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ISSUE BRIEF

A Bad Trade

Will Congress Unwittingly Repeal the Digital Millennium Copyright Act and Violate Our Trade Treaties?

by Lee Hollaar

Synopsis: Many are attempting to rewrite intellectual property protections by altering the Digital Millennium Copyright Act, whether by broadening definitions of permissible conduct such as "fair use", or by wholesale changes to current law. However, many have failed to consider the ramifications of these changes to our international agreements. Some legislative proposals would require renegotiation or complete dissolution of these trade agreements.

In his recent *IPI Ideas* paper "Will Congress Circumvent the DMCA?," Richard Epstein notes how the "other purposes" of Rep. Boucher's (D-VA) H.R. 1201 "could eviscerate the already inadequate protection that federal law provides against copyright policy."

Professor Epstein is too kind toward the Boucher bill. If passed with its proposed language, it would effectively repeal all of the anticircumvention provisions of the 1998 Digital Millennium Copyright Act (DMCA), and thereby violate a number of current trade treaties, including the recently-ratified Central America-Dominican Republic Free Trade Agreement (CAFTA-DR).

Why Anticurcumvention Legislation?

Congress, at the time the DMCA was being considered, was concerned over the widespread copyright infringement that was occurring on the Internet. Copyright litigation is expensive and not geared toward addressing millions of small infringers. Statutory damages are based on the number of works infringed, and not the number of downloads, so that a person sharing even a hundred songs would be liable for at least $75,000.[1] Such a minimum penalty actually discourages content providers from filing suit, since they must be concerned that the court might try to find an excuse for the infringement to avoid imposing the statutory damages that then becomes a bad precedent.

Digital rights management, while far from perfect, provides an attractive alternative to litigation. By making it more difficult to infringe a copyright, users are reminded that what they are about to do may not be legal. But if circumvention devices or programs were available through legitimate sources or as a standard feature in a media program, this important clue would be lost.

Congress has previously dictated copy protection for digital devices as digital sound recording devices,[2] and banned the use and trafficking in cable TV descramblers[3] and satellite decoders.[4] While those laws have not eliminated such illegal devices, there is no doubt that people are aware through the way they are advertised and are available that they are illegitimate, and the vast majority of people shun them.

Implementing the WIPO Copyright Treaty

To understand the effect of H.R. 1201, it is necessary to understand how the DMCA anticircumvention provisions came about and are structured. They were added to United States copyright law to implement our treaty obligations under the World Intellectual Property Organization (WIPO) Copyright Treaty. Its Article 11 states:

> Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.[5]

Although there may be legitimate uses for circumvention technology, Congress decided that the most likely use was copyright infringement. Recognizing that there may be things that could be used to circumvent a protection mechanism (such as a computer program debugger), it did not ban every device or computer program that might circumvent a protection mechanism. Instead, it banned technology that:

> (A) is primarily designed or produced for the purpose of circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title [the Copyright Act] in a work or a portion thereof;
> (B) has only limited commercially significant purpose or use other than to circumvent protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof; or
> (C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof.[6]

Both (A) and (C) are good examples of the active and intentional inducement of copyright infringement that the unanimous Supreme Court condemned in its recent *Grokster* decision,[7] and (B) makes the reasonable assumption that a company benefits not from some commercially-insignificant activity, but by its use for infringement by others.

The anticircumvention provisions of the DMCA are really about traffickers in circumvention technology, not about those using it. It keeps things off the shelves of stores so they don't seem legitimate. But provide a loophole, and you'll see the devices being sold or the programs available, perhaps with a warning not to use them to infringe (along with a wink).

Circumventing to Access a Copyrighted Work

Before the DMCA, Congress had considered legislation proposed in the Clinton Administration's "white paper" on copyright in the digital age.[8] It proposed a simple anticircumvention provision:

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

No exceptions of any kind were proposed.

When the DMCA was introduced in the 105th Congress, it contained a similar provision as Section 1201(b), but also contained a new right for copyright owners – "No person shall circumvent a technological protection measure that effectively

controls access to a work protected under title 17," – as Section 1201(a)(1). Section 1201(a)(2) mirrored the ban against trafficking in circumvention devices of 1201(b), but for "circumvention to access" instead of "circumvention to infringe." As an example,

> if an effective technological protection measure limits access to the plain text of a work only to those with authorized access, but provides no additional protection against copying, displaying, performing or distributing the work, then a potential cause of action against the manufacturer of a device designed to circumvent the measure lies under subsection 1201(a)(2), but not under subsection 1201(b).[9]

There is little explanation given in the legislative history of the DMCA on why this new right was given to copyright owners. It does avoid the question of whether a copy of a work is made when the work is being accessed, say in a buffer in a computer's memory, and whether that copy is sufficiently permanent to make its creation an infringement.[10] This could be a concern when determining whether streaming audio or using a computer program stored on a server results in an infringement, and if so, whether it is by the provider or the user.

There has been a dramatic change in the theory of indirect liability for copyright infringement with the Supreme Court's unanimous decision in Grokster.

Beyond an objection to anticircumvention in general, there was no opposition to the Section 1201(a)'s circumvent to access provision as the DMCA was being considered, except for a concern that it might allow the unwarranted locking-up of material not protected by copyright. Congress addressed that with a provision allowing the Copyright Office to issue rules every three years exempting classes of works from the provision upon a showing of an impact on criticism, comment, news reporting, teaching, scholarship, or research and the effect of allowing circumvention on the market value of the copyrighted works.

The Boucher Bill, A Wolf in Sheep's Clothing?

On October 3, 2002, Rep. Rick Boucher (D-VA) along with Rep. John Doolittle (R-CA) introduced H.R. 5544, the "Digital Media Consumers' Rights Act of 2002." The day before, Rep. Zoe Lofgren (D-VA) had introduced H.R. 5522, which proposed a number of changes to the DMCA anticircumvention provisions. But instead of the clear changes to the DMCA proposed by Rep. Lofgren, Rep. Boucher put his changes at the end of the bill dealing with mislabeled music CDs, and called them "other purposes" in the bill summary.

Rep. Boucher reintroduced his bill in the 108th Congress, changing only "2002" to "2003" in the title. But this time, he was able to get the number H.R. 107, a play on the section number for the "fair use" provision of the Copyright Act. For the current Congress, he made some minor changes and was able to snag the number H.R. 1201, this time a play on the section number of the DMCA anticircumvention provisions.

Under the heading "Fair Use Restoration," H.R. 1201 makes two short changes to Section 1201. First, it changes 1201(c) so that it would read:

> Nothing in this section shall affect rights, remedies, limitations, or defenses to copyright infringement, including fair use, under this title *and it is not a violation of this section to circumvent a technological measure in order to obtain access to the work for purposes of making noninfringing use of the work.* (Added language in italics.)

It also adds a new paragraph to 1201(c):

> (5) Except in instances of direct infringement, it shall not be a violation of the Copyright Act to manufacture or distribute a hardware or software product capable of substantial noninfringing uses.

We'll look at the new paragraph first.

Come Up With a Use, Avoid Liability

The new paragraph says that anyone who manufactures or distributes software or hardware will not

have any liability for copyright infringement if it is capable of any substantial noninfringing use.[11] Presumably, what Rep. Boucher is trying to do is codify the Supreme Court's *Sony Betamax* decision. But as Professor Epstein noted, there has been a dramatic change in the theory of indirect liability for copyright infringement with the Supreme Court's unanimous decision in *Grokster*. The Supreme Court in *Grokster* recognized the problem with the *Sony* test.

Adoption of H.R. 1201 would likely mean that we would no longer be in compliance with those trade agreements, which contain other provisions that substantially benefit the United States.

It is hard to imagine a device or computer program used to reproduce, display, or distribute a copyrighted work that would not be capable of a substantial noninfringing use under one of the many exceptions to infringement in copyright law. Copyright law provides a variety of special exceptions to the exclusive rights of the copyright owner.[12] Libraries can make a single copy of a work in certain circumstances.[13] A computer program can be duplicated to create an archive copy.[14] Works can be performed or displayed in a classroom setting.[15] Judge Posner, in his *Aimster* opinion, noted a variety of possible noninfringing uses for peer-to-peer technology.[16]

The "capable of substantial noninfringing uses" test comes from patent law. But in contrast to copyright, the patent statutes provide only a very limited statutory exception for patent infringement during the required testing of a drug.[17] In addition, the courts have allowed an "experimental use" defense to a charge of patent infringement, but it is far narrower than copyright's "fair use" defense, being limited to making or using the patented invention solely "for amusement, to satisfy idle curiosity or for strictly philosophical inquiry."[18]

In contrast, for almost every copyrighted work of any commercial value there is some fair use, such as including a snippet of the work in a review or criticism of the work. Since it is almost always possible to state a substantial noninfringing use of a work that is protected by a copy control mechanism, under Rep. Boucher's bill it would be possible for anybody to traffic in devices that circumvent the protection mechanism even when they know that that will not be the way the device will be most-often used.

And because it should be possible to dream up some substantial noninfringing use for any circumvention program or tool, what Rep. Boucher is really proposing is that the DMCA prohibitions on trafficking in such devices be effectively repealed, although he doesn't come right out and say that.

H.R. 1201 Effectively Repeals 1201(A), Too

The second stealthy provision in H.R. 1201 effectively repeals Section 1201(a)(1)'s prohibition against circumventing to gain access to a copyrighted work. (Section 1201(a)(2)'s trafficking provision is gutted along with Section 1201(b) discussed above, since the same loophole is created.)

To understand how it does this, you have to remember the two types of circumventions discussed above. Section 1201(b) addresses "circumvention to infringe," and only has a trafficking provision since any infringement that results is already a violation of the copyright statutes. Section 1201(a), on the other hand, addresses "circumvention to access," which is of importance only when there is not an infringement.

H.R. 1201 adds the following: "It is not a violation of [Section 1201] to circumvent a technological measure in order to obtain access to the work for purposes of making noninfringing use of the work." With that change, you would only violate the circumvention by access section, Section 1201(a), if you also infringe. But infringement is already prohibited by the copyright statutes, and so Section 1201(a) becomes redundant.

The Effect on Recent Trade Agreements

Since the passage of the DMCA in 1998, the United States has included language that parallels the anticircumvention provisions of the DMCA in trade pacts. For example, the recently-adopted Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) Article 15.5 requires that all parties to the agreement (including the United States) have it be a violation if a person –

> (i) circumvents without authority any effective technological measure that controls access to a protected work, performance,

> phonogram, or other subject matter; or (ii) manufactures, imports, distributes, offers to the public, provides, or otherwise traffics in devices, products, or components, or offers to the public or provides services, that:
> (A) are promoted, advertised, or marketed for the purpose of circumvention of any effective technological measure; or
> (B) have only a limited commercially significant purpose or use other than to circumvent any effective technological measure; or
> (C) are primarily designed, produced, or performed for the purpose of enabling or facilitating the circumvention of any effective technological measure,

mirroring the current language of Section 1201(a) of the DMCA. It goes on to state –

> Each Party shall provide that a violation of a measure implementing this paragraph is a separate civil cause of action or criminal offense, independent of any infringement that might occur under the Party's law on copyright and related rights.

It also limits the exceptions that can be made to the anticircumvention law, generally mirroring those in the DMCA. Similar provisions are in the trade agreements with Australia, Bahrain, Chile, Morocco, Oman, and Singapore, as well as one being negotiated with Colombia, Ecuador, and Peru.[19]

In the cases where the anticircumvention provisions were being stretched to protect garage door opener controllers or laser printer toner cartridges, the courts have had no problem in finding that the DMCA provisions were applicable.

Adoption of H.R. 1201 would likely mean that we would no longer be in compliance with those trade agreements, which contain other provisions that substantially benefit the United States.

Is it Worth it?

It might be worth trying to change, or even dumping, those trade agreements if the anticircumvention provisions of the DMCA, and in particular the trafficking provisions and the circumvention to access provision effectively repealed if H.R. 1201 becomes law, were causing real problems. But it appears that they are not.

In the almost eight years since the DMCA was enacted, there have been only a handful of cases regarding Section 1201. Some involved people who were clearly trafficking in anticircumvention programs, and the courts after considering their arguments regarding the provisions affecting fair use and free speech soundly rejected them.[20] On the other hand, in the cases where the anticircumvention provisions were being stretched to protect garage door opener controllers[21] or laser printer toner cartridges,[22] the courts have had no problem in finding that the DMCA provisions were applicable.

The case commonly mentioned regarding the chilling effects on research of the DMCA anticircumvention provisions involved Princeton professor of computer science Edward Felten, who received a threatening letter from the Recording Industry Association of America (RIAA) regarding his proposed publication of results from a test of a new protection mechanism. (He was able to crack it.) Even after the RIAA backed off, Felten took the case to court to try to have the DMCA struck down, but was unsuccessful. His efforts were not "chilled" so much as he was seizing an opportunity to try to get the DMCA struck down in court.

The Electronic Frontier Foundation (EFF) runs a "Chilling Effects" web site,[23] soliciting examples of how the DMCA anticircumvention provisions (and other laws) affect researchers and companies. It only lists eleven instances of cease and desist notices from alleged circumvention activities: one in 2000 (when the site was established), three in 2001, two in 2002, none in 2003, one in 2004, one in 2005, and two related letters in 2006. Many appear to be legitimate concerns and, in any case, these are hardly the abuse that warrants violating important and hard-fought-for trade agreements.

While it may be argued that those reports are just the tip of the iceberg, and that people are not innovating because they are concerned about violating the DMCA anticircumvention provisions, it is more likely that any chilling comes from the overheated rhetoric of the DMCA opponents who use it as a boogie man to get people to support their calls for

repeal, and not what has actually happened since the enactment of the DMCA in 1998.

H.R. 1201 should not be the mechanism for putting the United States in violation of its trade agreements. If such a far-reaching decision is to be made, it should be after careful debate based on an understanding of the anticircumvention provisions. It should not happen by the passage of a misleading bill that repeals the provisions through stealth.

Endnotes

1. See 17 U.S.C. § 504(c). If the "infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $200" or $20,000 for our hypothetical "sharer" for 100 files.
2. 17 U.S.C. § 1002(c).
3. 47 U.S.C. § 553(a)(2).
4. 47 U.S.C. § 605(e)(4).
5. The full text of the treaty, along with other information about it, can be found at http://www.wipo.int/treaties/en/ip/wct/.
6. 17 U.S.C. § 1201(b)(1).
7. *MGM v. Grokster*, decided June 27, 2005, available at http://straylight.law.cornell.edu/supct/html/04-480.ZO.html. For a discussion of inducement liability before and after *Grokster*, particularly with respect to the *Sony* decision, see my paper "Sony Revisited" at http://digital-law-online.info/papers/lah/sony-revisited.htm.
8. *Intellectual Property and the National Information Infrastructure*, Report of the Working Group on Intellectual Property Rights, Information Infrastructure Task Force, September 1995, available at http://www.uspto.gov/web/offices/com/doc/ipnii/. This report also influenced the U.S. negotiators of the WIPO Copyright Treaty.
9. Sen. Rep. 105-190, at 12.
10. See *MAI v. Peak*, 991 F.2d 511 (Ninth Cir., 1993), holding that loading a computer program into memory creates a copy that infringes if not otherwise permitted.
11. That test comes from the Supreme Court's decision in *Sony v. Universal City Studios*, 464 U.S. 417 (1984). It is not clear what they considered a "substantial" use, with some contending that it should be a commercially-significant use while others argue that it should be any use that is not just a pretext for other infringement.
12. See 17 U.S.C. §§107-122.
13. 17 U.S.C. §108(a).
14. 17 U.S.C. §117(a).
15. 17 U.S.C. § 110(1).
16. *In re: Aimster Copyright Litigation*, 334 F.3d 643, 652-653 (7th Cir. 2003).
17. See 37 U.S.C. §271(e).
18. *Roche Products v. Bolar Pharmaceutical*, 733 F.2d 858, 863 (Fed. Cir. 1984). Subsection (e) was added to 37 U.S.C. 271 in 1984 specifically to provide an exception to this case, but Congress declined to provide a general "fair use" exception to patent infringement.
19. Information on current and pending trade agreements can be found at http://www.ustr.gov/Trade_Agreements/Section_Index.html.
20. See, for example, *Universal City Studios v. Corley*, 273 F.3d 429 (Second Cir. 2001).
21. See *Chamberlain v. Skylink*, 381 F.3d 1178 (Fed. Cir. 2004).
22. See *Lexmark v. Static Control Components*, 387 F.3d 522 (Sixth Cir. 2004).
23. See http://www.chillingeffects.org/anticircumvention/notice.cgi.

About the Author

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