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THE U.S. DIGITAL MILLENNIUM COPYRIGHT ACT IN 2001

AN OVERVIEW AND A PERSONAL PERSPECTIVE ¹

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The U.S. Digital Millennium Copyright Act (“DMCA” or the “Act”) may have come of age in 2001. A variety of cases were decided under its provisions. These included the well-publicized appellate decision in A&M Records v. Napster³, as well as cases regarding the anti-circumvention provisions of the Act; the effectiveness of notice served on service providers in order to cause the “take down” of allegedly infringing material; and the ability to make copies in aid of servicing computers. In addition, the U.S. Copyright Office issued its report as required under the Act. This article will focus on a few cases that may affect the music industry most directly and the Copyright Office report. It will not

discuss the Napster case on the assumption that additional discussion of that case would not be newsworthy to the readers of this newsletter.

Notice & Takedown Cases

Under the Act, a “service provider”⁴ (generally, an ISP or a web site) may escape strict liability for infringement under the Copyright Act, if the service provider complies with certain “safe harbor” provisions of the Act. An ISP typically provides access to the Internet, and a “service provider” may colloquially be called a web site, that allows third parties

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to post information, music and other content to the site, effectively making such content available to the world.⁵

Under the theory that to obligate service providers to affirmatively monitor and police what is sent over their pipes or otherwise posted on their sites on a real time basis would be prohibitively expensive, would serve to undermine the availability of the Internet by driving the cost up dramatically, and which might have a chilling effect on the growth of the Internet itself, the US Congress created the safe-harbor provisions. A service provider would be obligated to name an "agent" to receive notice of the existence of allegedly infringing material posted by third parties on the web site⁶, and then promptly take down that material upon receipt of qualifying notice. The notice was required to be specific enough for the service provider to find the offending material reasonably quickly, and then to take it down. If this were done, the service provider would escape liability from the copyright proprietor for allowing the material to be on its servers for any period of time, so long as the service provider did not know, or have reason to know, that such infringing material was on its web site.⁷

In Hendrickson v. eBay⁸, the issue was whether the notice given to eBay was effective under the Act. Hendrickson owned the copyright in a motion picture. Videotape copies of the picture were being sold on eBay, an on line auction site, where individuals may post items for sale. Six million items are for sale on eBay at any time, each with its own identifying number. When an auction is concluded, the winning bidder and seller conclude their transaction independently. But for the DMCA in this case, eBay faced liability for contributory and vicarious infringement of copyright. Hendrickson sought to recover damages from eBay for its alleged failure to remove the items posted by others from eBay's active auctions, after receipt of notice from Mr. Hendrickson.

The DMCA provides a safe harbor, if the web site:

- (1) does not have actual knowledge of the infringing activity, or promptly upon gaining such knowledge moves to prevent the use of their service to further it;
- (2) do not receive a financial benefit directly attributable to infringing activity they have the ability to control, and
- (3) expeditiously remove material from the service on receipt of proper notice.

Hendrickson owned the copyright in a documentary film entitled "Manson" about Charles Manson. Hendrickson wrote to eBay, telling them that pirated copies of his movie were being offered for sale on eBay, and requested they stop "any and all further conduct considered an infringement" of his rights. He did not identify the particular items that were allegedly infringing, or provide auction numbers indicating that information.

eBay requested more detailed information from Hendrickson,

consistent with the terms of the DMCA. Instead of complying with the DMCA and providing the requisite notice, Hendrickson commenced three separate actions against eBay asserting claims of contributory and vicarious copyright infringement, and trademark infringement. Hendrickson then told eBay that all DVD versions of his movie were unauthorized. eBay then removed those listings, and repeat offenders were suspended. Hendrickson did not claim that all tape copies of the movie were unauthorized.

The court held that eBay was a service provider under the DMCA and entitled to the protection of the safe harbor provisions, outlined above. In order for the notice to be effective requiring a prompt take down of the allegedly infringing material, creating liability for the failure to do so, the notice must contain a statement under oath or under penalties of perjury that the person providing notice is the owner of the copyright in question. Here no such affirmation was included, so the notice was ineffective. It was also ineffective because it lacked the requisite specificity to identify the infringing material, which would permit the take down of the material.

The court discussed how in certain circumstances a general notice, without auction numbers, might be specific enough to satisfy the statute, such as when a movie is available for sale on the site before it is released. Ineffective notice under the safe-harbor provisions cannot be used to bootstrap the putative plaintiff's position to permit the implication of "actual knowledge" to the defendant, either. Finally, in the copyright claims, the court held that eBay did not have the ability to control the infringing activity. Simply having the ability to add and delete matter to the web site does not constitute "control" under the purposes of the statute. The court also dismissed the trademark counts as moot.

The court essentially found the statute meant what it said. General notice of infringement without specificity was insufficient to cause liability if the ISP did not respond and remove the material.

DeCSS and Encryption

The Act contains a very simple statement regarding the prohibition against tampering with copy protection devices. Section 1201(a)(1)(A) states: "No person shall circumvent a technological measure that effectively controls access to a work protected under this title."

In Universal City Studios, Inc. et al v. Corley⁹, defendants were enjoined by the trial court from posting on their web site a computer program that decrypts the encryption code limiting access to DVD movies owned by the plaintiff movie studios, and from linking to other web sites containing the decryption program. On appeal, the injunction was affirmed, under the DMCA.

The defendants posted a copy of the decryption computer program "DeCSS" on its web site. The decryption program

was designed to circumvent the encryption technology the studios placed on DVDs to prevent unauthorized viewing and copying. On appeal, the defendants argued that the injunction violated the First Amendment because computer code was speech, was entitled to full protection and was unable to survive the strict scrutiny given to protected speech. The Federal Court of Appeals located in New York found the computer code was protected speech, but because the functional aspect of the speech was targeted, it was content neutral and survived intermediate scrutiny. The court determined that the capacity of a decryption program to accomplish unauthorized and unlawful access to materials for which the studios had intellectual property rights had to inform and limit the scope of its First Amendment protection. The program had both a non-speech and speech component, and the posting prohibition in the injunction targeted only the non-speech component.

Reaching a different result in a state court, and not in a copyright setting, DVD Copy Control Association v. Bunner¹⁰ addressed only whether encryption software applied to DVDs was protected speech under the US Constitution's First Amendment. Plaintiff trade association, filed suit under California's version of the Uniform Trade Secrets Act, against defendant, a California host of an Internet site which had republished a computer program that enabled users to unscramble encrypted digital versatile discs (DVDs). The trial court issued a preliminary injunction against further posting or disclosure of the program, which was reversed on appeal.

Defendant republished a source code on his web site that described a method for playing an encrypted DVD on a drive that was not licensed by the trade association to de-encrypt those DVDs. The code was first posted on the Internet by a 15-year old Norwegian computer hacker. The trade association sought to enjoin future disclosures of the code because it embodied a trade secret that it alleged had been illegally obtained by reverse engineering. Considering whether the injunction could withstand scrutiny under the First Amendment, the appellate court noted that the program was an expressive writing composed of computer source code that described an alternative, unlicensed method of decrypting encrypted DVDs, and as such was pure speech within the scope of the First Amendment. The appellate court determined the prohibition of future disclosures was a prior restraint on the host's First Amendment right to publish the program. The right to protect an economically valuable trade secret was not more fundamental than the First Amendment right to freedom of speech.

That these two appellate courts achieved opposing results is no surprise to those of us involved actively in the drafting of the DMCA¹¹. During the legislative process in the US, my sense was there was no one present at the negotiating table that could take a point of view about whether the proposed statutory prohibition against posting information that would serve to de-encrypt copyrighted works was constitutional or not. At Prodigy, and on behalf of the other

access providers and web sites, our view was that if we managed to achieve enactment of the "notice and take-down" provisions of the Act, that we would be successful. Other conduit providers sought the same result. By achieving that result, we would be left out of any dispute that might arise between, for example, the parties in the Bunner case, or any other similar case. The companies negotiating on behalf of the content community faced no opposition to their highly sought after provision that was enacted as drafted. Its constitutionality was left to the courts to determine. Apparently, the answer is not very clear.

The Copyright Office Report¹²

As required under the act, the Register of Copyrights issued her report in August of this year. It addressed three proposals suggested since adoption of the Act:

1. The creation of a digital first sale doctrine, which would provide those obtaining digital copyrighted works with the opportunity to dispose of those works, just as if they purchased a book in the "off line" world and were able to dispose of it;
2. An exemption for the creation of temporary copies of works in connection with downloads and streams; and
3. Expansion of the archival copying exemption for computer programs.

These three issues in turn spawned five issues that related to the music industry.

The right to create "buffer" copies of music incidental to streaming
Determination of what is a public performance of music during a download
Proper treatment of "tethered works", such as downloads locked to a particular device;
How a digital first sale doctrine would related to music, and
Whether copyright owners may license their works through contracts that override basic copyright law.

Buffer copies

The registrar found that Buffer copies, created during the process of streaming music content to a user, were not reproductions from which economic value can be derived. They fall outside the copyright owners exclusive rights, but the Registrar noted that Congressional action is desirable to remove any uncertainty in this issue.

Public Performances during Digital Downloads

The report states: "...we do not endorse the proposition that a digital download constitutes a public performance even when no contemporaneous performance takes place. If a court were to find that such a download can be considered a public

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performance within the language of the Copyright Act, we believe that the arguments concerning fair use and the making of buffer copies are applicable to this performance issue as well. It is our view that no liability should result from a technical "performance" that takes place in the course of a download."

Tethered Works

The Registrar does not adopt a formal position on these works. She expresses concern however, "that if the practice of tethering were to become widespread, it could have serious consequences for the operation of the first sale doctrine..." In order to move the device from one MP3 player to another might require the user to disable the rights management software, which would run afoul of Section 1201, discussed above.

The Digital First Sale Doctrine

Recognizing that in a digital transfer, the recipient receives a new copy, not the same one the sender has, which thus implicates both the distribution right and the reproduction right, section 109 of the US Copyright act does not create a digital first sale. The report therefore suggests that more legislation is needed here. But if we are to rely on the report, there may be undue focus on both the distribution right and the reproduction right. The practical effect to the consumer is the same, whether she buys a compact disc or receives a download. She is oblivious to which rights are implicated in that purchase, and would not want to see an increase in price to her, if the copyright proprietors are successful in asserting that two rights are implicated, and not one.

Contracts v. Copyright

Under the recently launched PressPlay and MusicNet services, users are bound to lengthy agreements that undercut traditional notions of copyright law, such as the first sale doctrine as well as fair use in general. The report raises the specter of statutory rights being contracted away by unknowing consumers, in their eagerness to secure convenient purchases. It is unclear how this will be resolved.

CONCLUSION

The Act was a very good attempt at regulating that which was known at the time, and represented an excellent stab at the future of the on line environment. Judges will disagree about its meaning and how it should apply in various

circumstances. But over time, it is likely that the DMCA will prove to be an effective first step at both enhancing the growth of the Internet and protecting the rights of copyright holders. 2001 will likely be seen as an important year in its development.

Notes

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2 Mr. Jacobson is Of Counsel in New York to the international law firm of Greenberg Traurig, LLP, practicing at the intersection of entertainment law and the Internet. Between 1995 and 1997, Mr. Jacobson was involved in much of the drafting, legislative strategy and lobbying in connection with the creation of the WIPO Copyright Treaty of December 1996 as well as the DMCA while he was General Counsel for Prodigy Communications Corp., then a leading U.S. Internet Service Provider. Prodigy is now 100% owned by SBC Communications, but will soon see its brand name disappear forever.

3 239 F. 3d 1004 (9th Cir. 2001).

4 17 U.S.C. §512 (k).

5 17 U.S.C. §512 (c).

6 17 U.S.C. §512 (c)(2).

7 Upon removal of the material, the ISP would also escape liability under any applicable contract it may have entered into with the owner of the web site. 17 U.S.C. §512 (g)(1)

8 165 F. Supp. 2d 1082 (CD CA 2001). Greenberg Traurig successfully represented eBay in this case.

9 ___ F. 3d ___, 2001 U.S. App. LEXIS 25330; 60 U.S.P.Q.2D (BNA) 1953 (2d Cir. 2001)

10 93 Cal. App. 4th 648 (6th Dist. CA Ct of Appeal 2001)

11 Prof. E. Felten of Princeton University filed suit against the RIAA in New Jersey for allegedly "strong arming" him into not publishing his findings about how to circumvent certain watermarking software used by members of the RIAA. Prof. Felten entered a contest sponsored by certain music companies to crack their encryption codes, and he and his researchers disabled five of six watermarking security technologies, and planned to detail how they did it at a conference. An attorney for the RIAA wrote to Prof. Felten indicating it would not look kindly upon the publication of his findings. "Federal Judge Dismisses Professor's Lawsuit Against RIAA", www.law.com, November 30, 2001, from the Associated Press.

12 For an outstanding review of the Registrar's report, see The Collision of Music, Television and the Net - An Analysis of the DMCA Section 104 Report as it Pertains to the Music Industry, by my Atlanta based colleague, Bobby Rosenbloum. The article may be found at <http://www.gtlaw.com/pub/articles/2001/rosenbloumb01a.asp>