuscripts, phonorecords, films, tapes, disks, or cards, in which they are embodied.⁵¹

Literary works include computer programs,⁵² articles, novels, directories, computer databases, essays, catalogs, poetry, dictionaries, encyclopedias, and other reference materials.⁵³

MUSICAL WORKS

A musical work consists of the musical notes and lyrics (if any) in a musical composition.⁵⁴ A musical work may be embodied in any form, such as a piece of sheet music or a compact disc.⁵⁵ Musical works may be "dramatic," i.e., written as a part of a musical or other dramatic work, or "nondramatic," i.e., an individual, free-standing composition.

51 17 U.S.C. § 101 (1988) (definition of "literary works").

52 Following the recommendation of CONTU, Congress amended the Copyright Act in 1980 to explicitly recognize that computer programs were protected as literary works. See Act of December 12, 1980, Pub. L. 96-517, 1980 U.S.C.C.A.N. (94 Stat.) 3015. "Computer programs" are defined as a "set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result." See 17 U.S.C. § 101 (1988 & Supp. V 1993).

53 See House Report at 54, reprinted in 1976 U.S.C.C.A.N. 5667.

54 Congress did not define the term "musical work" in the statute based on the assumption that the term had a "fairly settled" meaning. See House Report at 53, reprinted in 1976 U.S.C.C.A.N. 5666-67.

55 A phonorecord generally embodies two works – a musical work or, in the case of spoken word recordings, a literary work, and a sound recording. Musical works available through services on the NII may also be the subject of Musical Instrument Digital Interface ("MIDI") recordings. A MIDI is a data stream between a musical unit in a computer and a music-producing instrument. The data stream instructs the instrument, such as a synthesizer, on what notes to play.

DRAMATIC WORKS

Generally, a dramatic work is one in which a series of events is presented to the audience by characters through dialogue and action as the events happen, such as in a play.⁵⁶

PANTOMIMES AND CHOREOGRAPHIC WORKS

This category was first added to the list of protectible subject matter in 1976.⁵⁷ While pantomimes and choreographic works, such as dances, can be fixed in a series of drawings or notations, they are usually fixed on film or videotape.

PICTORIAL, GRAPHIC AND SCULPTURAL WORKS

A significant percentage of the works traveling through the NII will be pictorial and graphic works. Works in this category include:

[T]wo-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans.⁵⁸

MOTION PICTURES AND OTHER AUDIOVISUAL WORKS

The Copyright Act provides definitions of "audiovisual works" and the subcategory "motion pictures."

56 See H. Abrams, *The Law of Copyright* § 204[C][3][b][iv] (1993). The term "dramatic works" is not defined in the Act. See House Report at 53, reprinted in 1976 U.S.C.C.A.N. 5666-67.

57 Congress also declined to define the terms "pantomimes" and "choreographic works," again relying on "fairly settled meanings." See House Report at 53, reprinted in 1976 U.S.C.C.A.N. 5666-67.

58 17 U.S.C. § 101 (1988) (definition of "pictorial, graphic, and sculptural works").

"Audiovisual works" are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.⁵⁹

"Motion pictures" are audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.⁶⁰

The House Report notes that the key to the subcategory "motion pictures" is the conveyance of the impression of motion, and that such an impression is not required to qualify as an audiovisual work.⁶¹

ARCHITECTURAL WORKS

An "architectural work" is "the design of a building, as embodied in any tangible medium of expression, including a building, architectural plans, or drawings."⁶² It includes the overall form as well as the "arrangement and composite of spaces and elements" in the design of the building.⁶³

59 17 U.S.C. § 101 (1988) (definition of "audiovisual works").

60 17 U.S.C. § 101 (1988) (definition of "motion pictures").

61 See House Report at 56, reprinted in 1976 U.S.C.C.A.N. 5669.

62 17 U.S.C. § 101 (Supp. V 1993) (definition of "architectural work"). The category of architectural works was added in 1990 by the Architectural Works Copyright Protection Act, Public Law 101-650, 1990 U.S.C.C.A.N. (104 Stat.) 5089, 5133.

63 Id.

"MULTIMEDIA" WORKS

Increasingly, works from different categories are fixed in a single tangible medium of expression.⁶⁴ This will certainly be true as development of the NII progresses and the ability to create and disseminate interactive so-called "multimedia" or "mixed media" products increases.

A prefatory note may be warranted because of the manner in which these terms are used in the context of copyright law. The terms "multimedia" and "mixed media" are, in fact, misnomers. In these works, it is the types or categories of works included that are "multiple" or "mixed" – not the media. The very premise of a so-called "multimedia" work is that it combines several different elements or types of works (e.g., text (literary work), sound (sound recording), still images (pictorial works), and moving images (audiovisual work) into a single medium (e.g., a CD-ROM) – not multiple or mixed media.⁶⁵ However, in recognition of the prevalent use of the term, this Report refers to this type of work as a "multimedia" work.

Multimedia works are not categorized separately under the Copyright Act; nor are they explicitly included in any of the eight enumerated categories. While most current multimedia works would be considered compilations,⁶⁶ that classification does not resolve the issue of subject matter categorization.⁶⁷

64 The embodiment of two or more different types of works in one medium is not a new concept. For instance, a book may contain both a literary work and pictorial works. A compact disc may contain a musical work, a sound recording and a computer program.

65 A true "multimedia" work would be one in which several material objects, such as a book, a videocassette and an audiocassette, are bundled into one product.

66 See discussion of compilations *infra* pp. 27-28.

67 While expressly protected under the Copyright Act, the category of "compilations" is not a particularly useful subject matter category. Works in any of the eight enumerated categories of protectible subject matter outlined

Despite the fact that the Copyright Act enumerates eight categories of works, works that do not fit into any of the categories may, nevertheless, be protected. The list of protectible works in Section 102 is intended to be illustrative rather than exclusive. The House Report explains that the categories of works "do not necessarily exhaust the scope of 'original works of authorship' that the [Act] is intended to protect."⁶⁸ However, absent the addition of a new category, a work that does not fit into one of the enumerated categories is, in a sense, in a copyright no-man's land.⁶⁹

Categorization of works (and, specifically, proper categorization) holds a great deal of significance under the Copyright Act. For instance, two of the exclusive rights granted in Section 106 apply only to certain categories of works.⁷⁰ In addition, many of the

above may take the form of a compilation, and a compilation may fit into one or more of the subject matter categories.

68 House Report at 53, reprinted in 1976 U.S.C.C.A.N. 5666. Indeed, Congress amended the Copyright Act in 1990 to add "architectural works" as a category of protectible works. See supra note 62.

69 It should be noted that the Copyright Office classifies works into four broad categories for purposes of registration: nondramatic literary works, works of performing arts, works of visual arts, and sound recordings. See 37 C.F.R. § 202.3(b)(i)-(iv). The Copyright Office notes that in cases "where a work contains elements of authorship in which copyright is claimed which fall into two or more classes, the application should be submitted in the class most appropriate to the type of authorship that predominates in the work as a whole." See 37 C.F.R. § 202.3(b)(2). However, the Copyright Act makes clear that the Copyright Office classification of works for purposes of registration "has no significance with respect to the subject matter of copyright or the exclusive rights provided." See 17 U.S.C. § 408(c)(1) (1988); see also House Report at 153, reprinted in 1976 U.S.C.C.A.N. 5769 ("It is important that the statutory provisions setting forth the subject matter of copyright be kept entirely separate from any classification of copyrightable works for practical administrative purposes.").

70 See 17 U.S.C. § 106(4),(5) (1988). The public performance right is limited to literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works. The public display right is limited to literary, musical, dramatic, and choreographic works, pantomimes,

limitations on rights in Sections 108 through 120 are not applicable to all types of works.⁷¹ Therefore, categorization of multimedia works is an important issue.

Generally, multimedia works include two or more of the following preexisting elements: text (literary works), computer programs (literary works), music (sound recordings), still images (pictorial and graphic works) and moving images (audiovisual works). The definition of "literary works" begins with the phrase "works, other than audiovisual works, . . ." ⁷² Therefore, a reasonable interpretation is that text and computer programs that would otherwise be categorized as literary works may be considered part of an audiovisual work if included in a work of that type. Such is also the case with sound recordings. A music video is not categorized as both a sound recording and an audiovisual work; it is categorized as an audiovisual work.⁷³ Thus, in the case of literary works and sound

and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work. *Id.*

71 See, e.g., 17 U.S.C. § 108(h) (1988) (limitation not applicable to musical works, pictorial, graphic or sculptural works, or motion pictures or other audiovisual works other than audiovisual works dealing with news); 17 U.S.C. § 109(b) (Supp. V 1993) (certain limitations not applicable to sound recordings or computer programs); 17 U.S.C. § 110(4) (1988) (limitation applicable only to nondramatic literary or musical works); 17 U.S.C. § 110(8) (1988) (limitation applicable only to nondramatic literary works); 17 U.S.C. § 110(9) (1988) (limitation applicable only to dramatic literary works); 17 U.S.C. § 112(a) (1988) (limitation not applicable to motion pictures or other audiovisual works); 17 U.S.C. § 113 (1988 & Supp. V 1993) (limitation applicable only to pictorial, graphic, or sculptural works); 17 U.S.C. § 114 (1988) (limitation applicable only to sound recordings); 17 U.S.C. § 115 (1988) (limitation applicable only to nondramatic musical works); and 17 U.S.C. § 120 (Supp. V 1993) (limitation applicable only to architectural works).

72 See 17 U.S.C. § 101 (1988) (definition of "literary works") (emphasis added).

73 The definition of "sound recordings" explicitly excludes from the category of sound recordings musical, spoken or other sounds "accompanying a motion picture or other audiovisual work . . ." See 17 U.S.C. § 101 (1988) (definition of "sound recordings"). The definition of "audiovisual works" also

recordings, the "audiovisual works" category appears to "trump" the others. Audiovisual works also include still images – at least related ones.⁷⁴ Therefore, generally, multimedia works would likely be considered audiovisual works.

The somewhat strained analysis needed to find a category for multimedia works and the increasing "cross-breeding" of types of works demonstrate that categorization may no longer be useful. Its necessity is also questionable, except, perhaps, in the case of sound recordings, which are not granted the full panoply of rights.⁷⁵ Consideration may be given to eliminating categorization under the Copyright Act in the future.

COMPILATIONS AND DERIVATIVE WORKS

A "compilation" is "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship."⁷⁶ Directories, magazines and anthologies are types of compilations. A "derivative work" is a work "based upon" one or more existing works.⁷⁷ A derivative work is created when one or more existing works is "recast, transformed, or adapted" into a new work, such as when a

expressly includes any "accompanying sounds." See 17 U.S.C. § 101 (1988) (definition of "audiovisual works").

74 Audiovisual works are "works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment" 17 U.S.C. § 101 (1988) (definition of "audiovisual works").

75 See discussion *infra* note 122 and accompanying text.

76 17 U.S.C. § 101 (1988) (definition of "compilation"). A "collective work," which is one kind of "compilation," is "a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole." 17 U.S.C. § 101 (1988) (definition of "collective work").

77 17 U.S.C. § 101 (1988) (definition of "derivative work").

novel is used as the basis of a movie or when a drawing is transformed into a sculpture.⁷⁸ Translations, musical arrangements and abridgments are types of derivative works.

The Copyright Act makes clear that the subject matter of copyright specified in Section 102 (literary works, musical works, sound recordings, etc.) includes compilations and derivative works.⁷⁹ The copyright in a derivative work or compilation, however, extends only to the contribution of the author of the derivative work or compilation (the compiler), and does not affect the copyright protection granted the preexisting material.⁸⁰ The copyright protection for an individual musical work, for instance, is not reduced or enlarged, or shortened or extended if the work is included in a compilation, such as a medley of songs. Copyright in a compilation or derivative work does not imply any exclusive right in the preexisting material employed in the compilation or derivative work.⁸¹

2. COPYRIGHT OWNERSHIP

Copyright ownership in a work initially vests in the author of the work.⁸² If the work is a "joint work" with two or more authors, those authors are co-owners of the copyright in the work.⁸³

78 See id.

79 See 17 U.S.C. § 103(a) (1988).

80 17 U.S.C. § 103(b) (1988).

81 Id.

82 17 U.S.C. § 201(a) (1988).

83 Id. A "joint work" is a work "prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." 17 U.S.C. § 101 (1988) (definition of "joint work").

Under certain circumstances, the copyright in a work is not granted to the actual preparer of the work. In the case of "works made for hire," the employer of the preparer or the person for whom the work was prepared is considered the "author" for purposes of the Copyright Act.⁸⁴ There are two types of works made for hire — those prepared by an employee and those prepared by an independent contractor under special order or commission. The copyright in a work prepared by an employee within the scope of employment vests in the employer, and the employer is the author.⁸⁵ The copyright in a work specially ordered or commissioned vests in the person for whom the work was prepared if the work falls into one of nine specified categories and if the parties expressly agree in writing that the work will be considered a work made for hire.⁸⁶

84 See 17 U.S.C. § 201(b) (1988). This legal conclusion may only be altered by the parties in a written instrument signed by them expressly agreeing otherwise. *Id.*

85 The Copyright Act does not define "employee." In 1989, the Supreme Court held that an employment relationship determination for copyright purposes should be made by reference to the "general common law of agency." See Community for Creative Non-Violence v. Reid, 490 U.S. 730, 740-41 (1989). The central question in an agency law inquiry is whether the hiring party has the "right to control the matter and means by which the product is accomplished." *Id.* at 751. The factors to be considered include the skill required, the source of the instrumentalities and tools used in creating the work, where the work was created, the duration of the relationship between the parties, whether the hiring party has the right to assign additional projects to the hired party, the method of payment, the extent of the hired party's discretion over when and how long to work, the hired party's role in hiring and paying assistants, whether the hiring party is in business and whether the work is part of the regular business of the hiring party, the provision of employee benefits, and the tax treatment of the hired party. *Id.* at 751-52. The Court did not specify any factors that should be weighed more heavily than others, but made clear that an "employee" under the Copyright Act is not limited to a formal, salaried employee.

86 To qualify as a work made for hire under the second prong, the work must be specially ordered or commissioned for use as (1) a contribution to a collective work; (2) part of an audiovisual work; (3) a translation; (4) a supplementary work; (5) a compilation; (6) an instructional text; (7) a test; (8) answer material for a test; or (9) an atlas. 17 U.S.C. § 101 (1988) (definition of "work made for hire").

Copyright ownership, or ownership of any of the exclusive rights (or subdivision thereof), may be transferred to one or more persons, but the transfer must be in writing and must be signed by the transferor.⁸⁷

Copyright ownership entitles the copyright owner to:

- (1) exercise the exclusive rights granted under Section 106;
 - (2) authorize others to exercise any of those exclusive rights;
- and
- (3) prevent others from exercising any of those exclusive rights.

An important distinction to understand is the difference between ownership of a copyright in a work and ownership of a copy of a work. Ownership of a copy – a material object in which a copyrighted work is fixed (e.g., a book, CD or videocassette) – carries with it no interest in the copyright.⁸⁸

Ownership of a copyright, or any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or

87 17 U.S.C. § 204(a) (1988). An exclusive license is considered a transfer of copyright, and therefore must be in writing. Although an exclusive license may be limited in time or place or scope, it nevertheless extends the benefits of copyright ownership with respect to the rights granted to the licensee for the duration of the license. The rights of a copyright owner may also be licensed on a nonexclusive basis to one or more licensees. The Copyright Act does not require nonexclusive licenses to be in writing.

88 See 17 U.S.C. § 202 (1988).

of any exclusive rights under a copyright convey property rights in any material object.⁸⁹

Ownership, possession or any other attachment to or relationship with a copy of a copyrighted work (including obtaining access to it through a computer network or other service) does not entitle one to exercise any of the exclusive rights of the copyright owner (e.g., to reproduce it or distribute it).

a. TRANSFER OF OWNERSHIP

A copyright in a work is divisible; the exclusive rights of a copyright owner may be transferred in whole or in part.⁹⁰ A transfer of copyright ownership may occur through an assignment, exclusive license, mortgage "or any other conveyance, alienation, or hypothecation" of a copyright or any of the exclusive rights.⁹¹ A transfer of copyright ownership may be limited in time or in place, but it must be an exclusive transfer of whatever right or rights are involved (i.e., nonexclusive licenses are not considered transfers of ownership).⁹² Any of the exclusive rights in the work⁹³ may be

89 Id.

90 See 17 U.S.C. § 201(d)(1) (1988) ("The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.").

91 17 U.S.C. § 101 (1988) (definition of "transfer of copyright ownership"). With the exception of transfers by operation of law, all transfers of copyright ownership must be in writing. 17 U.S.C. § 204(a) (1988) ("A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.").

92 See 17 U.S.C. § 204(a) (1988).

93 See discussion of the exclusive rights of a copyright owner *infra* pp. 34-44.

separately transferred and owned, and the owner of a particular right is considered the "copyright owner" with respect to that right.⁹⁴

In the case of any copyrighted work other than a "work made for hire," all transfers of copyright ownership (as well as all nonexclusive licenses) executed by the author of the work may be terminated by the author after 35 years.⁹⁵ This right to terminate, intended to protect authors, cannot be waived by contract or other agreement.⁹⁶ However, termination is not automatic; an author must assert his or her termination rights and comply with certain statutory requirements to regain copyright ownership.⁹⁷

b. LICENSING

The exclusive rights of a copyright owner may be licensed on an exclusive basis (i.e., copyright ownership in one or more rights is transferred by the copyright owner) or on a nonexclusive basis (i.e., the copyright owner retains ownership of the copyright and may grant similar licenses to others). A nonexclusive licensee is not a copyright owner and thus does not have standing to sue for any infringement of the copyright in the work by others.⁹⁸ Unlike exclusive licenses, nonexclusive licenses need not be in writing.⁹⁹

94 See 17 U.S.C. § 201(d)(2) (1988); 17 U.S.C. § 101 (1988) (definition of "copyright owner").

95 See 17 U.S.C. § 203(a) (1988). See also 17 U.S.C. § 304(c) (1988 & Supp. V 1993).

96 17 U.S.C. § 203(a)(5) (1988) ("Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.").

97 See 17 U.S.C. § 203(a) (1988).

98 See 17 U.S.C. § 501(b) (1988) ("The legal or beneficial owner of an exclusive right under a copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it."). In certain circumstances, television broadcast stations and others are treated as legal or beneficial owners and may bring actions for infringement by cable systems and satellite carriers. See 17 U.S.C. § 501(c), (d), (e) (1988).

Licensing issues are, and will continue to be, significant in the context of the development of the NII. Services on the NII will provide the opportunity for new uses for copyrighted works. If rights with respect to these new uses are not expressly granted or retained in license agreements, conflicts will arise between copyright owners and licensees. For instance, public display on a bulletin board system may not have been contemplated in licenses granting the public display right that were executed before the advent or proliferation of such systems. Failure to contemplate possible future developments, of course, is not a new problem, and is one based primarily in contract rather than copyright law. Whenever new technologies have produced a new use for works, courts have been called upon to decide whether the new use is covered by old licenses.¹⁰⁰

A variety of licensing methods will be possible as the NII develops. For instance, rights in copyrighted works offered via the NII may be licensed off-line or on-line. They may be licensed directly (through individual transactions between the rightsholder and the licensee) or through other licensing arrangements, such as voluntary collective licensing. Licensing of rights may be on a per-use, per-work or other basis.

99 However, like exclusive licenses, nonexclusive licenses are subject to termination after 35 years. See 17 U.S.C. §§ 203(a) (1988), 304(c) (1988 & Supp. V 1993).

100 See, e.g., Harper Bros. v. Klaw, 232 F. 609 (S.D.N.Y. 1916) (license to dramatize "Ben Hur" in a play did not include right to produce a movie, but licensor enjoined from producing movie because licensee's right to produce a play would be harmed by licensor's production of a movie); L.C. Page & Co. v. Fox Film Corp., 83 F.2d 196 (2d Cir. 1936) (grant of exclusive "moving picture" rights embraced technical improvements in movies that might be developed during the term of the license, thus license held to cover "talkies"); Bartsch v. Metro-Goldwyn-Mayer, Inc., 391 F.2d 150 (2d Cir.), cert. denied, 393 U.S. 826 (1968) (1930 license of film rights in a play, when television was a known technology but its full impact not yet realized, included television rights; as experienced businessman, licensor had reason to know of new technology's potential and had burden of negotiating exception).

The licensing of rights for the creation of multimedia works – whose creators may wish to include dozens of preexisting works (or portions thereof) – can be difficult. Because registration and copyright notices are not required for copyrighted works, identification of copyright owners alone can be complicated. The relative newness of the multimedia industry can result in an uncertainty on the part of copyright owners and multimedia creators with regard to appropriate terms and conditions for such uses.

3. TERM OF PROTECTION

Generally, a copyrighted work is protected for the length of the author's life plus another 50 years.¹⁰¹ In the case of joint works, copyright protection is granted for the length of the life of the last surviving joint author plus another 50 years.¹⁰² Works made for hire, as well as anonymous and pseudonymous works, are protected for a term of either 75 years from the year of first publication or 100 years from the year of creation, whichever is shorter.¹⁰³ When the term of protection for a copyrighted work expires, the work is said to "fall into the public domain."

4. EXCLUSIVE RIGHTS

The Copyright Act grants to the copyright owner of a work a bundle of exclusive rights:

¹⁰¹ See 17 U.S.C. § 302(a) (1988). The terms of protection for works created before January 1, 1978 (the effective date of the 1976 revisions to the Copyright Act) are set forth in Sections 303 and 304 of the Act. See 17 U.S.C. §§ 303, 304 (1988 & Supp. V 1993).

¹⁰² 17 U.S.C. § 302(b) (1988).

¹⁰³ 17 U.S.C. § 302(c) (1988). The term for anonymous or pseudonymous works differs if the identity of one or more of the authors is revealed before the end of the term of protection. See *id.*

- (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; and
- (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.¹⁰⁴

These rights, in most instances, have been well elaborated by Congress and the courts. For the most part, the provisions of the current copyright law can serve the needs of creators, owners, distributors and users of copyrighted works in the NII environment. In certain instances, small changes in the law may be necessary to optimize the intellectual property component of the NII.

a. THE RIGHT TO REPRODUCE THE WORK

This fundamental right – to reproduce copyrighted works in copies and phonorecords¹⁰⁵ – appears likely to be implicated in

¹⁰⁴ 17 U.S.C. § 106 (1988 & Supp. V 1993). Section 106(A) grants additional rights for certain works of visual art in single copies or limited editions. The development of the NII does not raise unique issues with respect to those rights. See 17 U.S.C. § 106(A) (Supp. V 1993).

¹⁰⁵ See definitions of "copies" and "phonorecords" *supra* pp. 12-13.

innumerable NII transactions. Indeed, because of the nature of computer-to-computer communications, it appears to be a right that will be implicated in most NII transactions. For example, when a computer user simply "browses" a document resident on another computer, the image on the user's screen exists -- under contemporary technology -- only by virtue of the copy that has been reproduced in the user's computer memory. It has long been clear under U.S. law that the placement of a work into a computer's memory amounts to a reproduction of that work (because the work may be, in the law's terms, "perceived, reproduced, or . . . communicated . . . with the aid of a machine or device").

In each of the instances set out below, one or more copies¹⁰⁶ is made, and, necessarily, in the absence of a proof of fair use or other relevant defense,¹⁰⁷ there is an infringement of the reproduction right.¹⁰⁸

106 This Report uses the term "copy" or "copies" to refer to copies and phonorecords except in those instances where the distinction is relevant.

107 One of the important aspects of defining a transaction as a "reproduction" rather than something else is that the potentially relevant exceptions to the reproduction right are substantially fewer in number than those that apply to certain other rights, particularly "distribution" and "public performance." A detailed discussion of fair use and other statutory exemptions appears in later sections of this Report.

108 In some instances, the locus of the infringement and/or the identification of the infringing party or parties may require analysis not required with respect to "traditional" infringements, but this would not appear to be a sufficient reason to reject the application of "reproduction" analysis (coupled, where appropriate, with creative examination of locus/party issues, and, perhaps, clarification of the "contributory infringement" doctrine. Contributory liability for copyright infringement may be imposed on persons not themselves performing the proscribed acts, but either deriving direct benefits from them or providing equipment or materials that may only be used in furtherance of an infringement. See discussion of contributory infringement and vicarious liability infra pp. 73-82.

- When a work is placed into a computer, whether on a disk, diskette, ROM, or other storage device or in RAM for more than a very brief period, a copy is made.
- When a printed work is "scanned" into a digital file, a copy -- the digital file itself -- is made.
- When other works -- including photographs, motion pictures, or sound recordings -- are digitized, copies are made.
- Whenever a digitized file is "uploaded" from a user's computer to a bulletin board system or other server, a copy is made.
- Whenever a digitized file is "downloaded" from a BBS or other server, a copy is made.
- When a file is transferred from one computer network user to another, multiple copies are made.¹⁰⁹
- Under current technology, when a user's computer is being used as a "dumb" terminal to "look at" a file resident on another computer (such as a BBS or Internet host), a copy of the portion viewed is made in the user's computer. (Without such copying into the RAM or buffer of the user's computer, no screen display would be possible.) As long as the amount viewed is more than de minimis, it is an infringement unless authorized or specifically exempt.

b. THE RIGHT TO PREPARE DERIVATIVE WORKS

The copyright law grants copyright owners the right to control the abridgment, adaptation, translation, revision or other

¹⁰⁹ For example, if a PTO employee transfers a file (such as a hearing announcement) to another person with an Internet account, copies will typically, at a minimum, be made (a) in the PTO's Internet server, (b) in the recipient's Internet server, and (c) in the recipient's microcomputer.

"transformation" of their works.¹¹⁰ A user who modifies – by annotating, editing, translating or otherwise significantly changing – the contents of a downloaded file creates a derivative work. (Although the law does not provide an exemption for the purely private creation of derivative works for personal use, such acts are largely undetectable by the law unless and until the derivative work is reproduced, distributed, publicly performed or publicly displayed.)

c. THE RIGHT TO DISTRIBUTE COPIES

Before addressing issues raised by the distribution right in the context of the NII, it is necessary to understand its application and shortcomings with respect to conventional modes of exploitation and infringement.

The right to distribute copies of works is substantially circumscribed by the "first sale" doctrine set out in Section 109(a):

Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.¹¹¹

This doctrine limits copyright owners' rights by making only the initial distribution of a particular copy of a copyrighted work subject to their control.

¹¹⁰ See 17 U.S.C. § 106(2) (1988). "A 'derivative work' is a work based upon one or more preexisting works, such as a translation, musical arrangement, 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 (1988) (definition of "derivative work").

¹¹¹ 17 U.S.C. § 109(a) (1988).

The first sale doctrine's importance in the NII context should not be underestimated: if a transaction by which a user obtains a "copy" of a work is characterized as a "distribution," then, under the current law, the user may be entitled to make a like distribution without the copyright owner's permission (and without liability for infringement).¹¹² This may demonstrate the unintended consequence of characterizing many electronic disseminations as "distributions." Indeed, the system encompassed by Sections 106(3) and 109(a) appears to "fit" only "conventional" transactions in which possessory interests in tangible copies are conveyed in the first instance, for example, from publisher to wholesaler (exclusive distribution right applies) and thereafter from wholesaler to retailer (first sale doctrine denies publisher any control), from retailer to user (first sale doctrine denies publisher any control), and from user to user (first sale doctrine denies publisher any control). Electronic disseminations, by contrast, typically involve the proliferation of copies, with the "publisher" retaining its copy and the user acquiring a new one. This suggests that, under the current law, the reproduction right, rather than the distribution right, may be both more logically applicable and more legally appropriate (by virtue of its more limited exceptions).¹¹³

112 "Conventional" analysis would entitle the user to dispose of his or her copy by conventional means, such as giving it or selling it to a third party, so that the user had no copy at the end of the transaction. If, however, one characterizes as a "distribution" the transaction that begins with a digitized copy in a host's computer, and concludes with a digitized copy in the host's computer and a digitized copy in the user's computer, then the user would appear privileged to serve as a host for another user under the umbrella of the first sale doctrine.

113 Furthermore, with respect to international distributions, Section 602 of the law makes unauthorized importations a violation of the distribution right. However, it also contains three exceptions to the right, and courts are divided as to whether the first sale doctrine limits the ability of copyright owners to enforce the importation right (as it does with respect to the domestic distribution right). See 17 U.S.C. § 602(a) (1988) (subsection does not apply to "(1) importation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;

One court decision has construed the unauthorized downloading of digitized photographic images by BBS subscribers as implicating the distribution right.¹¹⁴ The court's discussion in Playboy Enterprises Inc. v. Frena¹¹⁵ reflects some uncertainty over the meaning and scope of the various rights provided in Section 106:

Public distribution of a copyrighted work is a right reserved to the copyright owner, and usurpation of that right constitutes infringement [Playboy Enterprise's] right under 17 U.S.C. §106 to distribute copies to the public has been implicated by Defendant Frena [the bulletin board service operator]. Section 106(3) grants the copyright owner "the exclusive right to sell, give away, rent or lend any material embodiment of his work." There is no dispute that Defendant Frena supplied a product containing unauthorized copies of a copyrighted work. It does not matter that Defendant Frena claims it did not make the copies itself.¹¹⁶

(2) importation, for the private use of the importer and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States with respect to copies or phonorecords forming part of such person's personal baggage; or (3) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2)"); compare BMG Music v. Perez, 952 F.2d 318 (9th Cir. 1991) (first sale doctrine does not apply to importation rights under Section 602) with Sebastian Int'l. Inc. v. Consumer Contacts (PTY) Ltd., 847 F.2d 1093 (3d Cir. 1988) (contra).

114 The court elsewhere in its opinion uses "implicate" to mean "infringe."

115 839 F. Supp. 1552 (M.D. Fla. 1993).

116 *Id.* at 1556.

The court appears to have glossed over the reproduction right, apparently because of its uncertainty whether the operator of the bulletin board system could be held to have reproduced a work that was (a) uploaded by one subscriber and (b) downloaded by another. (As discussed below, the BBS operator publicly displayed the works by the same conduct, and was found liable by the court for infringing the display right.)

Whether the litigants in Playboy put the issue properly in dispute or not, the right to distribute copies of a work has traditionally covered the right to convey a possessory interest in a tangible copy of the work. Indeed, the first sale doctrine implements the common law's abhorrence of restraints on alienation of property by providing that the distribution right does not generally prevent owners of lawfully made copies from alienating them in a manner of their own choosing.¹¹⁷ It is clear that a Frena subscriber, at the end of a transaction, possessed a copy of a Playboy photograph, but it is rather less clear whether, under the current law, Frena "distributed" that photograph or the subscriber "reproduced" it (and, if the latter, whether current law clearly would have made Frena contributorily liable for the unauthorized reproduction.)¹¹⁸

In a similar case, Sega Enterprise Ltd. v. MAPHIA,¹¹⁹ a court, on a motion for a preliminary injunction, made findings of fact regarding (a) the use of a bulletin board system to "make and distribute" copies of copyrighted video games, (b) the "unauthorized

117 Owners of copyrights in computer programs and sound recordings have the right to control post-first-sale rentals of copies of their works; owners of copyrights in works fixed in other media do not. See 17 U.S.C. § 109 (1988 & Supp. V 1993). This inconsistency may be important in the NII context, particularly with respect to "multimedia works" that are not expressly or self-evidently in any particular category of copyrighted work (and whose treatment under various exemptions and special provisions may be unclear). See discussion of multimedia works supra pp. 24-27.

118 See discussion of contributory infringement and vicarious liability infra pp. 73-82.

119 No. C 93-4262 CW, 1994 U.S. Dist. LEXIS 5266 (N.D. Cal. Mar. 28, 1994).

copying and distribution" of the games on the bulletin board, and (c) the profits made by the defendant from the "distribution" of the games on the bulletin board.¹²⁰ The court's conclusions of law, however, did not specify infringement of the distribution right.¹²¹

d. THE RIGHT TO PERFORM THE WORK PUBLICLY

The public performance right is available to all types of "performable" works – literary, musical, dramatic, and choreographic works, pantomimes, motion pictures, and other audiovisual works – with the exception of sound recordings.¹²² While some have urged that many NII transactions be characterized as "performances," it is important to understand:

- the definition of "perform" in the copyright law,¹²³
- that only "public" performances are covered by the copyright law,¹²⁴ and

¹²⁰ *Id.* at *8-9.

¹²¹ The court stated that Sega had established that unauthorized copies of its games are made when they are uploaded to the bulletin board and when they are downloaded. *Id.* at *17.

¹²² See 17 U.S.C. § 106(4) (1988).

¹²³ "To 'perform' a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible." 17 U.S.C. § 101 (1988) (definition of "perform").

¹²⁴ To perform or display a work "publicly" means –
 (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or
 (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display

- the limitations set out in the statute that render the performance right ineffective in a variety of circumstances (mostly of a nonprofit nature).¹²⁵

A distinction must be made between transmissions of copies of works, transmissions of performances of works, and performances of works in the NII context. When a copy of a work is transmitted over wires or satellite signals in digital form so that it may be captured in a user's computer, without being "rendered" or "shown," it has rather clearly not been performed. Thus, for example, a file comprising the digitized version of a motion picture might be transferred via the Internet without the public performance right being implicated. When, however, the motion picture is literally "rendered" – by showing its images in sequence – so that users with the requisite hardware and software might watch it with or without copying the performance, then, under the current law, a "performance" has occurred.

The "public" nature of a performance – which brings it within the scope of copyright – is sufficiently broadly defined to apply to multiple individual viewers who may watch a work being performed in a variety of locations at several different times. Courts have repeatedly imposed public performance infringement liability upon entities that, for example, develop novel modes of delivering motion picture performances to customers (and novel legal arguments as to why their performances are not "public").¹²⁶

receive it in the same place or in separate places and at the same time or at different times.

17 U.S.C. § 101 (1988) (definition of "publicly").

125 See 17 U.S.C. § 110 (1988).

126 See, e.g., Columbia Pictures Indus. v. Redd Horne, Inc., 749 F.2d 154 (3d Cir. 1984) (video store operator liable for public performance violation where he rented tapes to customers and provided semi-private screening rooms where the tapes could be viewed); Columbia Pictures Indus. v. Aveco, Inc., 800 F.2d 59 (3d Cir. 1986) (same result where customers also rented rooms for viewing); and On Command Video Corp. v. Columbia Pictures Indus., 777 F. Supp. 787 (N.D. Cal. 1991) (infringement found where hotel guests in rooms selected

e. THE RIGHT TO DISPLAY THE WORK PUBLICLY

The right to display a work publicly is extremely significant in the context of the NII. The analyses that attend the determination of whether a particular transmission might amount to a "distribution" or a "performance" are rarely necessary. To display a work means to "show a copy of it, either directly or by means of a . . . television image, or any other device or process" ¹²⁷ The definition of "display" clearly encompasses the behavior of, for instance, the defendant BBS operator in the Playboy case. ¹²⁸ Thus, 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), ¹²⁹ a public display occurs. A display is "public" on the same terms as a "performance"; therefore, virtually all NII uses would appear to fall within the law's current comprehension of "public display."

5. LIMITATIONS ON THE EXCLUSIVE RIGHTS

The exclusive rights of copyright owners are not without exception. The Copyright Act specifies certain violations of a copyright owner's exclusive rights that the copyright owner cannot prevent. ¹³⁰

tapes to be played on remote control console in hotel basement with signal then sent to rooms).

127 17 U.S.C. § 101 (1988 & Supp. V 1993) (definition of "display").

128 See discussion of Playboy case *supra* pp. 40-41.

129 Of course, to the extent that such lists or menus are protectible under the Copyright Act, the authors of such lists would have the exclusive right to publicly display them.

130 Although sometimes referred to as "rights" of the users of copyrighted works, "fair use" and other exemptions from copyright infringement are actually limitations on the rights of the copyright owners. Users are not granted any affirmative "rights" under the Copyright Act; rather, copyright

a. FAIR USE

The most significant and, perhaps, murky of the limitations on a copyright owner's exclusive rights is the doctrine of fair use.¹³¹

Fair use is an affirmative defense¹³² to any action for copyright infringement. It is potentially available with respect to all unauthorized uses of works in all media. If it is proven, then the use may continue without any obligation on the user's part to seek the permission of the copyright owner, pay royalties, or the like. The doctrine of fair use is rooted in some 200 years of judicial decisions and is, in general, most likely to be found when a user incorporates some of a pre-existing work into a new work of authorship.¹³³ It is thus widely accepted, for example, that quotation from a book or play by a reviewer, or the capturing of copyrighted music in a television news broadcast is fair use. As one moves away from such favored uses into the area of uses that are – for practical purposes – competitive with the copyright owner's exploitation of the work, the ease of analysis shrinks (as the number of litigated cases grows).

owners' rights are limited by certain exemptions from user liability. It has been argued, however, that the Copyright Act would be unconstitutional if such limitations did not exist, as they provide some alleviation of First Amendment and other concerns.

131 See 17 U.S.C. § 107 (1988 & Supp. V 1993). The judicially created doctrine, although now codified in the Copyright Act, has been described as "so flexible as virtually to defy definition." See Time Inc. v. Bernard Geis Assoc., 293 F. Supp. 130, 144 (S.D.N.Y. 1968).

132 As an affirmative defense, the burdens of persuasion and coming forward with evidence both must be carried by defendants in order to avoid liability, i.e., a copyright owner need not prove an accused use not fair, but a defendant must prove its fairness.

133 In the recent case of Campbell v. Acuff-Rose Music, Inc., 114 S. Ct. 1164 (1994), the Supreme Court expressly accepted the proposition that such "transformative" uses are more favored in fair use analyses than uses that amount to little more than verbatim copying.

Before examining the doctrine developed by the courts, it is useful to examine the statutory language concerning fair use. Section 107 of the Copyright Act provides:

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

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.¹³⁴

The language may usefully be divided into two parts: the introduction, which is largely tautological ("fair use . . . is not an infringement of copyright"), and the analysis required by the second sentence. The recitation of assorted uses in the middle of the first

134 17 U.S.C. § 107 (1988 & Supp. V 1993).

sentence has been held neither to create a presumption that such uses are fair¹³⁵ nor to prevent a fair use analysis from being applied to other "unlisted" uses.

The core of Section 107 is the second sentence, in which Congress elaborates a test little different from that articulated by Justice Story more than a century ago.¹³⁶ It is clear that courts must evaluate all four factors in determining whether a particular use is fair, but may also take into account unenumerated "extra" factors, when appropriate.

THE PURPOSE AND CHARACTER OF THE USE

Although, as discussed below, the fourth factor has repeatedly been held to be the most important, the first factor often plays a major role in determining the result when a defendant asserts a fair use defense.

The first factor contrasts "commercial" uses with "nonprofit educational" uses. There is, of course, a continuum between these two opposites, with most uses not falling neatly into either the favored or disfavored pigeonhole. The weight of the factor may be inferred from the Supreme Court's very limited fair use jurisprudence: In the four fair use cases that it has decided, one noncommercial noneducational use was held fair,¹³⁷ two commercial uses were held unfair,¹³⁸ and one commercial use was held potentially fair.¹³⁹

135 Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 561 (1985).

136 Justice Story stated that courts should "look to 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." Folsom v. Marsh, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841)(No. 4,901).

137 See Sony, *supra* note 7, at 456 (videotaping by individuals at home of off-the-air television broadcast programming for purpose of "time-shifting" — as distinguished from "librarying" — held fair use).

138 See Stewart v. Abend, 495 U.S. 207, 216 (1990) (theatrical and television distribution of motion picture over objection of owner of renewal term in

In the Sony case, the Court announced a "presumption" that helps explain courts' near universal rejection of fair use claims in commercial contexts. It declared that all commercial uses were to be presumed unfair, thus placing a substantial burden on a defendant asserting that a particular commercial use is fair. The Campbell case made clear that the Sony presumption was of greatest applicability in the context of verbatim copying, thus giving greater leeway to commercial but transformative uses.

Indeed, "mere reproduction" has fared very badly in court under the Copyright Act, even in actual and ostensible educational contexts. Courts have denied fair use, for example, to:

- a teacher's reproduction, in text materials, of the copyrighted material of another teacher,¹⁴⁰
- a school system's practice of taping educational broadcasts for later use in classrooms,¹⁴¹ and
- off-campus copy shops' manufacture – to teachers' specifications – and distribution of photocopies of anthologies containing portions of textbooks and periodicals.¹⁴²

underlying short story held infringing); Harper & Row, *supra* note 135, at 569 ("Nation" magazine's scoop of "Time" magazine's first serial rights in President Ford's memoirs held infringing, notwithstanding newsworthiness of the account of the Nixon pardon set out therein).

139 See Campbell, *supra* note 133, at 1177-79 (parodic lyrics of popular song not *per se* unfair by virtue of commercial purpose of parody; case remanded for further factual determination).

140 Marcus v. Rowley, 695 F.2d 1171 (9th Cir. 1983).

141 Encyclopaedia Britannica Educational Corp. v. Crooks, 558 F. Supp. 1247 (W.D.N.Y. 1983).

142 Basic Books, Inc. v. Kinko's Graphics Corp., 758 F. Supp. 1522 (S.D.N.Y. 1991).

Taken together, these cases indicate that, for the most part, educational fair use is limited to the type of copying expressly authorized in the "classroom guidelines," a part of the legislative history incorporating provisions to which copyright owners and educators agreed.¹⁴³

THE NATURE OF THE COPYRIGHTED WORK

This second factor tends to play a smaller role than the first in fair use litigation. Courts have held that it weighs in the copyright owner's favor when works of fiction¹⁴⁴ and unpublished works¹⁴⁵ are copied, and in defendant's favor when factual works¹⁴⁶ and published works¹⁴⁷ are copied.

143 See House Report at 68-74, reprinted in 1976 U.S.C.C.A.N. 5681-88. The guidelines generally permit the copying, for classroom purposes, of short extracts of works, provided that the copying is spontaneously done or requested by the instructor (and the copies are neither used nor re-made repeatedly over time).

144 See Twin Peaks Prods., Inc. v. Publications Int'l. Ltd., 996 F.2d 1366, 1376 (2d Cir. 1993).

145 See New Era Publications Int'l. ApS v. Henry Holt & Co., 684 F. Supp. 808 (S.D.N.Y. 1988), cert. denied, 493 U.S. 1094 (1990). The 1992 amendment to Section 107, clarifying that the "fact that a work is unpublished shall not itself bar a finding of fair use if such finding is based upon consideration of all the above factors," was intended, however, to "overrule the overly restrictive language of Salinger [Salinger v. Random House, 811 F.2d 90 (2d Cir.), cert. denied, 484 U.S. 890 (1987)] and New Era with respect to the use of unpublished materials" See S. Rep. No. 102-141, 102d Cong., 1st Sess., at 5. According to some members of Congress, those two cases "threatened to establish a virtual per se rule against the fair use of any published materials, such as letters or diaries." See 138 Cong. Rec. S17,358 (daily ed. Oct. 7, 1992) (Statement by Senators Simon, Leahy, Kennedy, Grassley, Metzenbaum, and Kohl).

146 See National Rifle Ass'n v. Handgun Control Fed'n, 15 F.3d 559, 562 (6th Cir. 1994).

147 See New Era Publications Int'l. ApS v. Carol Publishing Group, 904 F.2d 152, 157 (2d Cir. 1990).

THE AMOUNT AND SUBSTANTIALITY OF THE PORTION USED

This is probably the least important factor, given that the taking of even a small amount – if it is considered the "heart" of the work – can lead to a finding of infringement.¹⁴⁸ Indeed, the most cited copyright treatise devotes only some four sentences to its discussion:

The third factor listed in § 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 [concerning the quantum of copying that constitutes infringement], 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. In any event, whatever the use, generally it may not constitute a fair use if the entire work is reproduced.¹⁴⁹

THE EFFECT OF THE USE

Courts have repeatedly identified this as the most important of the four factors.¹⁵⁰ It is important to recall that it weighs against a defendant not only when a current market exists for a particular use, but also when a potential market could be exploited by the copyright owner. Harm in either market will, in most instances, render a use unfair.¹⁵¹

148 See Harper & Row, *supra* note 135, at 569 (taking of some 300 words held infringing).

149 3 Melville B. & David Nimmer, Nimmer on Copyright § 13.05[A] (1993) (hereinafter Nimmer on Copyright).

150 See Stewart v. Abend, *supra* note 138, at 238.

151 See Salinger v. Random House, Inc., 811 F.2d 90, 99 (2d Cir.), *cert. denied*, 484 U.S. 890 (1987) (protecting potential market for author's letters notwithstanding his profound disinclination ever to publish them).

The Supreme Court's decisions demonstrate the significant weight given this factor:

- In Sony, the absence of any market for home taping licenses, combined with the testimony of some copyright owners that they were indifferent to home copying, led the Court to conclude that there was no cognizable harm.¹⁵²
- In Harper & Row, the Court accepted the argument that the "scooping" of "Time" magazine's right to make the first serial publication of President Ford's memoirs, which caused cancellation of the magazine's contract with Harper & Row, caused harm to the copyright owner.¹⁵³
- In Stewart, performances of the movie palpably harmed the economic interests of the owner of the copyright in the underlying short story.¹⁵⁴
- In Campbell, the Court – because the parody was "transformative" – rejected the court of appeals' determination that the commercial purpose of the parody required its creator to overcome Sony's presumption of market harm.¹⁵⁵

It is reasonable to expect that courts would approach claims of fair use in the context of the NII just as they do in "traditional" environments. Commercial uses that involve no "transformation" by users will likely always be infringing, while nonprofit educational transformative uses will likely often be fair. Between these extremes, courts will have to engage in the same type of fact-intensive analysis that typifies fair use litigation and frustrates those

¹⁵² See Sony, *supra* note 7, at 443-47.

¹⁵³ See Harper & Row, *supra* note 135, at 562.

¹⁵⁴ See Stewart, *supra* note 138, at 238.

¹⁵⁵ See Campbell, *supra* note 133, at 1173.

who seek "bright lines" clearly separating the lawful from the infringing.¹⁵⁶

Courts in two cases decided to date concerning the unauthorized "uploading" and "downloading" of copyrighted materials have held that such uses were not fair uses.¹⁵⁷ In the Playboy case, the court characterized the issue as whether "unrestricted and widespread conduct of the sort engaged in by the defendant bulletin board system operator (whether in fact engaged in by the defendant or others) would result in a substantially adverse impact on the potential market for or value of [Playboy's copyrighted photographs],"¹⁵⁸ and determined that it would. This, in turn, led the court to conclude that there was market harm, and, thus, infringement.

In the other case, Sega Enterprise Ltd. v. MAPHIA,¹⁵⁹ the court found that Sega established a prima facie case of direct and contributory infringement in the operation of the defendant's bulletin board system (where Sega's copyrighted video game programs were uploaded and downloaded).¹⁶⁰ In issuing a preliminary injunction, the court found that each of the four factors weighed against a finding of fair use, but found that the fourth factor, in particular, weighed "heavily" against such a finding:

156 The inability of our common law system always to provide guidance covering every possible permutation of behavior is not necessarily a weakness. By permitting courts to reach decisions on a case-by-case basis, our system permits both necessary gap-filling and jurisprudential evolution without having to return to Congress for additional elaboration on a frequent basis.

157 See supra notes 114-18 and accompanying text (discussing Playboy decision).

158 Playboy, 839 F. Supp. at 1558.

159 Supra note 119.

160 Id. at *16-17.

Based on Defendant's own statement that 45,000 bulletin boards like MAPHIA operate in this country, it is obvious that should the unauthorized copying of Sega's video games by Defendants and others become widespread, there would be a substantial and immeasurable adverse effect on the market for Sega's copyrighted video game programs.¹⁶¹

Cases already decided in other contexts will give valuable guidance to courts confronted with NII-related cases. Just as courts have distinguished between home use of a VCR to make time-shifting tapes of materials broadcast over the air (fair use) and school systems' attempts to use VCRs to download broadcast instructional materials for the creation of an educational film library (not fair use), courts will subject users of copyrighted works available via the NII to like scrutiny. Educational uses that serve the same ends and are constrained in the same manner as the copying permitted under the Classroom Guidelines may be fair, while attempts to supplant the market for books, films, software and other materials by proliferating them without permission via the NII will likely be infringing.

Finally, it may be that technological means of tracking transactions and licensing will lead to reduced application and scope of fair use. Thus, one sees in American Geophysical Union v. Texaco Inc.,¹⁶² a court establishing liability for the unauthorized photocopying of journal articles based in part on the court's perception that obtaining a license for the right to make photocopies via the Copyright Clearance Center was not unreasonably burdensome.

b. FIRST SALE DOCTRINE

A fundamental tenet of copyright law, and another limitation on the exclusive rights, is the "first sale doctrine," which prevents an owner of copyright in a work from controlling subsequent transfers

¹⁶¹ *Id.* at *22.

¹⁶² 802 F. Supp. 1 (S.D.N.Y. 1992).

of copies of that work. Once the copyright owner has transferred ownership of a particular copy (a material object) embodying the work, the copyright owner's exclusive right to distribute copies of the work is "extinguished" with respect to that copy.¹⁶³

Section 109(a) of the Copyright Act provides:

Notwithstanding the provisions of section 106(3) [which grants copyright owners the exclusive right to distribute copies or phonorecords of a work], the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.¹⁶⁴

This limitation on the copyright owner's distribution right allows wholesalers who buy books to distribute those copies to retailers and retailers to sell them to consumers and consumers to give them to friends and friends to sell them in garage sales and so on – all without the permission of (or payment to) the copyright owner of the work.¹⁶⁵ The first sale doctrine does not allow the transmission of a work (through a computer network, for instance), because a transmission would necessarily also involve a reproduction of the work (which would not be exempt under Section 109). Moreover, a transmission does not appear to constitute a distribution of a copy under the current law.¹⁶⁶

163 See T.B. Harms Co. v. Iem Records, Inc., 655 F. Supp. 1575, 1582 (D.N.J. 1987); Columbia Pictures Indus., Inc. v. Aveco, Inc., 612 F. Supp. 315, 319-20 (M.D. Pa. 1985), aff'd, 800 F.2d 59 (3d Cir. 1986).

164 17 U.S.C. § 109(a) (1988).

165 The reproduction right is not affected by the first sale doctrine; the owner of a particular copy of a copyrighted work may distribute it freely, but may not reproduce it.

166 See discussion of the distribution right supra pp. 38-42.

The first sale doctrine allows the owner of a particular copy of a work to "dispose" of possession of that copy in any way – for example, by selling it, leasing it, loaning it or giving it away. However, there is an exception to this exemption with respect to two types of works – sound recordings and computer programs. The owner of a particular copy of a computer program or a particular phonorecord of a sound recording may not rent, lease or lend that copy or phonorecord for the purpose of direct or indirect commercial advantage.¹⁶⁷ These exceptions were enacted because of the ease with which reproductions of those works can be made at a lower cost than the original with minimum degradation in quality.¹⁶⁸ The rationale for these exceptions may apply to other types of works as more types of works become available in digital format, and the "nexus" of rental and reproduction of those works "may directly and adversely affect the ability of copyright holders to exercise their reproduction and distribution rights under the Copyright Act."¹⁶⁹

A copyright owner's exclusive right to publicly display copies of a work is also limited by Section 109:

Notwithstanding the provisions of section 106(5) [which grants copyright owners the exclusive right to display

167 See 17 U.S.C. § 109(b)(1)(A) (Supp. V 1993). The prohibition with respect to record rental does not apply to nonprofit libraries or nonprofit educational institutions for nonprofit purposes. *Id.* Nonprofit libraries may also lend a computer program for nonprofit purposes if each copy has a copyright warning affixed to the package. 17 U.S.C. § 109(b)(2)(A) (Supp. V 1993). The prohibition with respect to computer program rental does not apply to a computer program "which is embodied in a machine or product and which cannot be copied during the ordinary operation or use of the machine or product" or "a computer program embodied in or used in conjunction with a limited purpose computer that is designed for playing video games and may be designed for other purposes." 17 U.S.C. § 109(b)(1)(B) (Supp. V 1993).

168 Kenneth R. Corsello, *Note*, The Computer Software Rental Amendments Act of 1990: Another Bend in the First Sale Doctrine, 41 Cath. U. L. Rev. 177, 192 (1991).

169 See H.R. Rep. No. 98-987, 98th Cong., 2d Sess. 2 (1984), reprinted in 1984 U.S.C.C.A.N. 2898, 2899 (justifying the Record Rental Amendment of 1984).

publicly copies of a work], the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located.¹⁷⁰

Thus, an art gallery that purchases a painting may publicly display it without liability. The owner of a particular copy of an electronic audiovisual game intended for use in coin-operated equipment may also publicly perform or display that game in that equipment.¹⁷¹

This exemption from liability would not apply to the public display of a copy of a work on a bulletin board system or other computer or communications network, as more than one image would likely be displayed at a time (to different viewers) and viewers would not be "present at the place where the copy is located."

c. LIBRARY EXEMPTIONS

The Copyright Act provides that in certain circumstances and under certain conditions it is not an infringement of copyright for a library or archives, or its employees acting within the scope of their

¹⁷⁰ 17 U.S.C. § 109(c) (1988).

¹⁷¹ Section 109(e) reversed the decision in Red Baron-Franklin Park, Inc. v. Taito Corp., 883 F.2d 275 (4th Cir. 1989), cert. denied, 110 S.Ct. 869 (1990), which held that video games could not be operated in an arcade without the permission of the copyright owner because such operation entailed violation of the copyright owner's exclusive rights to perform and display the work publicly. Section 109(e), however, does not allow the public display or performance of any other work of authorship embodied in the audiovisual game if the copyright owner of the game is not also the copyright owner of the other work. See 17 U.S.C. § 109(e) (Supp. V 1993).

employment,¹⁷² to reproduce or distribute one copy or phonorecord of a work.¹⁷³ The conditions of the library exemption are that (1) the reproduction or distribution is made without any purpose of direct or indirect commercial advantage; (2) the collections of the library are open to the public or available not only to researchers affiliated with the library, but also to other persons doing research in a specialized field; and (3) the reproduction or distribution of the work includes a notice of copyright.¹⁷⁴

The circumstances under which a library may reproduce or distribute a copyrighted work without infringement liability include:

ARCHIVAL COPIES

A library may reproduce and distribute a copy or phonorecord of an unpublished work reproduced in facsimile form if the sole purpose is preservation and security, and if the copy or phonorecord reproduced is currently in the collection of the library.¹⁷⁵ The House Report notes that this right "would extend to any type of work, including photographs, motion pictures and sound recordings." However, the copy or phonorecord made must be in "facsimile form." A library may "make photocopies of manuscripts by microfilm or electrostatic process, but [may] not reproduce the work in 'machine-readable' language for storage in an information system."¹⁷⁶ Thus, this exemption does not appear to allow for preservation in electronic or digital form, which, arguably, would not constitute

172 Hereinafter, the term "library" will be used to refer to a library or archives, or any of its employees acting within the scope of their employment.

173 See 17 U.S.C. § 108(a) (1988). Section 108 limitations are additional exemptions provided specifically for libraries. Libraries, of course, may also take advantage of the fair use or any other exemptions of the Copyright Act. See 17 U.S.C. § 108(f)(4) (1988).

174 See 17 U.S.C. § 108(a) (1988).

175 See 17 U.S.C. § 108(b) (1988).

176 House Report at 75, reprinted in 1976 U.S.C.C.A.N. 5689.

"facsimile form" (unless, perhaps, the original copy in the collection was fixed in electronic or digital form).

REPLACEMENT COPIES

A library may reproduce a published work duplicated in facsimile form solely for the purpose of replacing a copy or phonorecord that is damaged, deteriorated, lost or stolen, if the library has, after reasonable efforts, determined that an unused replacement cannot be obtained at a fair price.¹⁷⁷ Again, the copy or phonorecord made must be in "facsimile form." The exemption does not allow for replacement of a published work by reproduction in digital form (at least when the original copy of the published work was not in digital form).

ARTICLES AND SHORT EXCERPTS FOR USERS

A library may make and distribute a copy of one article or other contribution to a copyrighted collection or periodical issue, or a copy or phonorecord of a small part of any other copyrighted work at the request of a user, subject to two conditions.¹⁷⁸

OUT-OF-PRINT WORKS FOR SCHOLARLY PURPOSES

A library may make and distribute a copy or phonorecord of an entire work if it has determined that a copy or phonorecord of the copyrighted work cannot be obtained at a fair price, subject to two conditions.¹⁷⁹

177 17 U.S.C. § 108(c) (1988); see House Report at 75, reprinted in 1976 U.S.C.C.A.N. 5689.

178 17 U.S.C. § 108(d) (1988). First, the copy or phonorecord must become the property of the user, and the library or archives must have no notice that the copy or phonorecord will be used for any purpose other than private study, scholarship, or research. Second, the library or archives must prominently display a warning of copyright at the place where orders are accepted and on its order form. *Id.*

179 17 U.S.C. § 108(e) (1988). First, the copy or phonorecord must become the property of the user, and the library or archives must have no notice that the copy or phonorecord will be used for any purpose other than private

NEWS PROGRAMS

A library may reproduce and distribute by lending a limited number of copies of an audiovisual news program.¹⁸⁰

INTERLIBRARY LOANS

The Copyright Act allows a library to make single copies of copyrighted works and to enter into interlibrary lending arrangements, but prohibits copying "in such aggregate quantities as to substitute for a subscription to or purchase of [a copyrighted] work."¹⁸¹ CONTU developed guidelines to interpret the quoted phrase, which were later included in the House Report and Conference Report on the Copyright Act of 1976.¹⁸² The guidelines provide that a library may "borrow" not more than five copies per year of articles from the most recent five years of any journal title.¹⁸³

The exemptions granted under Section 108 extend only to isolated and unrelated reproduction of a single copy or phonorecord of the same material on separate occasions,¹⁸⁴ and do not apply to (1) musical works; (2) pictorial, graphic, or sculptural works; or

study, scholarship, or research. Second, the library or archives must prominently display a warning of copyright at the place where orders are accepted and on its order form. Id.

180 See 17 U.S.C. § 108(f)(3) (1988).

181 17 U.S.C. § 108(g)(2) (1988).

182 See House Report at 68-79, reprinted in 1976 U.S.C.C.A.N. 5659, 5681-92; H.R. Conf. Rep. No. 1733, 94th Cong., 2d Sess. 72-73 (1976), reprinted in 1976 U.S.C.C.A.N. 5810, 5813-14 (hereinafter "Conference Report").

183 Id. at 72, reprinted in 1976 U.S.C.C.A.N. 5813.

184 See 17 U.S.C. § 108(g) (1988).

(3) motion pictures or other audiovisual works, except news programs.¹⁸⁵

Libraries may provide many works in digital format in the future. However, Section 108 does not permit libraries to convert printed works to a digital format without the authority of the copyright owners. Such conversion would constitute "reproduction" of those works,¹⁸⁶ and would require the authorization of the relevant copyright owners.

d. EDUCATIONAL USE EXEMPTIONS

Section 110(1) exempts from infringement liability the performance or display of a copyrighted work in the course of face-to-face teaching activities by a non-profit educational institution in a classroom or similar setting.¹⁸⁷

Section 110(2) exempts from liability the transmission of a performance or display of a copyrighted work if (1) the performance or display is a regular part of the systematic instructional activities of the non-profit educational institution; (2) the performance or display is directly related and of material assistance to the teaching content of the transmission; and (3) the transmission is made primarily for reception in classrooms or similar places or by persons to whom the transmission is directed because of their disabilities.¹⁸⁸

Like the library exemptions, the educational use exemptions are provided in addition to the fair use and other general exemptions, which are also available to educational institutions.

¹⁸⁵ 17 U.S.C. § 108(h) (1988).

¹⁸⁶ See discussion of the scope of the exclusive right to reproduce a work supra pp. 35-37.

¹⁸⁷ See 17 U.S.C. § 110(1) (1988).

¹⁸⁸ See 17 U.S.C. § 110(2) (1988).

e. OTHER LIMITATIONS

REPRODUCTION OF COMPUTER PROGRAMS

The rights of an owner of a copyright in a computer program are limited such that the owner of a particular copy of a computer program may make a copy or adaptation of the program as an "essential step" in using the computer program in a computer or for archival purposes.¹⁸⁹ This limitation applies only with respect to "owners" of copies of programs, not licensees, borrowers or mere possessors.

CERTAIN PERFORMANCES AND DISPLAYS

Certain performances and displays are exempt from infringement liability under Section 110 of the Copyright Act, including:

189 Section 117 of the Copyright Act provides:

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

- (1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or
- (2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

17 U.S.C. § 117 (1988 & Supp. V 1993). Any identical copies made in accordance with Section 117 "may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program." Adaptations made may be transferred only with the authorization of the owner of the copyright in the original program. *Id.*

- the performance or display of certain works in the course of religious services;¹⁹⁰
- the performance of certain works by governmental or non-profit agricultural or horticultural organizations;¹⁹¹
- the performance of certain musical works in retail outlets for the sole purpose of promoting retail sales;¹⁹²
- the transmission of performances of certain works to disabled persons;¹⁹³ and
- the performance of certain works at non-profit veterans' or fraternal organizations for charitable purposes.¹⁹⁴

The "communication of a transmission embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of a kind commonly used in private homes" is also exempted if there is no direct charge to see or hear the transmission and the transmission is not further transmitted to the public.¹⁹⁵ This exemption allows proprietors to play radios or televisions (i.e., to perform or display copyrighted works in those transmissions) in public establishments such as restaurants, beauty shops and bars.¹⁹⁶ The applicability of this

190 See 17 U.S.C. § 110(3) (1988).

191 See 17 U.S.C. § 110(6) (1988).

192 See 17 U.S.C. § 110(7) (1988).

193 See 17 U.S.C. § 110(8), (9) (1988).

194 See 17 U.S.C. § 110(10) (1988).

195 See 17 U.S.C. § 110(5) (1988).

196 See, e.g., the decision in Twentieth Century Music Corp. v. Aiken, 422 U.S. 151 (1975), which was essentially codified in Section 110(5) (owner of a small food establishment exempt from infringement liability for the performance of copyrighted works via a radio and four small ceiling speakers). See also Sailor Music v. The Gap Stores, Inc., 516 F. Supp. 923

exemption is extremely fact-specific and what qualifies as a type of receiving apparatus "commonly used in private homes" will certainly change as home equipment merges (into, for example, radio/television/computer units) and becomes more sophisticated.¹⁹⁷

EPHEMERAL RECORDINGS

Section 112 provides that it is not an infringement of copyright for a "transmitting organization" that has the right to transmit to the public a performance or display of a work "to make no more than one copy or phonorecord of a particular transmission program embodying the performance or display" under certain conditions.¹⁹⁸

COMPULSORY LICENSES

Section 111 and Section 119 are compulsory licensing provisions that allow cable systems and satellite operators to retransmit copyrighted programming without infringement liability if they pay a statutory licensing fee (which is then distributed among

(S.D.N.Y.), aff'd, 668 F.2d 84 (2d Cir. 1981), cert. denied, 456 U.S. 945 (1982); Rodgers v. Eighty Four Lumber Co., 617 F. Supp. 1021 (W.D.Pa. 1985); Springsteen v. Plaza Roller Dome, Inc., 602 F. Supp. 1113 (M.D.N.C. 1985).

¹⁹⁷ See e.g., Cass County Music Co. v. Muedini, 1993 U.S. Dist. LEXIS 4562 (E.D. Wisc. 1993) ("To say that [the defendant] is liable because it has nine speakers and the shops in [another case] had two (or four in Aiken) would be silly," taking note of the multiple speakers in many home systems today).

¹⁹⁸ See 17 U.S.C. § 112(a) (1988). This limitation of the copyright owner's reproduction right is applicable only if:

- (1) the copy or phonorecord is retained and used solely by the transmitting organization that made it, and no further copies or phonorecords are reproduced from it; and
- (2) the copy or phonorecord is used solely for the transmitting organization's own transmissions within its local service area, or for purposes of archival preservation or security; and
- (3) unless preserved exclusively for archival purposes, the copy or phonorecord is destroyed within six months from the date the transmission program was first transmitted to the public. Id.

the copyright owners of the programming retransmitted).¹⁹⁹ These, as well as other, provisions of the Copyright Act will have to be reviewed as the merger of creative, communications, and computer entities continues. For instance, a compulsory license under Section 111 is only available to a "cable system," which is defined as "a facility . . . that in whole or in part receives signals transmitted or programs broadcast by one or more television broadcast stations" Terms such as "network station," "independent stations," and "noncommercial educational station" are also defined and used in Section 111, and may warrant review in the future.²⁰⁰

Compulsory licenses are also available for the public performance of nondramatic musical works by means of jukeboxes,²⁰¹ for the use of certain works in connection with noncommercial broadcasting,²⁰² and for the reproduction and distribution of nondramatic musical works in the course of making and distributing phonorecords of such works.²⁰³

199 See 17 U.S.C. §§ 111, 119 (1988 & Supp. V 1993). These provisions are referred to as "compulsory licenses" because under such provisions, copyright owners are compelled to grant the licenses. No license agreements are signed and the terms of such licenses are set forth in the statute; the copyright owner cannot object to the use of the work and must be satisfied with the license fees collected under the statute, which are distributed among all of the affected copyright owners by arbitrators impaneled by the Librarian of Congress.

200 See 17 U.S.C. § 111(f) (1988).

201 See 17 U.S.C. § 116 (Supp. V 1993). This compulsory license may only be invoked if private negotiations fail to produce a consensual license.

202 See 17 U.S.C. § 118 (1988 & Supp. V 1993).

203 See 17 U.S.C. § 115 (1988).

6. COPYRIGHT INFRINGEMENT

a. GENERAL

Anyone who, without the authorization of the copyright owner, exercises any of the exclusive rights of a copyright owner is an infringer of copyright.²⁰⁴ Thus, any activity that falls within the scope of the exclusive rights of the copyright owner is an infringement.²⁰⁵

Copyright infringement is determined without regard to the intent or the state of mind of the infringer; so-called "innocent" infringement is infringement nonetheless.²⁰⁶ Moreover, although the exclusive rights refer to such rights with respect to "copies" (plural)

204 See 17 U.S.C. § 501(a) (Supp. V 1993). Anyone who "trespasses into [the copyright owner's] exclusive domain by using or authorizing the use of the copyrighted work in one of the five ways set forth in the statute" is an infringer of the copyright. *Sony*, *supra* note 7, at 433. For purposes of this discussion on infringement, the lack of authorization by the copyright owner and the absence of a valid defense are presumed.

205 See discussion of the scope of the exclusive rights *supra* at pp. 34-64. For instance, activities such as loading a work into a computer, scanning a printed work into a digital file, uploading or downloading a work between a user's computer and a BBS or other server, and transmitting a work from one computer to another may be infringements (in those cases, of the reproduction right). See, e.g., *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993) (the turning on of the computer, thereby causing the operating system to be copied into RAM, constituted an infringing reproduction of the copyrighted software); *Advanced Computer Services v. MAI Systems Corp.*, 845 F. Supp. 356 (E.D. Va. 1994) (loading software into computer's random access memory constituted infringing reproduction); see also 2 *Nimmer on Copyright* § 8.08 at 8-103 (1993) ("The input of a work into a computer results in the making of a copy, and hence . . . such unauthorized input infringes the copyright owner's reproduction right.").

206 The innocence or willfulness of the infringing activity may be relevant with regard to the award of statutory damages. See 17 U.S.C. § 504(c) (1988).

of the work,²⁰⁷ there is no question that under the Act the making of even a single unauthorized copy may constitute an infringement.²⁰⁸

Courts generally use the term "copying" as shorthand for a violation of any of the exclusive rights of the copyright owner (not just the reproduction right). Courts usually require a copyright owner to prove ownership of the copyrighted work and "copying" by the defendant to prevail in an infringement action.²⁰⁹

Since there is seldom direct evidence of copying (witnesses who actually saw the defendant copy the work, for instance), a copyright owner may prove copying through circumstantial evidence

207 See 17 U.S.C. § 106 (1988 & Supp. V 1993).

208 See House Report at 61, reprinted in 1976 U.S.C.C.A.N. 5674. Further evidence of the intent of Congress to make even a single act of unauthorized reproduction an infringement is found in specific exemptions created for certain single-copy uses. See, e.g., 17 U.S.C. §§ 108(a), 108(f)(2), 112(a) (1988); see also Texaco, supra note 162, at 17.

209 Various remedies are available to copyright owners in an infringement action. In a civil case, a copyright owner may seek a preliminary or permanent injunction to prevent or restrain infringement. See 17 U.S.C. § 502 (1988). Courts may also order the impounding of all copies or phonorecords at any time an action is pending. See 17 U.S.C. § 503(a) (1988). As part of a final judgment, the court may order the destruction (or any other "reasonable disposition") of the infringing copies or phonorecords. See 17 U.S.C. § 503(b) (1988). Actual damages may be awarded in the amount of the copyright owner's losses plus any profits of the infringer attributable to the infringement (that are not taken into account in the calculation of the losses). See 17 U.S.C. § 504(b) (1988). Or, at the election of the copyright owner, statutory damages may be awarded in the amount of \$500 to \$20,000 per copyrighted work infringed. See 17 U.S.C. § 504(c)(1) (1988). The court may reduce the statutory damage award (to a minimum of \$200) if it finds the infringement was "innocent" (i.e., the defendant was not aware of and had no reason to believe that its acts constituted an infringement of copyright) or increase the award (to a maximum of \$100,000) if it finds the infringement was committed willfully. See 17 U.S.C. § 504(c)(2) (1988). Criminal sanctions may also be levied against infringers if the infringement was willful and for purposes of commercial advantage or private financial gain. See 17 U.S.C. § 506 (a), (b) (1988).

establishing that the defendant had access to the original work and that the two works are substantially similar. Other indications of copying, such as the existence of common errors, have also been accepted as evidence of infringement.²¹⁰

The copying of the copyrighted work must be copying of protected expression and not just ideas;²¹¹ likewise, the similarity between the two works must be similarity of protected elements (the expression), not unprotected elements (the facts, ideas, etc.). The portion taken must also be more than de minimis.

The similarity between the two works need not be literal (i.e., phrases, sentences or paragraphs need not be copied verbatim); substantial similarity may be found even if none of the words or brush strokes or musical notes are identical.²¹² Various tests have

210 See, e.g., Rockford Map Publishers, Inc. v. Directory Serv. Co., 224 U.S.P.Q. 851 (C.D. Ill. 1984), aff'd, 768 F.2d 145 (7th Cir. 1985), cert. denied, 474 U.S. 1061 (1986); Sub-Contractors Register, Inc. v. McGovern's Contractors & Builders Manual, Inc., 69 F. Supp. 507, 509 (S.D.N.Y. 1946). It is common for publishers of directories and other compilations to deliberately insert mistakes into the work (such as periodically adding a fictitious name, address and phone number in a telephone directory) to detect and help establish copying. See 2 Howard B. Abrams, The Law of Copyright § 14.02[B][3][c], at 14-19 to 20 (1993).

211 This should be implied in the requirement that there be copying of the copyrighted work. Ideas and facts, of course, are not copyrighted. In the case of compilations, such as databases, if enough facts are copied, the copyrighted expression (the selection, arrangement or coordination of the facts) may be copied and infringement may be found. See CONTU Final Report, supra note 8, at 42 ("The use of one item retrieved from such a work -- be it an address, a chemical formula, or a citation to an article -- would not . . . conceivably constitute infringement of copyright. The retrieval and reduplication of any substantial portion of a data base, whether or not the individual data are in the public domain, would likely constitute a duplication of the copyrighted element of a data base and would be an infringement.").

212 See Donald v. Zack Meyer's T.V. Sales & Service, 426 F.2d 1027, 1030 (5th Cir. 1970) ("paraphrasing is equivalent to outright copying"), cert. denied, 400 U.S. 992 (1971); Davis v. E.I. DuPont de Nemours & Co., 240 F. Supp. 612, 621 (S.D.N.Y. 1965) ("paraphrasing is tantamount to copying in copyright law"); see generally 3 Nimmer on Copyright § 13.03[A], at 13-28 to 13-58 (1993). Nimmer identifies two bases upon which courts impose liability for less than

been developed to determine whether there has been sufficient non-literal copying to constitute substantial similarity between a copyrighted work and an allegedly infringing work.²¹³ Judge Learned Hand articulated the well-known "abstractions test," where the expression and the idea are, in essence, treated as ends of a continuum, with infringement found if the allegedly infringing work crosses the line delineating the two.²¹⁴ Such a line, as Judge Hand recognized, is not fixed in stone; indeed, as he put it, its location must "inevitably be ad hoc"²¹⁵ The "pattern" test has also been suggested, where infringement is found if the "pattern" of the work is taken (in a play, for instance, the "sequence of events, and the development of the interplay of characters").²¹⁶

The "subtractive" test -- which dissects the copyrighted work, disregards the noncopyrightable elements, and compares only the copyrightable elements of the copyrighted work to the allegedly infringing work -- historically has been the traditional method for

100 percent verbatim copying: (1) "fragmented literal similarity" (where words, lines or paragraphs are copied virtually word-for-word, although not necessarily verbatim) and (2) "comprehensive nonliteral similarity" (where the "fundamental essence or structure" of a work is copied); see also II Paul Goldstein, Copyright § 7.2.1, at 13-17 (1989). Goldstein identifies three types of similarity: (1) where the infringing work "tracks" the original work "in every detail," (2) "striking similarity" (where a brief portion of both works is "so idiosyncratic in its treatment as to preclude coincidence,") and (3) similarities that "lie beneath the surface" of the works ("[i]ncident and characterization in literature, composition and form in art, and rhythm, harmony and musical phrases in musical composition"). *Id.* at 13 (citations omitted).

213 For a detailed analysis of the various tests that have been used, see 3 Nimmer on Copyright § 13.03[A] at 13-28 to 13-58 (1993).

214 See Nichols v. Universal Pictures, Corp., 45 F.2d 119, 121 (2d Cir. 1930).

215 See Peter Pan Fabrics Inc. v. Martin Weiner, Corp., 274 F.2d 487 (2d Cir. 1960).

216 See Zechariah Chaffee, Reflections on the Law of Copyright: I, 45 Columbia Law Review 503, 513 (1945).

determining substantial similarity.²¹⁷ Following the 1970 Ninth Circuit decision in Roth Greeting Cards v. United Card Co.,²¹⁸ however, the "totality" test became popular for determining substantial similarity. The totality test compares works using a "total concept and feel" standard to determine whether they are substantially similar. Although predominantly used by the Ninth Circuit throughout the 1970s and 1980s,²¹⁹ the test was used by other circuits as well.²²⁰ The Ninth Circuit further defined an "extrinsic/intrinsic" test in proof of substantial similarity in Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.²²¹ The intrinsic portion of the test measures whether an observer "would find the total concept and feel of the works" to be substantially similar.²²² The extrinsic portion of the test, meanwhile, is an objective analysis of similarity based on "specific criteria that can be listed and analyzed."²²³ Thus, this test requires substantial

²¹⁷ See Universal Athletic Sales Co. v. Salkeld, 511 F.2d 904, 908-09 (3d Cir.), cert. denied, 423 U.S. 863 (1975) (subtracting all but the "stick figures" from chart as non-protectible subject matter); Alexander v. Haley, 460 F. Supp 40, 46 (S.D.N.Y. 1978) (finding "alleged infringements display no similarity at all in terms of expression or language, but show at most some similarity of theme or setting. These items, the skeleton of creative work rather than the flesh, are not protected by the copyright laws.").

²¹⁸ See 429 F.2d 1106 (9th Cir. 1970).

²¹⁹ See, e.g., Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp., 562 F.2d 1157 (9th Cir. 1977); McCulloch v. Albert E. Price, Inc., 823 F.2d 316 (9th Cir. 1987).

²²⁰ See, e.g., Reyher v. Children's Television Workshop, 533 F.2d 87 (2d Cir. 1976); Atari, Inc. v. North American Philips Consumer Elecs. Corp., 672 F.2d 607 (7th Cir.), cert. denied, 459 U.S. 880 (1982); Atari Games Corp. v. Oman, 888 F.2d 878 (D.C. Cir. 1989); Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc., 797 F.2d 1222 (3d Cir. 1986), cert. denied, 479 U.S. 877 (1987).

²²¹ 562 F.2d 1157 (9th Cir. 1977).

²²² See Pasillas v. McDonald's Corp., 927 F.2d 440, 442 (9th Cir. 1991).

²²³ See Brown Bag Software v. Symantec Corp., 960 F.2d 1465, 1475 (9th Cir. 1992).

similarity "not only of the general ideas but of the expressions of those ideas as well."²²⁴

More recently, however, both the Ninth and Second Circuits have moved away from the totality test with respect to computer applications. In Data East USA, Inc. v. Epyx, Inc.²²⁵ the Ninth Circuit rediscovered "analytic dissection of similarities" in the substantial similarity determination of video games. Similarly, the Second Circuit in Computer Associates International, Inc. v. Altai, Inc.²²⁶ fashioned an "abstraction-filtration-comparison test" for a computer program that combined Judge Learned Hand's "abstraction" test (to separate ideas from expression) and "filtration" reminiscent of traditional "subtraction" analysis in filtering protectible from non-protectible material.

In addition to the shifting tide of substantial similarity tests, there is dispute as to the appropriate "audience" for determining substantial similarity. The "ordinary observer test" alluded to in Arnstein v. Porter,²²⁷ and followed in a number of Second Circuit decisions²²⁸ considers the question of substantial similarity from the viewpoint of the "average lay observer."²²⁹ The Fourth Circuit, however, set forth a modified test in Dawson v. Hinshaw Music Inc.,²³⁰ requiring the ordinary observer to be the "intended"

²²⁴ Krofft, *supra* note 221, at 1164.

²²⁵ 862 F.2d 204 (9th Cir. 1988).

²²⁶ 982 F.2d 693 (2d Cir. 1992); *see* Sega Enters. Ltd. v. Accolade, Inc., (9th Cir. 1993); Autoskill Inc. v. National Educational Support Systems, Inc. (10th Cir. 1993).

²²⁷ 154 F.2d 464 (2d Cir. 1946).

²²⁸ *See, e.g.*, Peter Pan Fabrics, Inc. v. Martin Weiner Corp., 274 F.2d 487 (2d Cir. 1960); Ideal Toy Corp. v. Fab-Lu Ltd., 360 F.2d 1021 (2d Cir. 1966); Eden Toys, Inc. v. Marshall Field & Co., 675 F.2d 498 (2d Cir. 1982).

²²⁹ Ideal Toy Corp. at 1023 n.2

²³⁰ 905 F.2d 731 (4th Cir. 1990).

audience for the particular work. Relying on decisions by both the Ninth and Seventh Circuits,²³¹ the court in Dawson stated:

[i]f the lay public fairly represents the intended audience, the court should apply the lay observer formulation of the ordinary observer test. However, if the intended audience is more narrow in that it possesses specialized expertise, . . . the court's inquiry should focus on whether a member of the intended audience would find the two works to be substantially similar.²³²

The challenge of this test, especially in more advanced technologies, is determining when, if ever, a work is not directed to an audience possessing specialized expertise.

The ability to manipulate works in digital format raises an issue with respect to infringement of the reproduction and derivative works rights. A copyrighted photograph, for instance, can be manipulated in the user's computer in such a way that the resulting work is not substantially similar to the copyrighted work (in fact, it may bear little or no resemblance to the copyrighted work upon which it was based). The initial input of the copyrighted work into the user's computer may be an infringement of the copyright owner's reproduction right, but the infringing (or noninfringing) nature of the resulting work is less clear. Although courts traditionally rely on a "substantial similarity" test to determine infringement liability, neither the meaning of "derivative work" nor the statutory standard

²³¹ See Aliotti v. R. Dakin & Co., 831 F.2d 898, 902 (9th Cir. 1987) (holding that perceptions of children must be considered in substantial similarity analysis because they are intended market for product); Atari, Inc. v. North American Philips Consumer Elecs. Corp., 672 F.2d 607, 619 (7th Cir.), cert. denied, 459 U.S. 880 (1982) (holding that "[v]ideo games, unlike an artist's painting, . . . appeal to an audience that is fairly indiscriminating insofar as their concern about more subtle differences in artistic expression").

²³² Dawson, supra note 230, at 736.

for infringement appears to require an infringing derivative work to be substantially similar.²³³

b. INFRINGING IMPORTATION

The exclusive right to distribute copies or phonorecords includes the right to limit the importation of copies or phonorecords of a work acquired outside the United States into the U.S. without the authority of the copyright owner.²³⁴ Such unauthorized importation, whether it be of pirated items (i.e., "copies or phonorecords made without any authorization of the copyright owner")²³⁵ or "gray market" products (i.e., those copies or phonorecords legally produced overseas for foreign distribution, but not authorized for the U.S. market), is an infringement of the distribute right.²³⁶

²³³ An infringer is anyone who violates "any of the exclusive rights" of the copyright owner. 17 U.S.C. § 501(a) (Supp. V 1993). One of the exclusive rights is "to prepare derivative works based upon the copyrighted work." 17 U.S.C. § 106(2) (1988). A "derivative work" is a work "based upon one or more preexisting works, such as a . . . condensation, or any other form in which a work may be recast, transformed, or adapted." 17 U.S.C. § 101 (1988) (definition of "derivative work"). The Ninth Circuit has suggested that "a work is not derivative unless it has been substantially copied from the prior work." See Litchfield v. Spielberg, 736 F.2d 1352, 1357 (9th Cir. 1984) (emphasis added). It is unclear, however, whether the court is suggesting that a derivative work must be substantially similar to the prior work or that it simply must incorporate in some form a portion of the prior work, as noted in the legislative history. See House Report at 62, reprinted in 1976 U.S.C.C.A.N. 5675. The court noted that there is "little available authority" on infringement of the derivative works right. See id.

²³⁴ 17 U.S.C. § 602(a) (1988).

²³⁵ House Report at 169, reprinted in 1976 U.S.C.C.A.N. 5785.

²³⁶ U.S. copyright law differs from trademark law in this respect. Trademark law does not prohibit the parallel importation into the United States of genuine trademarked products, i.e., products legally produced overseas for foreign distribution and imported into the United States by other than the authorized U.S. manufacturer, distributor or licensee. The quality or specifications of the product produced for foreign distribution may differ from those of the product manufactured for distribution in the U.S. market.

The applicability of the importation provisions to the transmission of works into the United States via the NII (or GII) may be debated. Nevertheless, the importation right is an outgrowth of the distribution right, both of which refer to "copies or phonorecords."²³⁷ A data stream can contain a copyrighted work in the form of electronic impulses, but those impulses do not fall within the definition of "copies" or "phonorecords." Therefore, the transmission of copyrighted works via international communication links fails to constitute an "importation" under the current law because no "copies" or "phonorecords" are being imported. If an infringing literary work, for instance, was physically shipped into the U.S. in the form of a paper copy, a CD-ROM disk or even stored on a memory chip, then it could be an infringing importation if the above discussed conditions exist, but it would appear that Section 602, as currently written, could not be used to block the electronic transmission of such material.²³⁸

c. CONTRIBUTORY AND VICARIOUS LIABILITY

Direct participation in infringing activity is not a prerequisite for infringement liability, as the Copyright Act grants to copyright owners not only the right to exercise the exclusive rights, but also the right "to authorize" the exercise of those rights. According to the House Report, the inclusion of the right "to authorize" was "intended to avoid any questions as to the liability of contributory infringers" -- those who do not directly exercise the copyright owner's rights,

Additionally, warranties offered by the U.S. manufacturer, distributor or licensee may not apply. However, the sale of the "gray market" trademarked product in the United States does not generally constitute trademark infringement or unfair competition.

237 See discussion of transmissions and the distribution right *supra* pp. 38-42.

238 The Customs Service would be ill-equipped to deal with such infringing transmissions if they did fall within Section 602.

but "authorize" others to do so.²³⁹ Other than the reference to a copyright owner's right "to authorize" exercise of the exclusive rights, however, the Copyright Act does not mention or define "contributory infringement" or "vicarious liability," the standards for which have developed through case law.²⁴⁰

If someone has the "right and ability" to supervise the infringing action of another, and that right and ability "coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials -- even in the absence of actual knowledge" that the infringement is taking place, the "supervisor" may be held vicariously liable for the infringement.²⁴¹ Vicarious liability is based on a connection to the direct infringer (not necessarily to the infringing activity).

The best known copyright cases involving vicarious liability are the "dance hall" cases, where vicarious liability was found when dance hall owners allowed the unauthorized public performance of musical works by the bands they hired, even when the owners had no knowledge of the infringements and had even expressly warned the bands not to perform copyrighted works without a license from the copyright owners.²⁴²

239 See House Report at 61, reprinted in 1976 U.S.C.C.A.N. 5674. There must be a direct infringement upon which contributory infringement or vicarious liability to be based.

240 The concepts of contributory and vicarious liability are well-established in tort law. Contributory infringement of intellectual property rights was first codified in patent law. See 35 U.S.C. § 271(c) (1988).

241 Shapiro, Bernstein & Co. v. H.L. Green Co., 316 F.2d 304, 307 (2d Cir. 1963) (holding that company that leased floor space to phonograph record department was liable for record department's sales of "bootleg" records despite absence of actual knowledge of infringement, because of company's beneficial relationship to the sales).

242 See, e.g., Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co., 36 F.2d 354 (7th Cir. 1929); Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Ass'n, Inc., 554 F.2d 1213 (1st Cir. 1977); KECA Music, Inc. v. Dingus McGee's Co., 432 F. Supp. 72 (W.D. Mo. 1977). Indeed, the "cases are legion which hold the dance hall proprietor liable for the infringement of copyright