



Testimony of

Professor Peter Jaszi

On Behalf of the Digital Future Coalition

Before

The U.S. Copyright Office, Library of Congress

And

The National Telecommunications and Information Administration,
U. S. Department of Commerce

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Introduction

The Digital Future Coalition ("DFC") consists of 42 national organizations (a list of which is attached to this testimony) representing a wide range of for-profit and non-profit entities. Our constituents include educators, computer and telecommunications industry associations, libraries, artists, software and hardware producers, archivists, and scientists. DFC member organizations represent both owners and users of copyrighted materials.

Over time, our constituents have benefited — as have other individuals, companies and non-profit entities — from the maintenance of a balanced copyright system in the United States. Such a system is one that provides both strong protection for proprietors' rights and clear recognition of consumers' interests in access to protected materials. Thus, the DFC is strongly committed to the preservation and modernization, in the digital environment, of the limitations and exceptions that have traditionally been part of the fabric of U.S. copyright law. It is our common conviction that a balanced copyright system is essential to secure the public benefits of both prosperous information commerce, on the one hand, and a robust shared culture, on the other.

In particular, from its inception in 1995, the DFC has advocated the updating of the so-called "first sale" doctrine as part of any comprehensive effort to bring copyright into the new era of networked digital communications. In the 105th Congress the DFC strongly supported H.R. 3048, a bill introduced by Congressman Rick Boucher to implement the WIPO Copyright Treaty and Performances and Phonograms Treaty. H.R. 3048 specifically provided that:

Section 109 of title 17, United States Code, is amended by adding the following new subsection at the end thereof:

(f) The authorization for use set forth in subsection (a) applies where the owner of a particular copy or phonorecord in a digital format lawfully made under this title, or any person authorized by such owner, performs, displays or distributes the work by means of transmission to a single recipient, if that person erases or destroys his or her copy or phonorecord at substantially the same time. The reproduction of the work, to the extent necessary for such performance, display, distribution, is not an infringement.

Similarly, as the anti-circumvention provisions of the Digital Millennium Copyright Act of 1998 ("DMCA") took shape, the DFC became concerned that they

posed a threat to “first sale,” among other traditional user-oriented doctrines of copyright law. Thus, we supported the inclusion in Chapter 12 of the DMCA of provisions that would have made it permissible to engage in the “circumvention” of technical measures applied to copyrighted works for purpose of exercising the “first sale” privilege.

We were disappointed that the final text of the DMCA contained no provisions designed to preserve “first sale” in the new technological environment. By the same token, we were pleased that Sec. 104 of that Act directed the Copyright Office and the National Telecommunications and Information Administration to undertake further study on the topic of "first sale" in the digital environment, along with that of the Sec. 117 exemptions. Thus, we welcome the opportunity to share our views at this hearing.

The Background and Rationale of “First Sale”

The ultimate Constitutional goal of our copyright system is a public one — to promote the "Progress of Science and useful Arts." Historically, the "first sale" doctrine has contributed to the achievement of that goal by providing a means for the broad secondary dissemination of works of imagination and information. That the public has reaped a wide range of benefits from the "first sale" doctrine becomes clear from even a cursory examination of the range of cultural and commercial institutions this rule has supported and enabled -- everything from great research libraries to second-hand bookstores to neighborhood video rental outlets. More broadly still, the doctrine has been an engine of social and cultural discourse, permitting significant texts to be passed from hand to hand within existing or developing reading communities. In the current round of discussions over the future of "first sale" in the digital environment, the DFC’s primary concern is that rules restricting the transfer of lawfully acquired digital copies embodying texts, images and other copyrighted works ultimately will retard rather than advance the progress of knowledge.

“First sale” is a venerable doctrine, with roots that stretch back as far as the history of copyright itself. Currently codified in Sec. 109(a) of the Copyright Act, “first sale” also was recognized in Sec. 27 of the Copyright Act of 1909, and in the case law that preceded it. *See Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). Today, at the beginning of the digital era, the cultural work of the “first sale” privilege is by no means complete. Important as private, non-commercial information sharing has been in the analog information environment, it has the potential to become an even more powerful force for progress in years to come. In this respect, as in others, we should strive to harness the capabilities of the new technology rather than to deny them. And if we wish to promote public respect for copyright law’s restrictions on piratical (and other wrongful) reproduction of protected works, we should take care to avoid overextending that law’s reach. Nothing breeds disrespect for law more surely than prohibitions that unnecessarily penalize information practices in which consumers routinely (and innocently) engage. If we can avoid (for example) imposing potential civil and criminal liability on the Internet user who forwards a lawfully downloaded file to a friend, relative or colleague, or frustrating the desire of a purchaser who has finished with an electronic book to pass it along to another reader, we should endeavor to do so!

Nor is the historic justification for the “first sale” privilege somehow made irrelevant by technological change. In preparing this testimony, I took advantage of the privilege by checking out of my law school library a copy of the standard treatise, Nimmer on Copyright. In it, at Sec. 8.12{A} (p. 8-150.4), one can find the following discussion of the rationale for applying a “first sale” privilege after copies of a work have been released into the public channels with the consent of the copyright owners:

[T]he right to prevent unauthorized distribution at that point (although no doubt still desired by the copyright owner) is no longer a necessary supplement [to fully protect the owner]. In such circumstances, continued control over the distribution of copies is not so much a supplement to the intangible copyright, but is rather a device for controlling the disposition of the tangible personal property that embodies the copyrighted work. Therefore, at this point, the policy favoring a copyright monopoly for authors gives way to the policy opposing restraint of trade and restraints on alienation.

In other words, “first sale” plays an important role in balancing the private interest in monopoly control of information with the public interest in the circulation of knowledge. And it is as important to strike that balance in the new technological epoch as it was to do so in the era of print-and-paper.*

The Proposed Amendment to Sec. 109

The DFC’s initial concern about the future of the “first sale” doctrine in the new electronic world stemmed from comments included in the 1995 White Paper on Intellectual Property and the National Information Infrastructure (at pp. 93-94) suggesting that the doctrine should be inapplicable, as a matter of conventional copyright doctrine, to electronic retransmissions by consumers of material originally received (by way of purchase or gift) over digital networks. Although this interpretation had not (and, to date, has not) been judicially tested, it is sufficiently plausible to suggest that even before the enactment of the DMCA, “first sale” was a doctrine at risk. The DFC’s commitment (already noted) to balance in copyright law reform led us to suggest that as proprietors’ rights were updated in new legislation, “first sale” should be as well.

The amendment to Sec. 109 proposed in H.R. 3048 was designed to accomplish this result without compromising the control over distribution of copyright works that rightsholders traditionally have enjoyed -- and should continue to enjoy. Specifically, we note that the proposal would apply:

* Of course, the concrete likelihood of particular commercial abuses of the “first sale privilege” may justify narrowly drafted modifications to it, as occurred in 1984 and 1990 when Sec. 109(a) was amended to exclude for-profit “rental, lease, or lending” of phonorecords or computer software, respectively. The DFC is not aware of any specific showing that such abuse is occurring -- or is likely to occur -- in connection with private information sharing via the Internet.

- ÿ Only where there has been an initial distribution authorized by the copyright owner. Thus it would provide no shelter to those who traffic in unauthorized copies of works in digital formats.
- ÿ Only when the rightsholder has chosen to make a distribution of copies and phonorecords, rather than to make a work available exclusively by means of performance or display. Thus, proprietors wishing to make material accessible to consumers over the Internet while retaining maximum control over it could achieve this end by employing (for example) streaming technology.
- ÿ Only if the person invoking of the privilege deletes the copy of the work from the memory his or her computer. Thus, the proposal would not immunize individuals making use of various peer-to-peer file sharing technologies from whatever liability they might otherwise incur.

Nor would the proposed amendment create significant enforcement problems for copyright owners -- an objection repeatedly voiced during the deliberations that led up to the DMCA. Detecting unauthorized transmissions of copyrighted works is the inevitable first step in any enforcement effort involving the Internet, and such detection would be no more difficult if some of these transmissions were potentially privileged by virtue of an amended Sec. 109. And if copyright owners object to being required to show the absence of "first sale" in connection with proving a claim for Internet-based infringement, the burden of demonstrating that the copy previously acquired by the person making a transmission was erased or destroyed "at substantially the same time" might fairly be assigned to whoever is claiming the benefit of the privilege.**

Chapter 12 Anti-circumvention Provisions and the Threat to "First Sale"

The legislative proposal just described aims to clarify the applicability of the "first sale" privilege to digital transmissions. In addition, however, the DMCA as enacted puts at risk the traditional "first sale" privilege as it applies to the redistribution of physical copies and phonorecords. In the analog environment, "first sale" has flourished because transferred copies have been as accessible to the person receiving them as they were to the person passing them along. Now "first sale" is threatened by copyright owners' use of the "technological measures" for which new Sec. 1201 provides legal sanction and support. Thus, for example, the copyright industries appear publicly committed to the implementation of "second-level" access controls -- i.e. technological measures that control not only how a consumer first acquires a copy of a digital file, but what subsequent uses he or she may make of it, and on what terms. *See, e.g., Joint Reply Comments of the American Film Marketing Ass'n et al., U.S. Copyright Office*

* The law on the burden of proof in connection with the "first sale" privilege generally is in some disarray. *Compare American International Pictures, Inc. v. Foreman, 400 F. Supp. 928 (S.D. Ala. 1975) (burden on plaintiff) with Warner Bros., Inc. v. Kalish, 201 U.S.P.Q. 768 (W.D.N.Y. 1978) (burden on defendant).* On the specific issue of timely erasure or deletion, however, there would be logic in assigning the burden to the defendant, who would be in the best position to know and demonstrate the circumstances surrounding the particular transmission.

Rulemaking on Exemptions from Prohibitions on Circumvention of Technological Measures that Control Access to Copyrighted Works (“1201 Rulemaking”), Docket No. 99-7, March 31, 2000, at p. 21.

Such controls clearly have the potential to erase any remaining meaningful vestiges of "first sale" in current law, where the digital environment is concerned. Under fundamental copyright law principles, for example, the purchaser of a digital text file downloaded to a portable storage medium (such as floppy disk or hand-held "e-book") apparently is permitted to transfer ownership of that "copy." But if a simple password system or encryption device were used to frustrate the exercise of the “first sale” privilege by consumers, any attempt to override that technological protection measure could be severely penalized under the DMCA’s Chapter 12.

One important outcome of the current study would be to collect additional information, beyond what was volunteered during the 1201 Rulemaking, about emerging commercial distribution practices that may impinge on the exercise of the traditional “first sale” privilege. In particular, we hope that witnesses representing publishing, motion picture, music and other related copyright industries will be questioned about their plans for the future implementation of technological controls on subsequent uses of distributed copies.

If the potential threat that technological measures pose to “first sale” is as great as the DFC believes likely, we would advocate (at a minimum) an amendment to the Copyright Act stating that:

Section 1201 of title 17, United States Code, is amended by adding the following new subsection at the end thereof

(l) No relief shall be available under this Section in connection with the subsequent use of a particular copy or phonorecord that has been lawfully sold or otherwise disposed of pursuant to Sec. 109(a) hereof.

Such language would make clear that the general policy of Sec. 1201(c), which preserves “rights, remedies, limitations [and] defenses to copyright infringement,” applies specifically and with full force to the “first sale” privilege.

Other Concerns

In the same connection, we would note that the Sec. 117 privileges of purchasers of copies of software programs, although formally preserved under the DMCA, are equally at risk from the use of technological protection measures. The software consumer’s rights to adapt purchased programs and prepare archival copies of them were deemed essential in 1980, when what amounted to the "final compromise" of the 1976 Copyright Act was adopted at the suggestion of the Congressionally-mandated Commission on New Technological Uses of Copyright Works. Those rights are as —

if not more — important to consumers whose software purchases occur by way of authorized downloads rather than through face-to-face or mail-order transactions. However, nothing in the DMCA as enacted in 1998 mandates that consumer privileges be respected in the implementation of technological protection measures. Current software industry practice suggests that at least some vendors will take advantage of new technologies and the legal support that the DMCA affords them to limit the effective scope of Sec. 117. Again, the DFC expects that the current study will take advantage of its unique mandate to inquire closely into the plans and intentions of software providers in this regard.

In addition, recent case law have may deprived the Sec. 117 exemptions of much of their practical force. MAI Systems Corp. v. Peak Computer, Inc., 991 F.2d 511 (9th Cir. 1993), and subsequent decisions hold that every temporary RAM copy of a computer program, made incidental to its use on a hardware platform, constitutes a potentially actionable "reproduction." Although these holdings are controversial, they suggest that the use of computer programs by purchasers may now be legally constrained in ways that the Congress did not anticipate in 1980. The DFC believes that the current study should consider ways to restore the vitality of the Sec. 117 exemptions in light of these subsequent developments. One such means would be to adopt language contained in both S.1146 and H.R. 3048, as introduced in the 105th Congress:

Notwithstanding the provisions of Section 106, it is not an infringement to make a copy of a work in a digital format if such copying

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(1) is incidental to the operation of a device in the course of the use of a work otherwise lawful under this title; and

(2) does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

Finally, we would note that the case law is in disarray concerning the effectiveness of contractual terms contained in so-called "shrink-wrap" and "click-through" licenses to override consumer privileges codified in the Copyright Act, such as the Sec. 109 "first sale" doctrine or the Sec. 117 adaptation and archiving rights. At the time of the enactment of the DMCA, the DFC had hoped that further refinement of the Uniform Computer Information Transactions Act ("UCITA," formerly "UCC 2B") would provide important clarification as to the scope of deference due to federal law in this respect. Unfortunately, the final text of UCITA, which is now before state legislatures for consideration, did not fulfill this expectation.

There are numerous examples of "end-user licenses" in the computer industry which purport to constrain or eliminate purchasers' Sec. 117 privileges. Moreover, the use of vendor-prescribed, non-negotiable contract terms to override the default settings of the Copyright Act also may threaten "first sale." Through the use of such terms, for example, the transfer of authorized downloads to portable storage media could be restricted. We believe that assessment of the full extent of this risk is an appropriate task for the current study.

In our view, this study's recommendations to Congress should be focused, in particular, on formulating a restatement of "first sale" appropriate for the digital condition. In this connection, we would urge serious consideration of the language of H.R. 3048, quoted above, receive serious consideration. By stressing the importance of effective simultaneous deletion of transmitted material from the transmitter's system, this language creates the functional equivalent, in the new virtual information environment, of a doctrine that has served commerce, culture, and consumers well in the familiar actual one. Where Sec. 117 is concerned, we believe that the burden is on the proponents of change to make out the case that the balance so carefully struck in 1980 should not be maintained.

Conclusion

The report on this study forwarded to Congress pursuant to Sec. 104 of the DMCA should address additional measures that may be necessary to update "first sale," to make existing and updated "first sale" principles meaningful, and to preserve the Sec. 117 exemptions.

Likewise, we hope that the report will recommend new legislation, perhaps in the form of amendments to 17 U.S.C. Sec. 301, that would provide a clear statement as to the supremacy of federal law providing for consumer privileges under copyright over state contract rules which might be employed to enforce overriding terms in "shrink-wrap" and "click-through" licenses.

The DFC strongly believes that the issues to be addressed in this study are critical ones for the future of U.S. copyright law. Because the study has been mandated at such an early point in the development of networked digital communications and information commerce, it is inevitable that — in part — its conclusions will be based on informed predictions about future trends and developments. Far from being an undesirable circumstance, however, this represents one of the greatest strengths of the congressionally mandated inquiry. The Copyright Office and NTIA have a rare opportunity to shape the development of intellectual property in the new information environment. The members of the Digital Future Coalition look forward to benefiting from your leadership.

Membership of the Digital Future Coalition

Alliance for Public Technology
American Association of Law Libraries
American Association of Legal Publishers
American Association of School Administrators
American Committee for Interoperable Systems
American Council of Learned Societies
American Historical Association
American Library Association
Art Libraries Society of North America
Association for Computers and the Humanities
Association of American Geographers
Association of Research Libraries
Chief Officers of State Library Agencies
College Art Association
Committee of Concerned Intellectual Property Educators
Computer and Communications Industry Association
Computer Professionals for Social Responsibility
Conference on College Composition and Communications
Consortium on School Networking
Consortium of Social Science Associations
Consumer Federation of America
Consumer Project on Technology
Electronic Frontier Foundation
Electronic Privacy Information Center
Home Recording Rights Coalition
International Society for Telecommunications in Education
Medical Library Association
Modern Language Association
Music Library Association
National Association of Independent Schools
National Council of Teachers of English
National Education Association
National Humanities Alliance
National Initiative for a networked Cultural Heritage
National School Board's Association
National Writers Union
Society for Cinema Studies
Society of America Archivists
Special Liberties Association
United States Catholic Conference
United States Distance Learning Association
Visual Resources Association