



Law Professors' Letter on Section 104 Report

The Honorable Howard Coble
Chair, Subcommittee on Courts and Intellectual Property
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C.

Dear Representative Coble:

In August 2001, the United States Copyright Office missed an opportunity. Under the broad mandate of Section 104 of the Digital Millennium Copyright Act of 1998, it had been open to the Office to inquire widely and reflect deeply on the effects of that legislation and "the development of electronic commerce and associated technology" on some of the basic structural features of the Copyright Act. But although the views of many interested persons and organizations were received in the course of the Office's study, undertaken in coordination with National Telecommunications and Information Administration, the resulting Report of the Register of Copyrights is in many ways a disappointing one. Although it contains some interesting suggestions for modest adjustments to the law, the Report is excessively narrow and cautious in its approach to the important issues it addresses, and too often its reasoning reflects incorrect assumptions or incomplete analysis. Accordingly, the undersigned teachers of intellectual property law suggest that after reviewing the Report, the Subcommittee on Courts and Intellectual Property should conduct its own, independent inquiry on the three major topics addressed by the Report: the status of the "first sale" doctrine in the digital environment, appropriate treatment of temporary or ephemeral reproductions, and the proper scope of the Sec. 117 exemptions.

First Sale

There is wide agreement that the "first sale" doctrine, a traditional limitation on the distribution right now codified in Sec. 109(a) of the Copyright Act, does not literally apply when a person who has acquired a lawful digital copy retransmits it over a network; this is so because the end result of such a retransmission is to make a new "copy" of the work in question in the memory of the recipient's computer, rather than merely to "distribute" an existing copy. The real question is whether the "first sale" doctrine, or some version of it, should apply in this situation. Ultimately, the Copyright Office Report declined to endorse any proposal to create a digital equivalent to "first sale." In particular, it rejected the proposal originally advanced, during the 106th Congress, in H.R. 3048 (the Boucher-Campbell bill), which would have permitted retransmission in connection with simultaneous or near-simultaneous deletion from the sender's system. Many of us disagree strongly with the Report's conclusion, and — having supported H.R. 3048 — would continue to advocate for its approach to this issue. More pertinently here, however, all of us join in the view that the Copyright Office based that conclusion on faulty premises, and that -- therefore -- that conclusion should be revisited.

The fundamental flaw of the Report's analysis lies in its failure to recognize the special role that "first sale" has played in promoting the purposes of our copyright scheme. By overlooking the importance of the doctrine, past and present, the Report skillfully undercuts all arguments for its extension in the future. Insisting that it is simply a specific instantiation of the common law's general antipathy to restraints on the alienation of personal property, the Report overlooks the cultural work performed by "first sale" in promoting the circulation of useful information and the development of artistic reputation. Indeed, the Report's authors so far as to say that it "does not advance the argument" to consider the doctrine in light of the underlying constitutional policy: "To Promote the Progress of Science and useful

Arts." (88) Superficially, the Report's narrow vision of "first sale" may appear to enjoy support in contemporary treatises and other authorities. To understand how deeply flawed that vision is, therefore, one, must dig a little into the history of the doctrine.

A reader of the Report might be forgiven for supposing that the "first sale" doctrine had sprung into being in 1908, with the Supreme Court decision in *Bobbs-Merrill v. Strauss*, 210 U.S. 339. In fact, the doctrine had been explicitly recognized in a number of nineteenth century American cases, just as it had been woven into the fabric of Anglo-American copyright law from its beginning in 1710. But in 1908-09, "first sale" was in peril. The publishers whose efforts at retail price maintenance had been rebuffed in *Bobbs-Merrill* lobbied energetically for the inclusion of language curtailing the doctrine in the then-pending revision of copyright law, and the issue remained open until shortly before March 1909, when it was resolved in favor of "first sale" through the inclusion of Sec. 27 in the new Copyright Act. The argument that apparently carried the day was made by Thomas Parkinson of the ABA committee on patent and copyright legislation, who (having pointed out the reference to Article I, Sec. 8, cl. 8 in *Bobbs-Merrill* itself) went on to urge members of the House subcommittee to "remember that one object of these statutes is to secure the diffusion of knowledge." He then continued: "Our authors owe in large part the extended markets they have for their productions to the liberal policy of encouraging the distribution of literature which has prevailed, a development of which they are gathering the harvest." *Arguments before the Copyright Subcomm. of the House Comm. on Patents on Common-Law Rights as Applied to Copyright* 35 (Jan. 20, 1909) (GPO).

Thus, at the moment of its first codification, the importance of "first sale" as an engine for the promotion of the arts and humanities was recognized. Since then, the doctrine has proved its worth by supporting such diverse developments as the rise of free public lending libraries and (more recently) the proliferation of video rental outlets. Of course, the fact that "first sale" has a cultural significance that the Report studiously avoids acknowledging does not mean, in itself, that it (or its equivalent) should be established in the network environment. But it does suggest that the arguments for doing so should be taken more seriously than the Copyright Office felt it necessary to do. And while those arguments may not be irresistible, we would point out that some of the specific objections that the Report marshals against the recognition of a digital "first sale" doctrine seem weak, if not illusory.

Thus, for example, the Report notes that, the near-simultaneous deletion of the transmitter's copy, a precondition for the assertion of a "first sale defense" (as proposed in H.R. 3048) "would be difficult to prove or disprove . . . thereby complicating enforcement." (83) Obviously, however, the burden of proof in such a case would be on the individual asserting the defense. So it is difficult to understand how its existence would create additional trouble or expense for copyright owners. One way or another, without or without "first sale," copyright plaintiffs will encounter enforcement costs (although we note that the provisions of 17 U.S.C. Sec. 505 may, in appropriate cases, allowing for the shifting of these costs to defendants.)

Likewise, it seems counterfactual (or, alternatively, sophistic) to assert that "there appears to be little or no evidence of desire on the part of consumers to engage in the kind of conduct — transmission and simultaneous deletion — that would be covered in a digital first sale doctrine." (101) In fact, today's on-line information users engage ubiquitously in the retransmission of lawfully accessed information (as is witnessed, for example, by the phenomenon of e-mail retransmission of topical content received from mailing lists, news organizations' websites, etc.) Nor are we persuaded by the Report's claim (also at 101) that "self-correcting market forces" will obviate the need for congressional action to provide a reasonable space for consumer retransmission of digital content -- a claim that rests on (among others) the erroneous assumption that all information products are inherently fungible. Rather, by its nature, a digital "first sale" doctrine, like the core doctrine of Sec. 109(a) itself, should be regarded as a "premarket" disposition, and (thus) as the appropriate subject of legislation.

Finally, the Report's suggestion that the recognition of a digital "first sale" doctrine would somehow put the U.S. out of step with its international partners, or in conflict with its international obligations (93 ff.) seems strained, at best. In fact, the 1996 World Intellectual Property Organization treaties of 1996

provide member states with wide latitude as to how to implement protection for works in the digital environment. The fact that European states, which have notably less robust "first sale" traditions than our own, have chosen to limit the redistribution of authorized digital downloads (to apply its limits even to works downloaded in material forms independent of computer memory, thus going beyond what could conceivably be justified under existing U.S. law) should not inhibit the United States from making its own policy choices, consistent with its own copyright tradition.

In sum, the subject of "first sale" deserved more, and deeper, analysis than the Copyright Office chose to give it.

Temporary Reproduction

On the issue of temporary reproduction, the Report recommends "that Congress enact legislation . . . to preclude any liability from the assertion of a copyright owner's reproduction right with respect to temporary buffer copies that are incidental to a licensed digital transmission of a public performance of a sound recording and any underlying musical work." (xxvi) This recommendation is welcome, as far it goes. But it does not go far enough. In preparing its Report on this topic, the Copyright Office squandered a historic chance to go "back to basics" and reassess the treatment of necessary, temporary or ephemeral digital versions of works made in memory incidentally to the operation of computers or networks. In particular, it lost a chance to restore the law on this question to the healthy footing on which Congress placed in the 1976 Copyright Act.

The legislative history associated with the "fixation" requirement of the 1976 Copyright Act indicates that Congress did not consider such temporary versions to be "fixed copies" -- and, therefore, potentially infringing if unauthorized. The House Report provides:

[T]he definition of "fixation" would exclude from the concept purely evanescent or transient reproductions such as those projected briefly on a screen, shown electronically on a television or other cathode ray tube, or captured momentarily in the "memory" of a computer.

H.R. Rep. No. 1476, 94th Cong., 2d Sess. 53 (1976).

A fair interpretation of this language, and thus of the statutory provision that it glosses, would exclude temporary, incidental versions of works made in connection with the operation of computers and networks. To avoid such an interpretation, the Copyright Office must torture the statutory references to the requisite "permanence" and "stability" of fixed copies, and selectively read the 1980 CONTU Report, all the while failing to engage the extensive academic literature criticizing the extreme interpretive position it adopts. Although this growing body of critical writing is partially acknowledged in footnote 367 of the Report (120),* its authors never confront the central tenet of the critique: that no good end is served by interpreting the Sec. 101 definition of "copy" to create a minefield of potential liability for legitimate technology providers and users. Mandated to consider what constitutes sound policy for copyright law in the digital environment, the Report instead takes refuge in formalism.

Similarly, the Report avoids confronting the policy issues by relying the Ninth Circuit's opinion in *Mai v. Peak*, 991 F.2d 511 (1993), and other recent decision following it, which disregard the sensible understanding of the statute suggested by its legislative history, In so doing, it ignores earlier decisions, made closer in time to the enactment of the 1976 Copyright Act, and taking a contrary view, such as *Apple Computer, Inc. v. Formula Int'l*, 594 F. Supp. 617, 622 (C.D. Cal. 1984) (holding that RAM copies, unlike those in ROM, are merely "temporary"), and *Stern Electronics, Inc. v. Kaufman*, 669 F.2d 852 (2d Cir. 1982) (stating that video game images stored in permanent ROM memory are fixed, and [thus] implicitly concluding that images on a monitor screen are not). It also relies on a 1988 Fifth Circuit decision, *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, while overlooking that Circuit's more recent decision in *DSC Communications v. DGI Technology, Inc.*, 81 F.3d 597 (5th Cir. 1996)

(holding that plaintiff's claim that running a computer program creates infringing RAM copies improperly seeks to expand the scope of copyright, triggering application of the misuse doctrine). And footnote 372 of the Report (122) cites as supporting *Mai*'s reasoning a prior Seventh Circuit decision that many of us regard as casting doubt on the Ninth's Circuit's position: as we read *NFLC, Inc. v. Devcom Mid-America, Inc.*, 45 F.3d 231 (1995), it suggests that dumb terminals do not make "copies" under the 1976 Act, even though the work is reproduced on screen!

Two other arguments advanced in the Report for the general treatment of temporary, incidental copies as "reproductions" are makeweights, at best. One is the notion that the amendments to the Sec. 117 in the Digital Millennium Copyright Act somehow ratify the *Mai* court's understanding of the temporary reproduction issue (xii, 30, 54). We do not believe this interpretation to be inevitable; more to the point, we note that it begs the question presented here: if Congress did in fact proceed in 1998 on the assumption that *Mai* accurately restated the law of the 1976 Act, the Copyright Office had an opportunity, in its Report, to recommend reconsideration of that premise. To its credit, the Copyright Office seems to have been unwilling to place much reliance on this line of argument.

The same cannot be said of its tendentious review of "International considerations." (124 ff.) Specifically, the Report offers a controversial and one-sided interpretation of the events that occurred at the 1996 World Intellectual Property Organization Diplomatic Conference, and led to the inclusion of Agreed Statements (in connection, for example, with Article 1[4] of the final WIPO Copyright Treaty) relating to reproduction right. Earlier proposals for treaty language would have made the treatment of temporary versions of digital works as potentially actionable "reproductions" mandatory; instead, after much conflict over the issue, the final language stated a consensus only on the proposition that "the storage of a protected work in digital form in an electronic medium constitutes a reproduction" (emphasis added).** In other words, nations subject to the new WIPO treaties — including the United States — were given an option as to how to approach the issue of temporary, incidental and technological necessary versions of digital works under their domestic law. Thus, for example, the Report itself cites (at 128-29) the choice made by the European Union, in its recent Directive 2001/29/EC, which amounts to the functional equivalent of the exemption for network and computer-related temporary versions originally proposed in H.R. 3048 — and now, apparently, rejected by the Copyright Office.

Extension of the Sec. 117 Exemption for Archival Copies

Concluding in a different vein, we would offer another criticism of the Report — not for what it fails to do, but for what it does. In a discussion with which we are generally sympathetic, the Copyright Office suggests the alternative of amending Sec. 117 to bring its authorization for making "back up" copies into conformity with the standard practices of information systems administrators and individual consumers. Another way to accomplish the same result, it suggests, would be to clarify that such backups qualify under the Sec. 107 "fair use" doctrine. (153 ff.) Unfortunately, these salutary suggestions are coupled with another: Congress should either bar the exercise of "first sale"-based redistribution rights under Sec. 109(a) with respect to so-called "fair use copies" (a category including, but not limited to, archival backups authorized under Sec. 117), or specifically amend Sec. 117 to augment users' authority to make archival copies while prohibiting redistribution of all legally made "backups" (which apparently would be defined broadly). Either way, the effective result could be to limit (for example) consumers' ability to share non-commercial home recordings of television programming with other members of their own households, or with family members living in different households, thus limiting the "fair use" principle established by the U.S. Supreme Court in *Sony Corp. v. Universal Studios, Inc.*, 464 U.S. 417 (1984).

Aspects of the Report's suggestions on this issue deserve serious consideration. But the Congress should not consider a fundamental abrogation of "fair use" without further detailed inquiry and full consultation with all affected parties -- including the home viewers who had no reason to know that their interests were at stake in the just-concluded Sec. 104 study.

We end where we began. Despite its limitations, the Copyright Office's Report is a worthwhile contribution to several important contemporary debates about the future of U.S. copyright law. But it can be no more than that. Given the failure of the Report to fully address the underlying policy issues or to fully evaluate the consequences of its proposals for statutory change, we would suggest that a further, detailed congressional inquiry is in order. We stand ready to assist the subcommittee in this effort.

Sincerely,

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