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### Copyright on the Internet: A Critique of the White Paper's Recommendation for Updating the Copyright Act and How the Courts Are Already Filling in Its Most Important Shortcoming, On-Line Service Provider Liability

George Smirnoff III

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# COPYRIGHT ON THE INTERNET: A CRITIQUE OF THE WHITE PAPER'S RECOMMENDATION FOR UPDATING THE COPYRIGHT ACT AND HOW THE COURTS ARE ALREADY FILLING IN ITS MOST IMPORTANT SHORTCOMING, ON-LINE SERVICE PROVIDER LIABILITY

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## I. INTRODUCTION

As new forms of expression become commercially important, copyright law is challenged to protect the exploitation of the technologies providing the new medium.<sup>1</sup> The current technological challenge for American copyright law is the National Information Infrastructure ("NII").

The National Information Infrastructure is best described as a *network of networks* used to carry digital transmissions through thousands of computer

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<sup>1</sup>ARTHUR R. MILLER & MICHAEL H. DAVIS, INTELLECTUAL PROPERTY: PATENTS, TRADEMARKS, AND COPYRIGHT IN A NUTSHELL 283 (2d ed. 1990).

networks using a common set of protocols.<sup>2</sup> The most common perception of the NII is the *Internet* or *Information Superhighway*. The use of the term, National Information Infrastructure, is meant not only to describe the current structure of interconnected computer networks, but also to encompass the new forms the NII may take in the future.<sup>3</sup>

Currently, the Copyright Act<sup>4</sup> does not expressly include works created, copied, transmitted, or performed on the NII. Yet, because of the relative ease of copying works available on the NII and distributing them worldwide at little or no cost, there is a need to adapt the Copyright Act to afford protection for this new medium.

To meet this latest demand, in February, 1993, President Clinton formed the Information Infrastructure Task Force<sup>5</sup> (hereinafter the "Working Group") "to articulate and implement the Administration's vision for the National Information Infrastructure."<sup>6</sup> On September 5, 1995, the Working Group released the *White Paper*,<sup>7</sup> officially entitled, "Intellectual Property and the National Information Infrastructure: The Report of the Working Group on Intellectual Property Rights."<sup>8</sup> The White Paper addresses special intellectual property concerns and issues raised by the development and use of the NII.<sup>9</sup>

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<sup>2</sup>See INFORMATION INFRASTRUCTURE TASK FORCE, INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE: THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS 2 (1995) [hereinafter WHITE PAPER].

<sup>3</sup>*Id.* at 2, n.5.

<sup>4</sup>Copyright Act of 1976, 17 U.S.C. §§ 101-1010 (1996).

<sup>5</sup>The Information Infrastructure Task Force is organized into three committees:

[1] the Telecommunications Policy Committee, which formulates Administrative positions on relevant telecommunications issues;  
[2] the Committee on Applications and Technologies, which coordinates Administration efforts to develop, demonstrate and promote applications of information technologies in key areas;  
and [3] 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.

WHITE PAPER, *supra* note 2, at 1.

<sup>6</sup>*Id.*

<sup>7</sup>"White Paper" is the term by which the report is commonly known. This term is not to be confused with the "Green Paper," which was a preliminary draft of this report, released July 7, 1994.

<sup>8</sup>WHITE PAPER, *supra* note 2, at 1.

<sup>9</sup>NII Copyright Protection Act of 1995: Joint Hearing on S. 1284 and H.R. 2441 Before the Subcommittee on Courts and Intellectual Property of the House Committee on the Judiciary and the Senate Committee on the Judiciary, 104th Cong., 1st Sess. 34 (1995) [hereinafter *Hearings*] (prepared statement of Bruce A. Lehman, Assistant Secretary of Commerce and Commissioner of Patents And Trademarks, Patent And Trademark Office).

The White Paper argues that transmissions and publications on the NII should be afforded copyright protection.<sup>10</sup> It concludes that the current Copyright Act can accommodate the technological changes, and that only minor clarification and limited amendment is needed.<sup>11</sup> The White Paper unquestionably makes solid strides in the direction of affording copyright protection to works transmitted on the NII. The primary problem with the report, however, is its self-admitted conservatism in refusing to make recommendations concerning issues that may prove to be a passing fad.<sup>12</sup> The Working Group's shortsightedness causes its recommendations either to be overly-restrictive or to fail to meet the needs of authors currently using the NII.

The most glaring omission in the White Paper is its failure to make any concrete recommendation regarding the liability of on-line service providers for the copyright infringement of their subscribers.<sup>13</sup> Because of the Working Group's omission, the courts are left to determine the application of the Copyright Act to the NII when they have traditionally been able to look toward Congress for guidance.<sup>14</sup>

In this Note, analysis of the White Paper falls into three parts. First, a summary of the relevant principles underlying copyright law, including a survey of cases pertinent to an analysis of copyright protection on the NII, will be presented. Second, the actual changes recommended by the White Paper will be analyzed. Third, the White Paper's failure to set forth the law regarding

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<sup>10</sup>The White Paper does not recommend any changes in patent or trademark law, concluding that they are adequate to address the needs created by new technology related to the NII. WHITE PAPER, *supra* note 2, at 17, n.29.

<sup>11</sup>*Id.*

<sup>12</sup>*Id.* at 5-6.

[The White Paper] does not, however, provide all the answers. It may not even present all of the questions. There is much that we do not — and cannot — now know about how the NII will develop. [Information] technology is advancing at such an incredible pace that issues will certainly continue to arise in the future, perhaps demanding more comprehensive legislation. However, because there is much that we do know, the fact that future developments will raise additional issues not currently ripe should not deter us from addressing those that are.

*Id.*

<sup>13</sup>On-line service providers offer the link that gives the end-user access to the NII for the purpose of interacting with, and using, the various elements related to the NII. On-line service providers may also be content providers. Content providers, such as CompuServe, America Online, and Prodigy, offer large databases and other resources to their subscribers. These resources are often used to access large information databases, forums, chat rooms, and electronic mail. Significant differences exist among on-line access providers as to what services each offers. See generally DICTIONARY OF COMPUTER WORDS: AN A TO Z GUIDE TO TODAY'S COMPUTERS 195-96 (Revised ed. 1995) [hereinafter DICTIONARY].

<sup>14</sup>See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 430-31 (1984).

the potential liability of on-line service providers will be examined using subsequent cases which have attempted to establish appropriate liability.

## II. A REVIEW OF COPYRIGHT LAW PRINCIPLES

### A. Copyright Principles Generally

Copyright protection finds its basis in the United States Constitution which provides that Congress has the power to "promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."<sup>15</sup> Since George Washington signed into law the first Copyright Act in 1790,<sup>16</sup> copyright law has gone

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<sup>15</sup>U.S. CONST., art. I, § 8, cl. 8.

As a result, the basis of protection given to copyrights is wholly statutory. *Sony Corp. of Am.*, 464 U.S. at 431 (citing *Weaton v. Peters*, 33 U.S. 591, 661-62 (1834)). The remedies for infringement "are only those prescribed by Congress." *Id.* (citing *Thompson v. Hubbard*, 131 U.S. 123, 151, (1889)).

<sup>16</sup>Copyright Act of May 31, 1790, ch. 15, 1 Stat. 124. See *Paige v. Banks*, 80 U.S. 608 (1871). In *Goldstein v. California*, 412 U.S. 546 (1973), the United States Supreme Court discussed the development of the Copyright Act prior to 1976.

The first congressional copyright statute, passed in 1790, governed only maps, charts, and books. Act of May 31, 1790, c. [sic] 15, 1 Stat. 124. In 1802, the Act was amended in order to grant protection to any person "who shall invent and design, engrave, etch or work . . . any historical or other print or prints . . ." Act of Apr. 29, 1802, c. [sic] 36, 2 Stat. 171. Protection was extended to musical compositions when the copyright laws were revised in 1831. Act of Feb. 3, 1831, c. [sic] 16, 4 Stat. 436. In 1865, at the time when Mathew Brady's pictures of the Civil War were attaining fame, photographs and photographic negatives were expressly added to the list of protected works. Act of Mar. 3, 1865, c. [sic] 126, 13 Stat. 540. Again in 1870, the list was augmented to cover paintings, drawings, chromos, statuettes, statuary, and models or designs of fine art. Act of July 8, 1870, c. [sic] 230, 16 Stat. 198.

In 1909, Congress agreed to a major consolidation and amendment of all federal copyright statutes. . . . The House Report on the proposed bill specifically noted that amendment was required because "the reproduction of various things which are the subject of copyright has enormously increased," and that the President has specifically recommended revision, among other reasons, because the prior laws "omit[ted] provision for many articles which, under modern reproductive processes, are entitled to protection."

Since 1909, two additional amendments have been added. In 1912, the list of categories in § 5 was expanded specifically to include motion pictures. The House Report on the amendment noted:

"The occasion for this proposed amendment is the fact that the production of motion-picture photoplays and motion pictures other than photoplays has become a business of vast proportions. . . ."

Finally, in 1971, § 5 was amended to include "sound recordings."

Congress was spurred to action by the growth of record piracy, which was, in turn, due partly to technological advances.

*Id.* at 562, n.17 (citations omitted).

through many revisions to keep up with technological advances. The most recent major revision occurred in 1976,<sup>17</sup> which gives us our present form of copyright law.

There are three basic requirements of copyright protection: expression, originality, and fixation.<sup>18</sup> The concepts of expression and originality stem from the statutory qualification that protection only extend to "original works of authorship."<sup>19</sup> Copyright protection centers fundamentally upon the original expression of an idea. "The expression is the key because only the expression is protected."<sup>20</sup> The author must be expressing something that is original; the expression must originate from within the author.<sup>21</sup>

The requirement of fixation means that to be afforded copyright protection, the work must be fixed in a tangible medium of expression.<sup>22</sup> Protection then automatically attaches to an eligible work at the moment of fixation.<sup>23</sup> A work is fixed "when 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."<sup>24</sup>

Once copyright is established, the holder is granted a *bundle of rights*,<sup>25</sup> which together give the author control over his/her creation. The *bundle of rights* applies to eight enumerated categories which generally include all written, musical, and performance works.<sup>26</sup> Copyright protection attaches to the

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<sup>17</sup>17 U.S.C. §§ 101-1010.

<sup>18</sup>17 U.S.C. § 102 (1996).

<sup>19</sup>*Id.* The statutory requirement 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.

<sup>20</sup>MILLER & DAVIS, *supra* note 1, at 288.

<sup>21</sup>17 U.S.C. § 102. This concept is different from patent law, under which, to be eligible for patent protection, the work must be novel. Copyright makes no such restriction. MILLER & DAVIS, *supra* note 1, at 288-89.

<sup>22</sup>See 17 U.S.C. § 102.

<sup>23</sup>*Id.*

<sup>24</sup>17 U.S.C. § 101 (1996).

<sup>25</sup>The *bundle of rights* generally give the copyright owner the exclusive right to do and to authorize others: (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) to perform the copyrighted work publicly, in the case of literary, musical, dramatic, choreographic works, pantomimes, motion pictures, and other audiovisual works; and (5) to display the copyrighted work publicly, in the case of literary, musical, dramatic, choreographic works, pantomimes, pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work. 17 U.S.C. § 106 (1996).

<sup>26</sup>There are eight broad categories of protected works: (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,

expression of the author. It does not extend to the idea or concept being expressed,<sup>27</sup> nor to works consisting entirely of information that is common property and which contain no original authorship.<sup>28</sup> And, as a matter of law, copyright protection generally is not extended to the United States Government.<sup>29</sup>

Copyright protection, once created,<sup>30</sup> endures for a term consisting of the life of the author and fifty years after the author's death if the work was created after January 1, 1978.<sup>31</sup> When the term of protection expires, the work becomes part of the public domain.

After 1989, the use of copyright notice has become permissive rather than required and as a result, no marking or symbol is required.<sup>32</sup> Copyright registration is simply a legal formality intended to make a public record of the basic facts of a particular copyright and is not required<sup>33</sup> for copyright protection.<sup>34</sup>

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and sculptured works; (6) motion pictures and other audiovisual works; (7) sound recordings; (8) architectural works. 17 U.S.C. § 102.

<sup>27</sup>17 U.S.C. § 102(b); see *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985); *Baker v. Seldon*, 101 U.S. 99 (1880).

<sup>28</sup>After copyright protection expires, works become common property. See *infra* note 31.

Examples of works having no original authorship, and thus no copyright protection, are: standard calendars, height and weight charts, tape measures and rulers, and lists or tables taken from public documents or other common sources. WHITE PAPER, *supra* note 2, at 33.

<sup>29</sup>17 U.S.C. § 105 (1996). "Therefore, nearly all works of the U.S. Government — including this Report — may be reproduced, distributed, adapted, publicly performed and publicly displayed without infringement liability in the United States under its copyright laws." WHITE PAPER, *supra* note 2, at 35.

<sup>30</sup>A work is *created* when it is fixed in a copy or phonorecord for the first time; where a work is prepared over a period of time, the portion of it that has been fixed at any particular time constitutes the work as of that time, and when the work has been prepared in different versions, each version constitutes a separate work. 17 U.S.C. § 101.

<sup>31</sup>17 U.S.C. § 302 (1996). In the case of joint authorship, copyright protection lasts for the life of the last surviving author plus fifty years. *Id.* 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 date of creation, whichever is shorter. *Id.* Works that were created but not published or registered for copyright before January 1, 1978, have been automatically brought under the statute and are now given copyright protection computed generally in the same fashion as those works created after 1978. See *Id.*

<sup>32</sup>17 U.S.C. § 401 (1996).

<sup>33</sup>17 U.S.C. § 408 (1996).

<sup>34</sup>However, under Sections 404 and 405 of the Copyright Act, registration may be required to preserve the copyright on a work first published before March 1, 1989, that would otherwise be invalidated because the copyright notice was omitted from the published copies or phonorecords, or the name or year was omitted, or certain errors

### B. Fair Use

Probably the most important area of copyright law as it relates to the NII is the doctrine of fair use.<sup>35</sup> While this is a far from clear area of the law, fair use can be generally seen as the use of a copyrighted work that is permitted without permission of the copyright holder.<sup>36</sup> The underlying premise of fair use is that certain *minor* uses of a work should be permitted.<sup>37</sup> In determining what is fair use, the courts look to four factors set out in Section 107 of the Copyright Act:<sup>38</sup> (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used; and (4) the effect of the use upon the potential market for or value of the copyrighted work.<sup>39</sup> All four factors must be considered to determine whether a particular use is permissible as fair use. Through a careful balancing of these four factors, courts determine if there has been fair use.<sup>40</sup>

### C. Remedies

Generally, anyone who violates any of the exclusive rights of the copyright owner, as provided by the Copyright Act, may be liable for copyright infringement.<sup>41</sup> Copyright infringement is determined independent of intent, and *innocent* infringement is infringement nonetheless.<sup>42</sup> To be liable, the taking or copying of the copyrighted work must be more than *de minimus*.<sup>43</sup>

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were made in the date. *See* 17 U.S.C. §§ 404-405 (1996).

Registration may be required for the enforcement of the holder's exclusive rights in court. *See* 17 U.S.C. §§ 411-412 (1996); WHITE PAPER, *supra* note 2, at 61-62; *see also* 17 U.S.C. § 410 (1996) (stating that a certificate of copyright acts as *prima facie* evidence of facts stated in the certificate regarding the copyrighted work).

<sup>35</sup>17 U.S.C. § 107 (1996).

<sup>36</sup>*See* 17 U.S.C. § 107; Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 475-77 (1984).

<sup>37</sup>Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 564-65 (1985).

<sup>38</sup>The four factors set forth in the Copyright Act are intended to be nonexclusive factors which courts shall consider case by case in determining fair use. Cable/Home Communication Corp. v. Network Prods., Inc., 902 F.2d 829, 844 (11th Cir. 1990); *see* 17 U.S.C. § 107.

<sup>39</sup>17 U.S.C. § 107.

<sup>40</sup>*See* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994); Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539 (1985); Mazer v. Stein, 347 U.S. 201 (1954).

<sup>41</sup>17 U.S.C. § 501 (1996); *see* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 433 (1984).

<sup>42</sup>17 U.S.C. § 504 (1996).

<sup>43</sup>WHITE PAPER, *supra* note 2, at 102.



The copying must be substantially similar to the original work and need not be taken verbatim.<sup>44</sup>

The copyright holder may seek civil remedies such as a preliminary or permanent injunction to restrain infringement.<sup>45</sup> At any time before the final judgment in a copyright infringement action, the copyright owner may elect to recover actual damages and the profits of the infringer, or be awarded statutory damages.<sup>46</sup>

Additionally, a copyright infringer may be subject to criminal sanctions if the infringement was willful and for the purposes of commercial gain.<sup>47</sup> The requirement of conduct being willful or for financial gain is often cited as one of the problems with the current requirements for criminal liability.<sup>48</sup>

### III. CLARIFICATION OF TERMS

Some conflict exists between the terminology used in the White Paper and that used by the courts. The term *National Information Infrastructure* was created by the Clinton administration.<sup>49</sup> This term is intended to be an all inclusive reference embodying the various perceptions of what constitutes the Information Superhighway, or the Internet. Understanding that these terms are basically one and the same is important to the analysis of current case law which speaks in terms of the Internet. Thus, a brief review of the more common understanding of these terms is appropriate.

The term *Internet* is used to identify any collection of networks into a larger Wide Area Network ("WAN").<sup>50</sup> The popular understanding of the Internet

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<sup>44</sup>See *Donald v. Zack Meyer's T.V. Sales & Serv.*, 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").

<sup>45</sup>See 17 U.S.C. § 502 (1996).

<sup>46</sup>17 U.S.C. § 504.

<sup>47</sup>See 17 U.S.C. § 506 (1996).

<sup>48</sup>These requirements will be further discussed when considering the White Paper's recommendations in this regard. See *infra* part V.E.

<sup>49</sup>WHITE PAPER, *supra* note 2, at 1.

<sup>50</sup>Rawn Shah, *The Business of the Internet: An Introduction to the Internet for Commercial Organizations* (last modified Apr., 1994) <<http://www.rtd.com/people/rawn/business.html>>.

This document has been created entirely on the Internet using the World Wide Web and other tools. It is accessible at URL <http://www.rtd.com/people/rawn.business.html>. The document expressly notes that this is its only medium of publication. It serves as an excellent example of valuable copyrighted material that is expressed in no form other than on the NII and one for which the changes to copyright law needs to be addressed.

URL is an acronym for Uniform Resource Locator or Universal Resource Locator. The URL is used to provide a location, or address, on the Internet. See *DICTIONARY, supra* note 13, at 288.

itself is as "a conglomerate of thousands of computer networks utilizing a common set of technical protocols to create a worldwide communications medium."<sup>51</sup> The Internet is an outgrowth of a project from the 1970's called the Advanced Research Projects Agency (ARPA) in the United States Department of Defense.<sup>52</sup> The ARPA network used standard protocols for communicating with other computers on the network. These standards have been classified together as the TCP/IP<sup>53</sup> protocol, which is still the underlying protocol used today.<sup>54</sup> Most computers on the Internet act as either a bulletin board system ("BBS")<sup>55</sup> for posting messages and information, or as an advanced database providing interactive communications with anyone who accesses that computer.

Quickly becoming the most popular mode of accessing the NII is the World Wide Web ("WEB").<sup>56</sup> "The World Wide Web is a hypertext based information service. It provides access to multimedia and complex documents and databases."<sup>57</sup> The WEB provides a graphical interface for accessing the Internet. Text, illustrations, sounds, and videos may all be accessed through the WEB.<sup>58</sup> The WEB presents a challenge to copyright law because each illustration, text, or sound may be dynamically linked to other servers on the NII even though

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<sup>51</sup>Shah, *supra* note 50; *see also* DICTIONARY, *supra* note 13, at 143.

<sup>52</sup>Shah, *supra* note 50.

<sup>53</sup>TCP/IP is an acronym for *Transfer Control Protocol/Internet Protocol*, which is a group of protocols for network communications routing and data transfer developed for the Internet. It is the accepted standard for UNIX-based operating systems and for the Internet. DICTIONARY, *supra* note 13, at 274.

<sup>54</sup>Shah, *supra* note 50.

Every computer that is technically in the Internet has an IP address which means it must communicate with other systems using TCP/IP. *See generally* *Id.*

Currently, the Internet is estimated to have about 20 million users and the growth rate is predicted to be approximately 10% every month. *Id.*

<sup>55</sup>A bulletin board system ("BBS") is an electronic communication system that allows users to leave messages, review messages, play games, and upload and download software. A BBS may be accessed either through private call-in access or through the Internet if the BBS provides a connection. *See* DICTIONARY, *supra* note 13, at 31; *see also* *Sega Enters., Ltd. v. Maphia*, 857 F. Supp. 679, 683 (N.D. Cal. 1994).

<sup>56</sup>The World Wide Web is commonly referred to as the WEB or the WWW.

<sup>57</sup>Shah, *supra* note 50; *see also* DICTIONARY, *supra* note 13, at 303.

Hypertext is a format for presenting text that is cross-referenced through hyperlinks to other text, graphics, sound, or video. DICTIONARY, *supra* note 13, at 135. *Hypertext markup language* is the computer language used on the WEB to format text and provide links between resources. *Id.* at 134. *Http* is an acronym for *hypertext transfer protocol* which is used on the WEB to govern the transfer of data. *Id.*

<sup>58</sup>Shah, *supra* note 50.

they *appear* to be originating from the server the user is accessing.<sup>59</sup> Dynamic links on a WEB page could be used to display, copy, distribute, or perform works elsewhere on the Internet without the copyright owner's knowledge.<sup>60</sup>

#### IV. NII COPYRIGHT CASES LEADING UP TO THE WHITE PAPER

The White Paper relies primarily on three recent decisions relating to copyright infringement of digital works.

The first decision, *MAI Systems Corp. v. Peak Computer, Inc.*,<sup>61</sup> was rendered in 1992. This case is significant because of its holding in regard to copying information into a computer's RAM.<sup>62</sup> MAI Systems Corp. ("MAI") was a manufacturer of computer equipment and the software to run the equipment.<sup>63</sup> Peak Computer ("Peak") was a company that maintained computer systems for its clients. More than fifty percent of Peak's business consisted of maintaining systems manufactured by MAI.<sup>64</sup> When computers manufactured by MAI needed repair, it was customary for Peak to load the MAI system software, supplied with the computer purchased by Peak's client, into the computer's RAM.<sup>65</sup> MAI contended that when Peak loaded the copyrighted software into the computer's RAM, Peak made copies in contravention of MAI's license agreement which did not allow the copying of its software by third parties such as Peak.<sup>66</sup>

The Ninth Circuit held that the "loading of copyrighted computer software from a storage medium (hard disk, floppy disk, or read only [sic] memory) into the memory of a central processing unit ('CPU') causes a copy to be made."<sup>67</sup>

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<sup>59</sup>Simply by *clicking* on a link, a user can access a completely different server that is providing related information. In some cases, the actual illustrations that appear on the user's computer screen appear as if they came from the primary site being accessed.

<sup>60</sup>For instance, in the recently decided *Religious Tech. Ctr. v. Netcom On-line Communication Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995), access to the bulletin board system that contained the published and unpublished works of the founder of the Church of Scientology could have been obtained through a direct link on any computer having a WEB page on the NII.

<sup>61</sup>*MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993), *cert. dismissed*, 510 U.S. 1033 (1994).

<sup>62</sup>RAM is an acronym for *random-access memory*, the main memory of a computer. RAM is the volatile memory on a computer used to temporarily store information for extremely fast access. *DICTIONARY*, *supra* note 13, at 234-35.

<sup>63</sup>*MAI Systems Corp.*, 991 F.2d at 513.

<sup>64</sup>*Id.* MAI was also in the business of servicing its own equipment. This action arose after several of MAI's employees left to be employed by Peak. With them, the employee's brought some clients to Peak who had been serviced by MAI. *Id.*

<sup>65</sup>*Id.* at 517.

<sup>66</sup>*Id.*

<sup>67</sup>*MAI Systems Corp.*, 991 F.2d 511, 518 (9th Cir. 1993), *cert. denied*, 510 U.S. 1033 (1994).

Copies made into a computer's RAM are sufficiently fixed to qualify as a copy under the Copyright Act.<sup>68</sup>

The second case of importance is *Playboy Enterprises, Inc. v. Frena*.<sup>69</sup> Defendant Frena operated a subscription bulletin board service (BBS) which was available to subscribers through telephone access.<sup>70</sup> Once logged onto Frena's BBS, subscribers could view or download any of 170 computerized photographs which were copyrighted by Playboy Enterprises ("Playboy").<sup>71</sup> The photographs were uploaded by Frena's subscribers to the BBS.<sup>72</sup>

The district court held that because Frena supplied the product containing the copyrighted works, he was liable for the public display and distribution of the photographs in violation of Playboy's copyright.<sup>73</sup> The court determined that it was inconsequential that Frena did not make the copies himself.<sup>74</sup>

Frena defended that the maintaining of copies of the photographs on his BBS should qualify as a fair use.<sup>75</sup> When the court balanced the four factors used to evaluate whether the posting of the photographs qualified as a fair use,<sup>76</sup> it found that Frena's use did not qualify.<sup>77</sup> Because Frena's bulletin board was *for profit*, the court concluded that there was a presumption that the use was for a commercial purpose.<sup>78</sup> The entertainment aspect of the photographs and the fact that the taking required the photographs be used in their entirety, both weighed against Frena.<sup>79</sup> Most important, however, was the court's finding that if there is unrestricted widespread distribution through the NII, there would be a substantial adverse impact on Playboy's market for the photographs.<sup>80</sup> Important to the court was not the limited scope of Frena's BBS, but the potential harm in the aggregate if the use was permitted.<sup>81</sup>

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<sup>68</sup>*Id.* at 519. This holding might be extended to mean that since a WEB page must be loaded into the accessing computer's RAM to be viewed, a copy would be made. WHITE PAPER, *supra* note 2, at 65.

<sup>69</sup>*Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993).

<sup>70</sup>*Id.* at 1554.

<sup>71</sup>*Id.*

<sup>72</sup>*Id.*

<sup>73</sup>*Id.* at 1556-57.

<sup>74</sup>*Playboy Enters., Inc.*, 839 F. Supp. at 1556.

<sup>75</sup>*Id.* at 1557; *see supra* part II.B.

<sup>76</sup>17 U.S.C. § 107.

<sup>77</sup>*Playboy Enters., Inc.*, 839 F. Supp. at 1556.

<sup>78</sup>*Id.* at 1558. The court relied on *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985) (holding that every commercial use is presumptively an unfair exploitation of the copyright).

<sup>79</sup>*Playboy Enters., Inc.*, 839 F. Supp. at 1558.

<sup>80</sup>*Id.*

The third principal case involving the copyright protection of digital works is *Sega Enterprises Ltd. v. Maphia*.<sup>82</sup> Sega Enterprises ("Sega") makes video games which it distributes on read-only memory cartridges that could be accessed by game machines also manufactured by Sega.<sup>83</sup> Maphia operated a computer bulletin board that was linked to a system of other bulletin boards.<sup>84</sup> Maphia encouraged his subscribers to upload entire Sega games to his bulletin board system and then sometimes would charge a fee, or would barter, for their download to other subscribers.<sup>85</sup> To copy the games, Maphia sold an electronic duplicator so that subscribers could copy the games and upload them to the bulletin board.<sup>86</sup> Among other things, Sega claimed that Maphia's actions were in violation of its copyright.<sup>87</sup>

The *Sega* court concluded that Maphia's actions constituted contributory infringement because he induced, caused, or materially contributed to the infringing conduct of another.<sup>88</sup> The copying of the computer programs was a *prima facie* infringement of Sega's copyright.<sup>89</sup> Similar to the *Playboy* decision, the court in *Sega* found that there was not a fair use defense because of the commercial nature of the bulletin board and the likelihood of market harm, should such use become widespread on the NII.<sup>90</sup>

#### V. THE WHITE PAPER'S RECOMMENDATIONS

The recommendations of the Working Group fall within six broad categories:<sup>91</sup> (1) the transmission of copies and phonorecords; (2) public performance right for sound recordings; (3) library exemptions; (4) reproduction for the visually impaired; (5) criminal offenses; and (6) technological protection and copyright management information.<sup>92</sup> Each of these broad areas is discussed and explained in detail, usually with only minor

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<sup>81</sup>*Id.* at 1559.

<sup>82</sup>*Sega Enters., Ltd. v. Maphia*, 857 F. Supp. 679 (N.D. Cal. 1994).

<sup>83</sup>*Id.* at 682.

<sup>84</sup>*Id.* at 682-83.

<sup>85</sup>*Id.* at 683.

<sup>86</sup>*Id.* at 685.

<sup>87</sup>*Sega Enters., Ltd.*, 857 F. Supp. 679, 681 (N.D. Cal. 1994).

<sup>88</sup>*Id.* at 688 (citing *Casella v. Morris*, 820 F.2d 362, 365 (11th Cir. 1987)).

<sup>89</sup>*Id.* (citing *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518 (9th Cir. 1993), *cert. dismissed*, 510 U.S. 1033 (1994)).

<sup>90</sup>*Id.* at 688.

<sup>91</sup>The premise of the White Paper is that the Copyright Act is fundamentally sound and only needs to be modified to adapt to the new demands created by the widespread use of the NII. WHITE PAPER, *supra* note 2, at 17.

<sup>92</sup>Actually, technological protection and copyright management information are discussed separately in the White Paper, but because they strive for a similar legal

changes recommended. A significant exception is the recommendation for the creation of a new Chapter of the Copyright Act for technological protection. At the end of the discussion, the Working Group proposed model legislation to implement its recommendations.<sup>93</sup>

#### *A. The Transmission of Copies and Phonorecords*

The first set of recommendations is probably the least controversial<sup>94</sup> and is intended primarily to recognize that works that are transmitted over the NII should be afforded copyright protection. The Working Group suggests that the Copyright Act be amended "to expressly recognize that copies or phonorecords of works can be distributed to the public by transmission, and that such transmissions fall within the exclusive distribution of the copyright owner."<sup>95</sup> To accomplish its goal, the Working Group recommended the changing of two key definitions; *transmit* and *publication*.

The word *transmit* is to be amended to include the definition of a transmission of a reproduction.<sup>96</sup> The current Copyright Act only defines what it means to transmit a performance or display.<sup>97</sup> It does not recognize distribution over the NII, and the proposed amendment is intended to correct

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purpose, this Note discusses them together. See *Id.* at 230, 235.

<sup>93</sup>A sample bill is reproduced both in amendment and statutory mark-up form. See *Id.* at app. 1 (Amending Title 17 of the United States Code).

Both the United States House of Representatives and the Senate have introduced bills that are substantially similar to that recommended in the White Paper: H.R. 2441, 104th Cong., 1st Sess. (1995); S. 1284, 104th Cong., 1st Sess (1995). Both bills and the recommended legislation in the White Paper contain the same format and sections. Therefore, a cite to a section in the White Paper's model legislation will parallel that in H.R. 2441 and S. 1284. Note that since the 104th Congress has ended, these bills are effectively dead and will have to be reintroduced by the 105th Congress, thus leaving open the possibility that their content may differ from that recommended in the White Paper. Only citation to the White Paper's recommended Bill will be made in this Note to limit confusion.

<sup>94</sup>Literary comment and congressional testimony generally support the purpose of the Working Group's changes and the definitional amendments are well supported. For example, the U.S. Copyright Office, which offered criticisms for all other areas of the recommendations, stated their approval to the Working Group's recommendations for amending the definitions. "The Copyright Office supports all of these [definitional] amendments in their entirety. In our view, they represent a helpful clarification of existing law at the time of rapid technological change." *Hearings, supra* note 9, at 44 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

<sup>95</sup>WHITE PAPER, *supra* note 2, at 213.

<sup>96</sup>*Id.* at 217. The proposed legislation changes the current definition of *transmit* by adding at the end of the definition, "To *transmit* a reproduction is to distribute it by any device or process whereby a copy or phonorecord of the work is fixed beyond the place from which it was sent." WHITE PAPER, *supra* note 2, at app. 1 § 1(b)(2).

<sup>97</sup>17 U.S.C. § 101.

this shortcoming. Since the courts are already using the term *transmit* as a means of describing distribution on the NII,<sup>98</sup> the Working Group's recommended change to the word *transmit* will serve to clarify its meaning for future adjudication.

The definitional change to *publication*<sup>99</sup> follows naturally from the recognition that works can be transmitted across the NII. Under current copyright law, there is a question as to whether the display of copyrighted material on the NII is actually a publication, because, while millions of people may view a work, it may not actually change hands, which is a basis of publication.<sup>100</sup> "Thus, a work that is only displayed or performed via the NII would not be considered published . . . because a material object — a copy of the work — does not change hands."<sup>101</sup> For instance, when viewing a WEB page,<sup>102</sup> a copyrighted work may be displayed without actually being transferred into the permanent storage of the accessing computer.

To accommodate this discrepancy, the Working Group recommended that the definition of *publication* be amended to recognize that a work may be published through the distribution of copies to the public by transmission.<sup>103</sup> Again, the definitional amendment of publication seems appropriate because it reflects the definitional standards currently being used by the courts.<sup>104</sup>

Even though these definitional changes are largely uncontroversial, they do fall short in one regard. There is a question as to when a transmission would implicate the right to public performance as well as reproduction.<sup>105</sup> For instance, in *Playboy Enterprises, Inc. v. Frena*<sup>106</sup> the court held that storage on the defendant's system of infringing copies and the retransmission to other servers

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<sup>98</sup>See generally *Religious Tech. Ctr. v. Netcom On-line Communication Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995).

<sup>99</sup>The proposed legislation suggests the current law be amended by striking "or by rental, lease, or lending" in the first sentence and insert "by rental, lease, or lending, or by transmission" WHITE PAPER, *supra* note 2, at app. 1 § 1(b)(1).

<sup>100</sup>*Id.* at 218.

<sup>101</sup>*Id.*

<sup>102</sup>See *supra*, at part III (discussion of the World Wide Web).

<sup>103</sup>WHITE PAPER, *supra* note 2, at 219; see *Id.* at app. 1 § 2(b)(1).

<sup>104</sup>See generally *Religious Tech. Ctr. v. Netcom On-line Communication Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995).

Further, the Working Group recognized that because the NII is a world-wide network, the Copyright Act must clearly set forth those works which are imported into the United States via the NII which would be subject to United States' copyright laws. It, therefore, recommended that the import provisions of the Copyright Act be amended to recognize that importation may be by transmission. WHITE PAPER, *supra* note 2, at 221; see *Id.* at App. 1 § 2(c).

<sup>105</sup>See *Hearings*, *supra* note 9, at 46 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

<sup>106</sup>*Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993).

was not a direct violation of the right to reproduce a work, but was a violation of the copyright holder's distribution right.<sup>107</sup> However, because of the technological requirement that to display the work, it must necessarily be stored in the user's computer RAM<sup>108</sup> or on his or her hard drive, a copy is also being sent and, therefore, has in essence been copied.<sup>109</sup> Thus, the work could be actually copied, distributed, and publicly performed from one viewing of a transmission. Distinguishing between public performance and copying might present problems for both licensing and in determining which of the copyright holder's exclusive rights are actually implicated and to what extent.<sup>110</sup>

### *B. Public Performance Right for Sound Recordings*

Sound recordings can be sent digitally across the NII and even listened to through the NII. In a typical situation, a person could connect to a World Wide Web site and download a song or sample of a sound that could then be played through the user's sound-capable computer.<sup>111</sup> The Working Group recognized that transmission of sound recording over the NII may be an important compliment to current forms of distribution for phonorecords and may, in fact, replace some existing forms.<sup>112</sup> The White Paper, therefore, recommends a change in the definition of *transmit* to include the transmitting of phonorecords.<sup>113</sup>

Sound recordings, however, stand on a different ground than other copyrighted works because the author does not generally exercise a right to public performance.<sup>114</sup> This anomaly in the law is generally accepted by the recording artists because of the *free advertising* artists receive when their phonorecords are publicly played.<sup>115</sup> The Working Group believes that there is an inequity in copyright law created by this anomaly and that "the copyright owners of sound recordings should be able to decide for themselves, as do all

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<sup>107</sup>*Id.* at 1557.

<sup>108</sup>See *supra* note 62 (definition of RAM).

<sup>109</sup>See *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993), *cert. dismissed*, 510 U.S. 1033 (1994).

<sup>110</sup>See *Hearings*, *supra* note 9, at 46 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

<sup>111</sup>A good example of a WEB site that performs music is maintained by the Rock & Roll Hall of Fame & Museum in Cleveland, Ohio. It can be accessed at *Rock & Roll Hall of Fame and Museum* (visited Oct. 6, 1996) <<http://www.rockhall.com>> (modified daily).

<sup>112</sup>WHITE PAPER, *supra* note 2, at 221.

<sup>113</sup>See *Id.* at app. 1 § 2(b)(2).

<sup>114</sup>*Id.* at 224-225. This anomaly in the law is not actually in the Code itself. Technically sound recording artists are afforded the same exclusive public performance rights granted in Section 106(4) as all other copyright holders. However, the common practice is that such display rights are not enforced. See 17 U.S.C. § 106.

<sup>115</sup>WHITE PAPER, *supra* note 2, at 224-225.



other copyright owners, if 'free advertising' is sufficient compensation for the use of their works."<sup>116</sup>

The Working Group's call for performance rights to be afforded to the creators of sound recordings in the same manner as they are to all other copyright holders is consistent with the current state of technology. Because the transmission is in digital form, the user who is accessing the digital recording not only receives the performance, but also a copy of the actual work. With the millions of users on the NII, a work could conceivably be distributed digitally an unlimited number of times. Having sounds transmitted over the NII means that display rights necessarily go hand in hand with distribution rights. To date, there appear to be no cases involving infringement of the distribution right of sound recordings over the NII that were not specifically stored for downloading.<sup>117</sup> However, as technology continues to increase so that users can easily and inexpensively convert digital recordings to more transportable media, such as cassette tapes, issues may arise not only as to whether an artist's display rights are being violated, but also as to whether his or her distribution right is also violated.

### C. Library Exemptions

The White Paper proposes to expand the library exemption set forth in Section 108<sup>118</sup> of the Copyright Act to accommodate digital copies that might be kept in a library's digital holdings.<sup>119</sup> The proposed recommendations would permit libraries to maintain three digital copies<sup>120</sup> of a work for the purpose of preservation and/or replacement of a published work. The present library exemption limits the making of copies for archival purposes to facsimile reproductions.<sup>121</sup> Thus, in the most basic form, the Working Group's recommendation to expand Section 108 is consistent with the Section's purpose of allowing libraries special exemptions to save and to preserve the original published work.<sup>122</sup>

There is some question, however, as to whether allowing three copies is appropriate.<sup>123</sup> Currently, even though there is a statutory limit of one copy,

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<sup>116</sup>*Id.* at 224.

<sup>117</sup>*Compare* Frank Music Corp. v. CompuServe Inc., No. 93 Civ. 8153 (S.D.N.Y. filed Nov. 29, 1993) (class action settlement); *see infra* part VI.A.

<sup>118</sup>17 U.S.C. § 108 (1996).

<sup>119</sup>WHITE PAPER, *supra* note 2, at 226-27.

<sup>120</sup>The current law only allows for the maintenance of no more than one copy or phonorecord at a time. 17 U.S.C. § 108.

<sup>121</sup>*Id.*

<sup>122</sup>*Id.*

<sup>123</sup>*Hearings*, *supra* note 9, at 47-48 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

the practice among libraries is to make three copies for archival purposes: one copy is made available to the public; one copy is a back-up copy; and the third is the *doomsday* copy stored in an off-site, secure location.<sup>124</sup> Presumably, the same process would be required for proper archival of digital works.

The Working Group recognizes the need to store more than one copy, especially when considering the potential volatility of digital recordings. Their amendment, however, increases the exemption for both digital and non-digital works.<sup>125</sup> While the proposed amendment codifies industry practice, it may in fact result in libraries increasing their copying for archival purposes. Thus, the proposed amendment might better serve its purpose if it is changed to apply expressly to digital copies.<sup>126</sup>

Additionally, the Working Group recommends that libraries be permitted to omit the notice of copyright if that notice does not appear on the copy or phonorecord reproduced.<sup>127</sup> This change is intended to reflect the recent changes in the Copyright Act that do not require that works give notice of their copyright protection.<sup>128</sup> This amendment is not needed because of the recent technological advances brought on by the NII, but instead brings consistency to the Copyright Act. Yet, if made into law, whether it is meant to apply exclusively to digital works should be clarified.

#### *D. Reproduction for the Visually Impaired*

The Working Group proposes an amendment to the Copyright Act that would create a new Section 108(A) for the purpose of taking advantage of the benefits new digital technology could offer to the visually impaired.<sup>129</sup> The

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<sup>124</sup>*Id.*

<sup>125</sup>The proposed legislation amends the number of copies permitted within the library exemption by deleting "one copy or phonorecord" and inserting in lieu thereof "three copies or phonorecords." WHITE PAPER, *supra* note 2, at app. 1 § 3(a)(1).

<sup>126</sup>There appears to be some fear of disturbing the current practice among libraries and it is thought to be advisable that the changes be expressly limited to digital copying, which is the purpose and subject of the amendments. See *Hearings*, *supra* note 9, at 47-48 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

<sup>127</sup>WHITE PAPER, *supra* note 2, at 227.

<sup>128</sup>See 17 U.S.C. § 401.

<sup>129</sup>The NII offers real opportunities to many visually impaired people to participate in learning, communication and discourse to a greater extent than when only conventional modes of communication are available. With the aid of software and computer equipment that is widely available, people now have the capacity to view text on CD-ROM on screen in a "large-type" format even if the publisher did not include such a feature, but the publication and distribution of large-type editions remains very important. To ensure fair access to all manner of printed materials, it is necessary to amend the copyright law. WHITE PAPER, *supra* note 2, at 227.

proposed Section 108(A) provides an exemption for the *visually impaired* by allowing non-profit organizations to reproduce and distribute, at a reasonable cost, "a Braille, large type, audio or other edition of a previously published literary work in a form intended to be perceived by the visually impaired" if the copyright owner has not entered into the market for such editions within one year after the work's first publication.<sup>130</sup> While this exemption may seem well intentioned and reasonable on its face, it is not very well thought-out.

There are several questions raised by the proposed legislation. First, the proposed amendment does not clearly grant access to digitized versions of works. Where the Working Group has gone to exhaustive lengths to include the ability to transmit works in digitized form in the definitions,<sup>131</sup> it is surprisingly left out here.<sup>132</sup>

Second, the use of the term *visually impaired* is inconsistent with other federal laws providing access to works for this audience, as well as Section 710 of the Copyright Act, which utilizes the term *blind and physically handicapped* to define the class eligible for benefits.<sup>133</sup> The White Paper's inconsistent terminology will only cause confusion.

Third, the one year waiting period<sup>134</sup> may severely lessen the value of the exemption. Blind and physically handicapped readers have the same interest in obtaining prompt and timely publications as do non-handicapped individuals.

Fourth, currently, none of the major government and non-profit producers of alternative versions for the blind and physically handicapped readers prepares materials in large print.<sup>135</sup> There is a growing commercial market for

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<sup>130</sup>The proposed Section 108A, "Limitations on Exclusive Rights: Reproduction for the Visually Impaired," states as follows:

Notwithstanding the provision of section 106, it is not an infringement of copyright for a non-profit organization to reproduce and distribute to the visually impaired, at cost, a Braille, large type, audio or other edition of a previously published literary work in a form intended to be perceived by the visually impaired, provided that, during a period of at least one year after the first publication of a standard edition of such work in the United States, the owner of the exclusive right to distribute such work in the United States has not entered the market for editions intended to be perceived by the visually impaired.

WHITE PAPER, *supra* note 2, at app. 1 § 3(b).

<sup>131</sup>The definitional changes intend to clarify that digital works transmitted over the NII are afforded copyright protection. The White Paper is inconsistent in not expressly including works transmitted in digital form. See *supra* note 130 (proposed amendment for the visually impaired).

<sup>132</sup>*Id.*

<sup>133</sup>See 17 U.S.C. § 710 (1996).

<sup>134</sup>See *supra* note 130 (proposed amendment for the visually impaired).

<sup>135</sup>*Hearings, supra* note 9, at 50 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

the production of such works, which are enjoyed by a large cross-section of readers, both handicapped and non-handicapped.<sup>136</sup> The inclusion of only non-profit groups seems inappropriate.

Fifth, the amendment does not clarify what types of organizations should be counted as *non-profit*.<sup>137</sup> Currently, more than 95% of the reading materials produced for the blind and physically handicapped are produced by the government.<sup>138</sup> Under the proposed amendment, however, they may not be included as a *non-profit* organization. The Working Group should have either included the United States Government expressly or by definition.<sup>139</sup>

The proposed amendment seems to be inadequate and inconsistent with the general thoroughness displayed elsewhere in the White Paper. The only possible explanation for this section is found in a footnote<sup>140</sup> which indicates that the visually impaired were the only users with a disability who provided comments or testimony concerning a need for a narrow exemption. With this in mind, it appears that the Working Group has simply attempted to appease a limited group of individuals who *spoke up*. The result is an amendment that raises more questions than it answers, including the question of how well the report was researched.

### *E. Criminal Offenses*

There is a gap in the Copyright Act's ability to reach criminal offenders. To be criminally liable, one must infringe "a copyright willfully and for purposes of commercial advantage or private financial gain."<sup>141</sup> The gap in the current statute is that an offender may willfully infringe upon a copyright, even to a large scale, destroying any commercial market for a copyrighted work, and not incur any criminal liability if he or she does not do it for a commercial advantage. This situation occurred in the context of the NII in the case of *United States v. LaMacchia*.<sup>142</sup>

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<sup>136</sup>*Id.*

<sup>137</sup>See *supra* note 130 (proposed amendment for the visually impaired).

<sup>138</sup>Hearings, *supra* note 9, at 50 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

<sup>139</sup>See *Id.*

<sup>140</sup>In a footnote, the White Paper stated:

The visually impaired were the only users with a disability who provided comments or testimony concerning a need for a narrow exemption to ensure the availability of literary works in a usable form. By its recommendation of such an exemption for the visually impaired, the Working Group does not intend to dismiss the possibility that other disabled users may have needs of which it has not been made aware and, therefore, has not considered.

WHITE PAPER, *supra* note 2, at 228, n. 562.

<sup>141</sup>17 U.S.C. § 506(A).

<sup>142</sup>*United States v. LaMacchia*, 871 F. Supp. 535 (D. Mass. 1994).

In *LaMacchia*, a twenty-one year old student at the Massachusetts Institute of Technology ("MIT") who was an alleged computer *hacker*, used MIT's computer network to gain entrance to the Internet. LaMacchia used pseudonyms and an encrypted address to set up an electronic bulletin board. He then encouraged his correspondents on the Internet to upload popular copyrighted software applications, which he transferred to a second BBS<sup>143</sup> for downloading. LaMacchia successfully set up an international-scale copying and distribution system for commercially distributed and copyrighted software.<sup>144</sup> His scheme allegedly caused losses in excess of one million dollars for the copyright holders.<sup>145</sup> Unfortunately, because LaMacchia could not be shown to have sought personally to profit from the scheme to defraud, he was not convicted under the wire fraud statute<sup>146</sup> nor under the Copyright Act.

In the White Paper, the Working Group embraced a comment by the court in *LaMacchia* that criminal and civil liability should attach to multiple infringements absent a commercial motive.<sup>147</sup> The *LaMacchia* court, however, refused to attach such liability concluding that there is a substantial case history in which the courts have looked to Congress to mandate the copyright laws.<sup>148</sup> From the *LaMacchia* court's comment, the Working Group sought to institute a recommendation that criminal liability should attach to willful copyright violation even absent a commercial purpose.<sup>149</sup>

What the Working Group did not comment on was a different suggestion by the *LaMacchia* court. The court commented that expansion of criminal liability

would serve to criminalize the conduct of not only persons like LaMacchia, but also the myriad of home computer users who succumb

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<sup>143</sup>See *supra* note 55 (definition of a BBS).

<sup>144</sup>*LaMacchia*, 871 F. Supp. at 536.

<sup>145</sup>*Id.* at 537.

<sup>146</sup>*Id.* at 542.

Potential liability existed for non-disclosure, but since no fiduciary duty existed between LaMacchia and copyright holders, no independent statutory duty of disclosure existed. *Id.*

<sup>147</sup>WHITE PAPER, *supra* note 2, at 229.

Criminal as well as civil penalties should probably attach to willful, multiple infringements of copyrighted software even absent a commercial motive on the part of the infringer. One could envision ways that the copyright law could be modified to permit such prosecution. But, "[i]t is the legislature, not the Court which is to define a crime, and ordain its punishment."

*LaMacchia*, 871 F. Supp. at 545 (citing *Dowling v. United States*, 473 U.S. 207, 214 (1985)).

<sup>148</sup>*Id.* at 543-545.

<sup>149</sup>WHITE PAPER, *supra* note 2, at 229.

The Working Group generally supports the amendments to the copyright law and criminal law which sets out sanctions for criminal liability as set forth in Senate Bill 1122, introduced in the 104th Congress by Senators Leahy and Feingold. *Id.*; see S. 1122, 104th Cong., 1st Sess. (1995).

to the temptation to copy even a single software program for private use. It is not clear that making criminals of a large number of consumers of computer software is a result that even the software industry would consider desirable.<sup>150</sup>

A general fear exists that tighter copyright laws and a stricter interpretation of fair use will criminalize the daily activities of everyone who uses the Internet to send their electronic messages.<sup>151</sup> The underlying premise is that most users will be unable, or at least unwilling, to scrutinize their electronic messages for infringing materials. Indeed, enforcement of the *letter of the law* as proposed in the White Paper might succeed in criminalizing such behavior. The question lies, however, in how the Working Group's proposal of a \$5,000 minimum retail value for criminal liability would be imposed.<sup>152</sup>

To answer the fear of criminalizing what is commonly seen as normal behavior, there are at least two solutions, one of which may have been effectively provided for by the White Paper's proposal of a \$5,000 minimum. The first possibility can only be acted upon by Congress. Instead of simply having the willfulness requirement applied to every case of copyright infringement, the statute should have a section for *willfulness without commercial intent* as a crime that requires a certain minimum distribution, or having a *substantial*<sup>153</sup> economic harm. Then, the substantial economic harm could be defined as having a minimum threshold of \$5,000.

The purpose of including a separate section for willfulness without criminal intent is that it leaves the possibility that criminal liability could be imposed as it would be under the current law. In other words, if the infringement is willful and for a commercial purpose, criminal liability would be imposed independent of the actual economic damage, even if less than \$5,000.<sup>154</sup> The purpose of this distinction is that there are instances where the entire commercial market is less than an arbitrary, unchanging amount of \$5,000. For example, in a setting where the copyrighted work is for a limited audience,<sup>155</sup>

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<sup>150</sup>*LaMacchia*, 871 F. Supp. at 544.

<sup>151</sup>"I was appalled to discover that my attaching a small electronic copy of an article to a memo and sending it to a friend is considered some sort of evil deed and new, tight copyright laws will make that illegal — a terror that must be stopped. Horror of horrors!" John C. Dvorak, *Are You an Electronic Criminal?*, PC MAGAZINE, Oct. 25, 1994, at 93.

<sup>152</sup>WHITE PAPER, *supra* note 2, at 229.

<sup>153</sup>The prosecution should have to demonstrate that the copyright holder's potential commercial harm is materially affected. Unfortunately, the interpretation of a material harm would be left to the determination of the courts much in the same way it determines the fourth factor of fair use. *See supra* part II.B.

<sup>154</sup>If there were intent to take commercial advantage of a copyrighted work, the infringer would be criminally liable independent of the commercial damage already done.

<sup>155</sup>A commonly encountered example of a limited audience would be found in an academic environment. A writing that might have limited value to a specific academic community (or even something as simple as a T-shirt), could be completely infringed

the law would protect against the taking of the entire market while supporting the incentive to create *useful arts* for the smaller market.<sup>156</sup>

The setting of an arbitrary minimum does not promote the constitutional purpose of copyright law in protecting useful arts at all levels because there could be material infringement causing damages less than \$5,000. If willfulness is punished when present, but a threshold minimum is required when willfulness is absent, fears would be eased because the *innocent* act of sending electronic messages over the NII would not be criminalized. As a result, electronic messaging across the NII would still be encouraged, while at the same time the principles of copyright would be protected.

The second possibility is simply to amend fair use<sup>157</sup> by exempting the distribution of copyrighted works of a limited value for the purpose of *personal* communication. As the law of fair use now stands, it might very well allow for slight infringements such as the attaching of a copyrighted work to an electronic message for the limited purpose of passing information along to the person receiving the message.<sup>158</sup> But, without amending the law there will always be questions as to what constitutes a commercial use and what would be a substantial impairment of future market value.<sup>159</sup> Congress, therefore, could eliminate the potential confusion and the potential flood of court cases by setting forth what is acceptable in electronic messaging.<sup>160</sup> By limiting the number of recipients and the scope of the taking, copyright law would spell out what is acceptable behavior in the NII. With the use of the NII surpassing 20 million users in the United States alone,<sup>161</sup> an amendment to fair use specifically setting forth the allowance for electronic messaging on the NII would be appropriate.

#### *F. Technological Protection and Copyright Management Information*

The primary purpose of the Working Group's last two recommendations is to promote the publication of copyrighted information on the NII by giving the

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with an amount less than \$5,000 because of the limited market for the work.

<sup>156</sup>The underlying purpose of copyright law is to encourage the useful arts which is stated in the Constitution. U.S. CONST., art. I, § 8, cl. 8. If the basis of criminal law is to punish the intent, i.e., *mens rea*, then attaching criminal liability for the criminal intent is consistent with criminal law principles and would serve to encourage the purpose expressed in the Constitution of protecting the useful arts at all economic levels. *Id.*

<sup>157</sup>See 17 U.S.C. § 107.

<sup>158</sup>The lack of a commercial nature and impairment of the potential commercial market would likely classify such a communication as fair use. See 17 U.S.C. § 107; *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

<sup>159</sup>17 U.S.C. § 107.

<sup>160</sup>A fifth standard of fair use could be added exempting limited electronic messaging. See *Id.*

<sup>161</sup>Shah, *supra* note 50.

copyright holder adequate protection against infringement.<sup>162</sup> To accomplish this goal, the Working Group proposes the addition of a Chapter 12 to the Copyright Act which would be composed of two sections. The first section would prohibit technology that could be used to bypass any encryption or other technology used to protect the copyrighted work, and the second section would prohibit the disturbance or alteration of copyright management information<sup>163</sup> associated with the copyrighted work.<sup>164</sup> The result of reading these two provisions together is that the copyright holder is offered protection under the Copyright Act and may control access to his or her copyrighted work on the NII. The underlying purpose of the revisions is to make copyright information easily available to users of the work to discourage copyright violation due to an inability to discover the protection of the work.<sup>165</sup>

The first area of legislation builds off the basic assumption that technological means of protecting copyright will be used to prevent unwanted access to the author's work.<sup>166</sup> The Working Group concluded that effective protection of copyright on the NII will have to be accomplished by a combination of both law and technology.<sup>167</sup> Technological protection is needed to meet the challenges presented in the digital environment by the ease, speed, and accuracy of copying at multiple, anonymous locations.<sup>168</sup>

The recommendation essentially prohibits the use of any technology whose "primary purpose 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 violation of any

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<sup>162</sup>WHITE PAPER, *supra* note 2, at 230, 235.

<sup>163</sup>The White Paper defines *copyright management information* as:

Under the proposed amendment, copyright management information is defined as the name and other identifying information of the author of a work, the name and other identifying information of the copyright owner, terms and conditions for uses of the work, and such other information as the Register of Copyrights may prescribe by regulation — to provide adequate flexibility in the future.

WHITE PAPER, *supra* note 2, at 235.

<sup>164</sup>*See Id.* at app. 1 § 4 (amending Title 17 of United States Code by adding Chapters 1201-1204) (for ease of reference, citations to chapters 1201-1204 of § 4 of the bill will be cited to the individual proposed chapter instead of the broad section head).

<sup>165</sup>"If obtaining [copyrighted] information is difficult, people are more likely to forego the NII's benefits or resort to unauthorized uses." *Hearings, supra* note 9, at 52 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

<sup>166</sup>*See* WHITE PAPER, *supra* note 2, at 230.

<sup>167</sup>*Id.*

<sup>168</sup>*Hearings, supra* note 9, at 51 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).



of the exclusive rights under Section 106."<sup>169</sup> Such protection is not unprecedented under the Copyright Act. The Copyright Act already protects sound recordings and musical works by prohibiting the circumvention of any digital protection inhibiting the making of copies.<sup>170</sup> The extension, thus, is a logical one for works that can be digitally altered, such as those available on the NII. The primary difficulty with this legislation is the question of what should be considered the *primary purpose* of the device.

The Supreme Court has already set a precedent by holding that works that might have the ability to infringe upon the exclusive rights of copyright holders may be imported and sold in the United States if the primary purpose is for non-infringing, legitimate purposes.<sup>171</sup> Additionally, the Working Group noted that liability will not be imposed if an individual uses technology to circumvent digital copyright protection if it is permitted at law.<sup>172</sup> Further, questions arise as to what should result when a work is in the public domain or can be legitimately used, but such use is not possible because of technological roadblocks.

There is also a question of who may bring an action for a violation of the proposed Chapter 12.<sup>173</sup> The proposed legislation states that anyone who has been injured may bring the action.<sup>174</sup> This potentially means that persons other than the copyright holder may bring the action. This could result in anyone who holds a license, or some limited use of the copyright, could bring an action in addition to the copyright holder.<sup>175</sup> Instead of one case for copyright infringement, there would be the possibility of many suits, all for the same infringement. This is most likely not desired by anyone involved and would serve to contribute to our already overcrowded court system.

With the use of technological protection also comes the problem of limiting the fair use of the work because of the inability to access the copyrighted work. The Working Group considered the argument that fair use would be impeded with the use of technological protection techniques.<sup>176</sup> It rationalized this

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<sup>169</sup>WHITE PAPER, *supra* note 2, at 230.

<sup>170</sup>17 U.S.C. § 1002.

<sup>171</sup>Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 442 (1984).

<sup>172</sup>See WHITE PAPER, *supra* note 2, at 231. For example, under the Working Group's recommendation, if the purpose of the circumvention was for a fair use, there would be no violation. *Id.*

<sup>173</sup>Hearings, *supra* note 9, at 51 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

<sup>174</sup>"Any person injured by a violation of Sec. 1201 or 1202 may bring a civil action in an appropriate United States district court for such violation." WHITE PAPER, *supra* note 2, at app. 1 § 1203.

<sup>175</sup>See Hearings, *supra* note 9, at 51 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

<sup>176</sup>WHITE PAPER, *supra* note 2, at 231-232.

compromise by noting that such a limitation is a necessary evil and that it would be acceptable for an individual to use a circumvention device because of the lawful purpose.<sup>177</sup>

If works are going to be protected through encryption or other techniques, one of the necessary compromises is that the works will be limited for other purposes. But, the Working Group does not require that some protection technique be used, it only permits it.<sup>178</sup> The courts support the principle of copyright law that the owner of a copyright has no obligation to make his work available to the public.<sup>179</sup> The copyright holder, therefore, has the same choice he or she has always had. The new encryption techniques are only being protected by the Copyright Act because they are seen by the Working Group as the only form of protecting work distributed over the NII.<sup>180</sup> Since encryption is the primary means, if not the only means, of protection, the law should support it in the same way it has done for phonorecords.<sup>181</sup>

Once the Working Group provided for the protection of works on the NII, it focused on how copyright should be identified in digital works.<sup>182</sup> To accomplish its goal, the Working Group recommends that copyright holders utilize various means of providing notice through the use of copyright management information.<sup>183</sup> The purpose of supplying such information is so that the public may gain access to, and enjoy, works while respecting the rights of authors and other owners.<sup>184</sup> Additionally, the best interest of the copyright holder demands easy access to information because without relative ease in obtaining such copyright information, people are more likely to forego the NII's benefits and resort to unauthorized uses.<sup>185</sup> Any violation or alteration of the copyright management information would result in criminal liability.<sup>186</sup>

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<sup>177</sup>*Id.*

<sup>178</sup>*Id.*

<sup>179</sup>See *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985).

<sup>180</sup>See *WHITE PAPER*, *supra* note 2, at 230-34.

<sup>181</sup>See 17 U.S.C. § 1002 (1996).

<sup>182</sup>While notice of copyright is optional under the current law, because of the potentially restrictive means for viewing and obtaining protected work through the NII, there had to be a means of easily identifying the copyright holder so that permission could be obtained. *WHITE PAPER*, *supra* note 2, at 235-36; see 17 U.S.C. § 408.

<sup>183</sup>"Copyright management information will serve as a kind of license plate for a work on the information superhighway, from which a user may obtain important information about the work." *WHITE PAPER*, *supra* note 2, at 235.

<sup>184</sup>*Id.*

<sup>185</sup>*Hearings*, *supra* note 9, at 52 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services).

To continue to make copyright information easy to access and gain permission to use the work, the U.S. Copyright Office is developing an electronic registration and recordation system with a rights management component that will allow such information to be collected and disseminated electronically. *Id.*

This final recommendation is not novel. In fact, there is considerable, and possibly even confusing, overlap with current sections of the Copyright Act. The overlap occurs with Section 506(C) which makes it unlawful for any person to, "with fraudulent intent, place on any article a notice of copyright or words of the same purport that such person knows to be false,"<sup>187</sup> or to publicly distribute or import for distribution, with fraudulent intent, "any article bearing such false notice or words."<sup>188</sup> Further, Section 506(D) imposes criminal liability on "any person who, with fraudulent intent, removes or alters any notice of copyright appearing on a copy of a copyrighted work."<sup>189</sup> These sections are generally broadened by the proposed amendments, which might be presumed to supersede current parts of Section 506.<sup>190</sup>

Because of the overlap, when Congress eventually considers the legislation, it will be faced with the question of whether to include the new proposed criminal liability sections or to simply amend the current Section 506 to include the broader applications. Of course, the alternative may also be reasonable. Repeal Section 506 and build the remaining unduplicated sections into the proposed Section 1202. The Working Group seems to have failed to examine the implications even within the scope of existing sections of the Copyright Act.

Finally, there is also an inconsistency in having a criminal penalty for violating the integrity of copyright management information without having one for circumventing copyright protection technology.<sup>191</sup> This inconsistency does not make sense when considering that the circumvention of copyright protection systems would potentially cost the copyright holder greater financial loss than simply having the notice corrupted. If the protection is circumvented, the work may be displayed, distributed and published, causing financial harm to the author, whereas altering the notice would not necessarily cause or result in copying to the author's financial disadvantage. Again, the inconsistency seems to indicate a lack of thoroughness in the proposal and will need attention by Congress to be corrected.

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<sup>186</sup>"Any person who violates section 1202 with intent to defraud shall be fined not more than \$500,000 or imprisoned for not more than 5 years, or both." WHITE PAPER, *supra* note 2, at app. 1 § 1204.

<sup>187</sup>17 U.S.C. § 106(C).

<sup>188</sup>*Id.*

<sup>189</sup>17 U.S.C. § 106(D).

<sup>190</sup>See *Hearings*, *supra* note 9, at 52 (prepared statement of Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services). Section 506, however, does go beyond the proposed section by dealing specifically with copyright notices which include the publication date and the representations made in an application for copyright. 17 U.S.C. § 506.

<sup>191</sup>The only criminal penalty existing in the proposed new Section 12 is found in Section 1204, which imposes liability only for Section 1202 violations. WHITE PAPER, *supra* note 2, at app. 1 § 1204; see *supra* note 186.

## VI. ON-LINE SERVICE PROVIDER LIABILITY - THE WHITE PAPER'S WEAKNESS

To the surprise of many, the White Paper did not introduce any recommendations for limiting on-line service provider liability.<sup>192</sup> There is little denying the importance of on-line service providers in developing the NII. Instead of recognizing the important role service providers play in providing access to the NII, the Working Group determined that there should be no special provision in the Copyright Act regarding on-line service provider liability.<sup>193</sup> The Working Group reasoned that the current law holding other similar industries<sup>194</sup> strictly liable should be applied to the on-line service provider, thus holding on-line service providers strictly liable for direct infringement.<sup>195</sup> The choice to do nothing was not what the industry sought.<sup>196</sup> On-line service providers are generally considered to be different from other service providers because of the many different types of transmissions carried on the NII.

At the time the White Paper was released, there were two copyright cases pending that involved on-line service providers.<sup>197</sup> Within two months after the White Paper was released, both were concluded.<sup>198</sup> Where the White Paper refused to define a more limited liability position for on-line service providers, the courts have taken on the responsibility of creating the needed definition.

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<sup>192</sup>See, WHITE PAPER, *supra* note 2, at 114-124; see also *supra* note 13 (definition of an on-line service provider).

<sup>193</sup>WHITE PAPER, *supra* note 2, at 117.

<sup>194</sup>The White Paper draws a comparison to the photo-finishing industry. Millions of photographs are taken to photo finishers each day by individual consumers. It is virtually impossible for each photo finisher to review each photo he or she develops for possible infringing or illegal material. Yet, they are held to strict liability standards. *Id.* at 116.

<sup>195</sup>"On-line service providers have a business relationship with their subscribers. They — and, perhaps, only they — are in a position to know the identity and activities of their subscribers and to stop unlawful activities. . . . Between these two relatively innocent parties, the best policy is to hold the service provider liable." *Id.* at 117.

<sup>196</sup>On-line service providers are arguing that given the volume of material that passes through their systems, it would be impossible for them to monitor each one. Even if it were possible to monitor each one, it would be difficult to determine which things were infringing or which are granted fair use. Also, the providers think that they should be considered under similar liability as the telephone service describing themselves as a conduit simply providing access to the NII. See *Id.* at 114-116.

<sup>197</sup>Frank Music Corp. v. CompuServe Inc., No. 93 Civ. 8153 (S.D.N.Y. filed Nov. 29, 1993); Religious Tech. Ctr. v. Netcom On-line Communication Servs., Inc., 907 F. Supp. 1361 (N.D. Cal. 1995) (verified first amended complaint filed March 3, 1995).

<sup>198</sup>Frank Music Corp., No. 93 Civ. 8153, was settled on November 7, 1995 and an opinion determining summary judgment and injunctive relief was reported in *Religious Tech. Ctr.*, 907 F. Supp. 1361.

*A. The Netcom Case*

In *Religious Technology Centers v. Netcom On-Line Communication Services, Inc.* ("Netcom"),<sup>199</sup> a collection of published and unpublished works of L. Ron Hubbard, the late founder of the Church of Scientology, were uploaded onto a BBS and were given access to the Internet through Netcom. The plaintiff brought an action against the uploader of the documents, Dennis Erlich ("Erlich"),<sup>200</sup> the bulletin board system of which he was a member ("BBS"), and Netcom On-line Communications Services ("Netcom"), the on-line access provider giving the BBS access to the Internet.<sup>201</sup> The infringing material was uploaded into a Usenet Newsgroup,<sup>202</sup> which was distributed to other Usenet servers throughout the world. Erlich's "initial act of posting a message to the Usenet resulted in the automatic copying of [defendant's] message from [the BBS] onto Netcom's computer and onto other computers on the Usenet."<sup>203</sup> Usenet servers maintained the postings from Newsgroups for a period of eleven days, and the BBS maintained the message for three days before deleting them from memory.<sup>204</sup>

The court noted that Netcom was not like other on-line service providers, such as CompuServe, America Online, and Prodigy in that Netcom did not create or control any content of the information available to its subscribers.<sup>205</sup> Netcom did, however, have the ability to suspend a user's access privileges when he or she violated one of Netcom's terms and conditions. When the plaintiff notified both Netcom and the BBS, neither took any action claiming that they could not shut out Erlich without shutting out all users of the BBS.<sup>206</sup> With these facts, the court faced the issue of whether "the operator of a computer bulletin board service ("BBS"), and the large Internet access provider

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<sup>199</sup>*Religious Tech. Ctr.*, 907 F. Supp. 1361.

<sup>200</sup>There is little doubt that the direct uploader of the infringing material was directly liable for copyright infringement, however, his or her liability was not a subject of the summary judgments being considered by the court. The court's discussion considers him/her directly liable. *See generally Id.* at 1372-73.

<sup>201</sup>The court did not use the term NII, and, for purposes of discussion, the meaning of the NII and the Internet should be considered synonymous.

<sup>202</sup>A Usenet Newsgroup is a vast linkage of thousands of bulletin boards that all share information that is divided into thousands of various Newsgroup categories. *Id.* at 1365, n.4. The Usenet is commonly accessed on and through the Internet. The Newsgroup categories are divided topically by interest. *DICTIONARY, supra* note 13, at 288.

<sup>203</sup>*Religious Tech. Ctr.*, 907 F. Supp. at 1367.

<sup>204</sup>*Id.*

<sup>205</sup>This distinction is relevant in the courts discussion of liability based on knowledge. Further, this distinction may be used to analyze the CompuServe settlement which will be discussed. *See infra* part VI.B.

<sup>206</sup>*Religious Tech. Ctr.*, 907 F. Supp. at 1368.

that allows that BBS to reach the Internet, should be liable for copyright infringement committed by a subscriber of the BBS."<sup>207</sup>

The court first addressed direct liability for copyright infringement. The key issue for direct infringement was whether Netcom had knowledge that the material was infringing. The court concluded that Netcom and the BBS were unaware of what their subscribers did while accessing the Internet.<sup>208</sup> The court likened Netcom's act of creating a system that automatically and uniformly created temporary copies of all data sent through it as "not unlike that of the owner of a copying machine who lets the public make copies with it."<sup>209</sup>

The *Netcom* court's decision not to hold an on-line service provider directly liable for copyright infringement appears to be contrary to the White Paper's recommendation.<sup>210</sup> The Working Group relied on *Playboy Enterprises, Inc. v. Frena*<sup>211</sup> concluding that the holding in *Playboy* was to make the BBS operator "directly liable for the display of unauthorized copies on the services, as well as the distribution of unauthorized copies to subscribers."<sup>212</sup> The White Paper saw no reason not to hold all service providers to strict liability.<sup>213</sup>

Instead, the court in *Netcom* distinguished *Playboy*, determining that while a BBS operator may be directly liable for distributing or displaying public works as in *Playboy*, "the storage on a defendant's system of infringing copies and retransmission to other servers is not a direct infringement by the BBS operator

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<sup>207</sup>*Id.* at 1365.

<sup>208</sup>*Id.* at 1372.

The court finds that Netcom acted as a conduit and generally does not exhibit knowledge of its subscribers activities. *Id.* However, in the court's discussion of contributory infringement, it concluded that there was an issue of fact as to whether Netcom had knowledge based on the plaintiff's letters requesting that the material be removed from the system. *Id.* at 1374.

<sup>209</sup>*Religious Tech. Ctr.*, 907 F. Supp. 1361, 1369 (N.D. Cal. 1995).

<sup>210</sup>The White Paper concludes that the best policy is to hold the service provider liable. WHITE PAPER, *supra* note 2, at 117.

The court did not see its conclusion as different from that recommended by the White Paper, but instead saw "uncertainty regarding whether a BBS operator should be directly liable for reproduction or distribution of files uploaded by a subscriber." *Religious Tech. Ctr.*, 907 F. Supp. at 1373.

<sup>211</sup>*Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993).

<sup>212</sup>WHITE PAPER, *supra* note 2, at 120; see *Playboy Enters., Inc.*, 839 F. Supp. at 1559.

<sup>213</sup>The plaintiff in *Religious Tech. Ctr. v. Netcom* presented an argument similar to the White Paper, that strict liability was appropriate. The court, however, carried the strict liability argument to its logical conclusion. Since Usenet messages are copied onto thousands of Usenet computers, it would result in liability for "every single Usenet server in the worldwide link of computers transmitting [defendant's] message to every other computer. . . . There is no need to construe the Act to make all these parties infringers." *Religious Tech. Ctr.*, 907 F. Supp. at 1369-70.

of the exclusive right to reproduce the work where such copies are uploaded by the infringing user."<sup>214</sup>

The plaintiff also argued that Netcom and the BBS should be held strictly liable because they were imparted with knowledge of the infringement when they received a letter asking that the infringing material be removed.<sup>215</sup> The court dismissed this argument because knowledge was not an element of direct infringement.<sup>216</sup> Knowledge could only go to show contributory infringement.<sup>217</sup>

Next, the court considered contributory infringement.<sup>218</sup> The court held that Netcom and the BBS could be contributory liable if the plaintiff could prove that Netcom had knowledge of the defendant's infringing material, because either Netcom or the BBS could have canceled the defendant's infringing message and thereby stopped an infringing copy from being distributed worldwide.<sup>219</sup> The ability of Netcom and the BBS to stop the message represented, in the court's view, substantial participation in the infringing activity.<sup>220</sup>

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<sup>214</sup>*Id.* at 1371.

<sup>215</sup>*Id.* at 1370.

<sup>216</sup>*Id.* at 1372.

<sup>217</sup>The White Paper fails to make the distinction that knowledge is required for strict liability for copyright infringement. This factor may have resulted in the Working Group's incorrect conclusion. See generally WHITE PAPER, *supra* note 2, at 115-17.

<sup>218</sup>Contributory infringement is liability for infringement when the defendant, "with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another." *Religious Tech. Ctr.*, 907 F. Supp. at 1373 (citing *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)).

<sup>219</sup>*Id.* at 1374.

<sup>220</sup>*Id.*

Whether Netcom was actually contributorily liable will never be known because before going to trial on remand, Netcom entered into an out-of-court settlement with Religious Technology Centers for an undisclosed amount and the case against Netcom was concluded. *Netcom, Scientologists Settle Suit Over Internet Postings*, LOS ANGELES TIMES, Aug. 6, 1996, at D2; Mark Walsh, *Netcom Settlement Could Help Forge Internet IP Policy*, THE RECORDER, Aug. 6, 1996, at News, p.1. As a result, Netcom has posted a message to its subscribers informing them of Netcom's position regarding intellectual property on the Internet, warning that "[b]efore you post that funny monologue of Dave Barry's or that wonderful Dilbert cartoon or use that image of kermit [sic] the Frog on your Webpage, please remember that these materials are very likely to be proprietary and cannot be distributed without permission." Netcom On-Line Communications Services, *Intellectual Property Rights on the Internet* (last modified Aug. 28, 1996) <<http://www.netcom.com/about/protectcopy.html>>.

Of the two other co-defendants, the Church of Scientology settled with electronic bulletin board service operator Tom Klemesrud for \$50,000 three weeks after the settlement with Netcom, with neither side admitting any wrongdoing. The case against Scientology minister Dennis Erlich still remains. Dan Goodin, *Scientology Case Helps Define On-Line Liability*, THE RECORDER, Aug. 26, 1996, at News, p.1.

The court's reliance on the knowledge of the activities of users is contrasted with the White Paper, which relied on the ability to control to conclude that on-line service providers should be held strictly liable.<sup>221</sup> The White Paper reasoned that the only ones in a position to control such infringing material are the service providers.<sup>222</sup> The Working Group ignored the knowledge requirement the court relied on and used this factor to justify direct infringement liability.<sup>223</sup>

The court then considered the possibility of vicarious liability. Vicarious liability exists for actions of a primary infringer where the defendant: (1) has the right and ability to control the infringer's acts; and, (2) receives a direct financial benefit from the infringement.<sup>224</sup> Whereas the court found that Netcom and the BBS operator did potentially have the power to control the infringer's acts,<sup>225</sup> it reasoned that neither received any financial benefit from the infringer's acts and therefore neither could be vicariously liable.<sup>226</sup>

A different conclusion is expressed in the White Paper.<sup>227</sup> In the White Paper, the Working Group concluded that on-line service providers benefited from offering subscribers the ability to upload files, because that ability attracted subscribers and usage for which they are paid.<sup>228</sup> The court, however, reasoned that the on-line service providers did not benefit from the actual transmission of the infringing material, and the ability to transmit infringing material was not used to attract or enhance the value of the services offered.<sup>229</sup> The court's different conclusion of what constituted financial benefit led it to hold that an on-line service provider that does nothing more than provide access to the Internet cannot be vicariously liable.<sup>230</sup>

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<sup>221</sup>WHITE PAPER, *supra* note 2, at 117.

<sup>222</sup>*Id.*

<sup>223</sup>Absent in the White Paper is the knowledge requirement for direct infringement, which the court in *Religious Tech. Ctr.* considered fundamental. *See Id.*; *Tech. Ctr.*, 907 F. Supp. at 1373-75.

<sup>224</sup>*Religious Tech. Ctr.*, 907 F. Supp. at 1375.

<sup>225</sup>Netcom and the BBS demonstrated such control in their ability to cancel an individual's access account for violating terms of the agreement between the user and the service. Therefore, a sufficient question of fact had been raised. *Id.* at 1376.

<sup>226</sup>*Id.* at 1377.

<sup>227</sup>WHITE PAPER, *supra* note 2, at 117.

<sup>228</sup>*Id.*

<sup>229</sup>*See Kelly Tickle, Note, The Vicarious Liability of Electronic Bulletin Board Operators of the Copyright Infringement Occurring on Their Bulletin Boards*, 80 IOWA L. REV. 391, 415 (1995) (arguing that BBS operators lease cyberspace and should thus be treated like landlords, who are not liable for infringement that occurs on their premises).

<sup>230</sup>Again, a distinction was made between Netcom and its competitors such as CompuServe and America Online in that Netcom did not regulate the use of its services as did its competitors. *Religious Tech. Ctr.*, 907 F. Supp. at 1377.



Finally, the court considered whether Netcom had a fair use defense. The court began by pointing out that the fair use considerations should be focused on whether Netcom's actions qualified as fair use and not on whether Erlich himself engaged in fair use.<sup>231</sup> Identifying the four factors to be considered to determine fair use,<sup>232</sup> the court concluded that the first two factors, the nature of the copyrighted work and the amount and substantiality of the portion used, were to be regarded in Netcom's favor, because Netcom's use of copyrighted material served a completely different function than that of the plaintiff's.<sup>233</sup> The third factor, the amount and substantiality of the portion used, was also held to be in Netcom's favor because in order for Netcom to fulfill its purpose as a Usenet provider, it had to copy the postings in their entirety.<sup>234</sup>

The fourth factor, the effect of the use on the potential market for the work, was, however, found to be possibly in the plaintiff's favor and, therefore, an issue to be determined by the finder of fact.<sup>235</sup> The court found compelling the plaintiff's evidence that although the Church currently faced no competition, there was potential that the infringing materials could be used in the future by the Church's competitors and therefore cause financial damage to the plaintiff.<sup>236</sup>

The court concluded that there remained questions of fact as to whether Netcom knew, or should have known, of the infringing material from the plaintiff's letter, whether Netcom substantially participated in the infringement, and whether Netcom had a valid fair use defense.<sup>237</sup> The court, however, did find that the plaintiff's claims of direct and vicarious infringement failed.<sup>238</sup>

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<sup>231</sup>The defendant "was not likely entitled to his own fair use defense, as his posting contained large portions of plaintiffs' published and unpublished works quoted verbatim with little added commentary." *Id.* at 1378.

<sup>232</sup>17 U.S.C. § 107; see *supra* part II.B.

<sup>233</sup>There was no commercial profit to be gained by Netcom's use of the copyrighted work. *Religious Tech. Ctr.*, 907 F. Supp. at 1379.

<sup>234</sup>*Id.* at 1380.

<sup>235</sup>*Id.*

<sup>236</sup>Groups in the past have stolen the Church's scriptures in charging for *Scientology-like religious training*. See, e.g., *Bridge Publications, Inc. v. Vein*, 827 F. Supp. 629, 633-34 (S.D. Cal. 1993); *Religious Tech. Ctr. v. Wollersheim*, 796 F.2d 1076, 1078-79 (9th Cir. 1986), *cert. denied*, 479 U.S. 1103 (1987).

<sup>237</sup>*Religious Tech. Ctr.*, 907 F. Supp. at 1381.

<sup>238</sup>*Id.*

### B. The CompuServe Settlement

The *Netcom* court's heavy reliance on knowledge<sup>239</sup> by an on-line service provider may have been the primary factor causing CompuServe to settle its class action in *Frank Music Corp. v. CompuServe, Inc.*<sup>240</sup> In this case, the plaintiff, Frank Music, alleged that copyright rights for more than 900 songs owned by the publisher, members of the Harry Fox agency, were infringed and that CompuServe was responsible for the alleged infringement by letting its subscribers copy the songs without having its subscribers pay royalties to the copyright holders.<sup>241</sup>

The settlement agreement entailed CompuServe's paying a cash settlement of \$568,000, or \$500 for each song alleged to have been infringed, and required the two parties to work together to assist CompuServe in setting up an electronic licensing mechanism under which forum operators<sup>242</sup> would help arrange permission for downloading the copyrighted works.<sup>243</sup> The initial mechanical rate was to be \$6.95 per song or download.<sup>244</sup> This marks the first time in which a major on-line service company has instituted a program for obtaining permission for use of copyrighted work.

CompuServe's active efforts to recognize the rights of copyright holders who upload information onto its system seems to recognize the distinction made by the court in *Netcom*.<sup>245</sup> CompuServe and other major on-line service providers

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<sup>239</sup>In the White Paper, the Working Group emphasizes that letting on-line service providers escape liability because of a lack of knowledge of infringing material would be encouraging intentional and willful ignorance on the part of the provider. WHITE PAPER, *supra* note 2, at 122.

<sup>240</sup>*Frank Music Corp. v. CompuServe Inc.*, No. 93 Civ. 8153 (S.D.N.Y. filed Nov. 29, 1993) (class action settlement).

<sup>241</sup>See *CompuServe Settles Music Copyright Suit*, WASHINGTON POST, Nov. 8, 1995, at D2; *Copyrights, Settlement Reached in Music Publishers' Class Action Against On-Line Provider*, DAILY REPORT FOR EXECUTIVES, Nov. 8, 1995, at A216; *Briefly: Technology & Telecommunications*, LOS ANGELES TIMES, Nov. 8, 1995, at D2.

The songs were available in CompuServe's MIDI/Music forum. CompuServe has many forums available to its subscribers that are divided topically by interests. In the forums, users are encouraged to interact with other subscribers who are also members of the forum by posting messages and uploading and downloading files which are related to the forum's purpose. CompuServe uses system operators ("SYSOPs") to monitor the postings in the forum, and in the case of technical support forums, to answer technical support questions posed by members of the forum. Often, in the case of a forum that offers technical support for a particular company, the files available will be product enhancements and the SYSOPs will be employed by the specific manufacturer.

<sup>242</sup>Forum operators are also known as SYSOPs. See *supra* note 241.

<sup>243</sup>*Copyrights, Settlement Reached in Music Publishers' Class Action Against On-Line Provider*, *supra* note 241, at A216.

<sup>244</sup>*Id.*

<sup>245</sup>*Religious Tech. Ctr. v. Netcom On-line Communication Servs., Inc.*, 907 F. Supp. 1361, 1377 (N.D. Cal. 1995).

The court in *Religious Tech. Ctr. v. Netcom* continually emphasizes that its

exhibit a great deal of control over the content of their services. Such knowledge and control might make them liable for direct copyright infringement, contributory infringement, and even vicarious infringement.<sup>246</sup> In the end, the liability that would be imposed would not be all that different from the strict liability requirements that were recommended by the Working Group in the White Paper.<sup>247</sup> The primary distinction drawn by the court in *Netcom* is the distinction between types of service providers based on the knowledge and control they may have over the use of their system for the copying of infringing works.<sup>248</sup> On-line service providers will have to judge their own participation and knowledge of subscriber activity to determine what liability they might face.

## VII. CONCLUSION

Generally, the proposals made by the White Paper are consistent with the changes that are needed in the Copyright Act because of the NII. Unfortunately, the White Paper suffers from narrow vision. As a result, key revisions were omitted forcing the courts to make determinations normally left to the legislature. This lack of completeness by the Working Group becomes even more disappointing when coupled with the many inconsistencies and apparent lack of adequate consideration it exhibited in several of its recommendations.

The most glaring problem with the legislation proposed in the White Paper is the failure to address on-line service provider liability. On-line service providers are not given guidance in their role in developing the NII. The Working Group's conclusion that strict liability would be imposed is unacceptable because it fails to recognize the various roles different access providers play. While the courts appear to be going in the right direction by recognizing that strict liability is not appropriate for some on-line service providers, the legislature has a long way to go to assure that the Copyright Act addresses the questions presented by the NII.

GEORGE SMIRNOFF III

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determination of liability for *Netcom* was largely based on the fact that *Netcom* exercises little or no control over the content contributed by its subscribers, which was very unlike other major on-line service providers such as CompuServe, America Online, and Prodigy. *Id.*

<sup>246</sup>Direct copyright infringement may result because CompuServe uses system operators to monitor what is uploaded. Monitoring and approving what is uploaded imparts the knowledge required for contributory infringement. Since such monitoring services are commonly known and often advertised, there could be a financial benefit which would impart vicarious liability.

<sup>247</sup>See WHITE PAPER, *supra* note 2, at 114-24.

<sup>248</sup>See *Religious Tech. Ctr.*, 907 F. Supp. at 1377, 1381.