

CHAPTER 5

LIMITING COPYRIGHTS: CONSIDERATIONS FOR AN INTERNATIONAL FAIR USE STANDARD

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5.01 Introduction

Copyright laws granting copyright owners limited monopolies over creative works among countries are based on differing principles. Regardless of the particular principles to which a country subscribes, all countries recognize the need to balance the interests of copyright owners with those of the public by limiting certain rights granted to copyright owners. New and emerging technologies threaten the balance. To date, much attention has been given to the threat of new technologies to the interests of copyright owners.

Recognition of the effects of new technologies to interests of the public, and the balance between the interests of the public and copyright owners, is essential to effectively foster the underlying principles of copyright laws and maintain adequate access to information. This chapter considers different countries' approaches to limiting copyright protections. Particular attention is paid to the United States' doctrine of fair use as compared to limitations provided by other countries.

Furthermore, this chapter considers industry and governmental responses to digital technologies on behalf of copyright owners, and the effect of the responses on the balance between the interests of copyright owners and the public. Finally, this chapter identifies the need for an international standard for limitations on copyright protection and identifies considerations for developing such a standard in light of new and developing technologies.

5.02 Principles of Copyright Law

Since its inception, copyright principles have been largely a European phenomenon. In many cases, the modern idea of copyright was brought to other parts of the world either through colonization or as a price of participation in world trade.¹

Western copyright laws are based on two basic principles: a utilitarian, economic theory of incentives and a natural rights, personality-driven theory of authorship.² The differences in focus between the copyright system in the United States and those in most European countries stem from the differences between these two principles. In practice, however, the resulting copyright systems function similarly.

Anglo-American-based copyright systems, such as those in the United States, are based on the utilitarian theory of copyright.³ The focus in such a system is to encourage the creation of works and public access to the works.⁴ The utilitarian viewpoint holds that “society as a whole benefits from an author’s creative effort”.⁵

The incentives-based system gives the author control over the work only to the extent that this control provides the necessary incentive for the author to create the work in the first place.⁶ Rights not allocated to the author are available to the public. Balancing these incentives with public access to the works is a focus of copyright legislation in countries that subscribe to this utilitarian theory.

Countries that follow the natural rights, personality-driven theory of copyright, such as France and Germany, focus on the “moral rights” of authors, based on the premise that authors should have the right to control their creative outputs.⁷ Under the natural rights theory, the creator of the work has inherent ownership in the work, and copyright is recognition of this

1 Jackson, “Harmony or Discord? The Pressure toward Conformity in International Copyright”, 43 *Idea* 607, at p. 612 (2003).

2 Jackson, “Harmony or Discord? The Pressure toward Conformity in International Copyright”, 43 *Idea* 607, at p. 613 (2003).

3 Jackson, “Harmony or Discord? The Pressure toward Conformity in International Copyright”, 43 *Idea* 607, at p. 608 (2003).

4 Dallon, “The Problem with Congress and Copyright Law: Forgetting the Past and Ignoring the Public Interest”, 44 *Santa Clara L. Rev.* 365, at p. 367 (2004).

5 Jackson, “Harmony or Discord? The Pressure toward Conformity in International Copyright”, 43 *Idea* 607, at p. 614 (2003).

6 Jackson, “Harmony or Discord? The Pressure toward Conformity in International Copyright”, 43 *Idea* 607, at p. 614 (2003).

7 Jackson, “Harmony or Discord? The Pressure toward Conformity in International Copyright”, 43 *Idea* 607, at p. 616 (2003).

ownership.⁸ These countries, when developing copyright legislation, focus on the integrity of the authors, allowing them much more control over their works.

Both theories of copyright balance the interests of the public with those of copyright owners, but do so in different ways. Differences between the utilitarian and personality-driven theories have been summarized as follows:

“In Common Law countries that follow the utilitarian model, copyright laws are passed to stimulate production of the widest variety at the lowest price, and lawmakers will expand copyright protection only if ‘necessary to stimulate the creation of new works’. In Civil Law countries that follow the natural rights model, copyright is a matter of right and justice and lawmakers will extend rights and reject new legislation ‘only if the extended protection would materially hamper socially valuable uses of protected works’.⁹

Many Eastern nations, such as Japan and China, did not historically recognize a right in intellectual property,¹⁰ but they have adopted copyright laws more recently and after external pressures.¹¹ The historical lack of copyright protection in Eastern countries stems from social attitudes toward the roles of individuals in society.¹² Western cultures focus on what is best for the individual, whereas Eastern cultures tend to focus on what is best for society as a whole.¹³

For example, unlike in the United States, where copyright creates a financial incentive for the individual author, copyright law in Japan balances the interests of individuals and society.¹⁴ The law does not secure exclusive rights but “prescribes the rights of authors” and speaks of “promoting the protection of the rights of authors, etc., giving consideration to a fair exploitation of

8 Dallon, “The Problem with Congress and Copyright Law: Forgetting the Past and Ignoring the Public Interest”, 44 *Santa Clara L. Rev.* 365, at p. 368 (2004).

9 Jackson, “Harmony or Discord? The Pressure toward Conformity in International Copyright”, 43 *Idea* 607, at pp. 617 and 618 (2003) (quoting Goldstein, *International Copyright* 4 (2001)).

10 Feder, “Note, Enforcement of Intellectual Property Rights in China: You Can Lead a Horse to Water, but You Can’t Make It Drink”, 37 *Va. J. Int’l L.* 223, at pp. 230 and 231 (1996).

11 Feder, “Note, Enforcement of Intellectual Property Rights in China: You Can Lead a Horse to Water, but You Can’t Make It Drink”, 37 *Va. J. Int’l L.* 223, at pp. 230 and 231 (1996).

12 Rosen and Usui, “Japan: The Social Structure of Japanese Intellectual Property Law”, 13 *UCLA Pac. Basin L.J.* 32, at p. 34 (1994).

13 Rosen and Usui, “Japan: The Social Structure of Japanese Intellectual Property Law”, 13 *UCLA Pac. Basin L.J.* 32, at pp. 34 and 35 (1994).

14 Rosen and Usui, “Japan: The Social Structure of Japanese Intellectual Property Law”, 13 *UCLA Pac. Basin L.J.* 32, at pp. 34 and 35 (1994).

these cultural products, and thereby . . . contributing to the development of culture”.¹⁵ Modern copyright law in China was enacted in 1990, due mostly to outside pressure from other developed nations.¹⁶ The stated purposes of China’s copyright laws are:

. . . protecting the copyright of authors in their literary, artistic and scientific works and rights and interests related to copyright . . . encouraging the creation and dissemination of works which would contribute to the construction of socialist culture and ethics and material civilization, and . . . promoting the development and flourishing of the socialist culture and sciences.¹⁷

Copyright systems universally recognize the need to balance the interests of copyright owners with those of the public. The foundations for such a balance are the principles underlying a particular copyright system. Accordingly, the various ideas on which countries base their copyright laws cause countries to balance the interests of copyright owners and the public differently.

5.03 Limitations on Copyrights

(a) United States Fair Use Doctrine

The United States provides balance between the interests of copyright holders and the public under its fair use doctrine. Fair use recognizes a need to limit the exclusive rights of the copyright holder to allow some socially beneficial activities.¹⁸ It allows a copyrighted work to be used “for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research” without liability for infringement.¹⁹

15 Rosen and Usui, “Japan: The Social Structure of Japanese Intellectual Property Law”, 13 *UCLA Pac. Basin L.J.* 32, at pp. 34 and 35 (1994) quoting *Chosaku-ken Ho* (Copyright Law), Law Number 48 of 1970, article 1.

16 Feder, “Note, Enforcement of Intellectual Property Rights in China: You Can Lead a Horse to Water, but You Can’t Make It Drink”, 37 *Va. J. Int’l L.* 223, at p. 238. Although China now has copyright laws on the books, there is still a major problem of enforcement of these laws. Reid, “Enforcement of Intellectual Property Rights in Developing Countries: China as a Case Study”, 13 *DePaul-LCA Art & Ent. L.* 63, at p. 3.

17 Feder, “Note, Enforcement of Intellectual Property Rights in China: You Can Lead a Horse to Water, but You Can’t Make It Drink”, 37 *Va. J. Int’l L.* 223, at p. 238 (1996) (quoting the Copyright Law of the People’s Republic of China, 7 September 1990, article 1 (effective 1 June 1991).

18 Copyright Act of 1976, 17 United States Code, section 107 (2004).

19 Copyright Act of 1976, 17 United States Code, section 107 (2004).

Fair use is a standard that:

. . . permits (and requires) courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.²⁰

(b) Other National Approaches to Limitations on Authors' Rights

Most European countries do not have a fair use doctrine by name. The closest concept in Europe is the United Kingdom's concept of "fair dealing", which is written into the copyright law. Instead, many countries have specific laws that define the balance between the interests of copyright owners and the public.²¹ Civil law countries such as France and Germany have "free utilization" doctrines, which allow copying without liability in certain specific enumerated cases; however, they are not as broad as the exceptions allowed under fair use.²²

Japan takes a different approach to limiting copyrights. In Japan, the public's interest is taken into account in the allocation of rights.²³ Accordingly, while the public receives a positive grant of rights, the effect is a limit on the rights of copyright owners. For example, a copyrighted work "may be reproduced by a user for the purpose of his personal use, family use, or other use similar thereto within a limited area . . .".²⁴

While other countries incorporate exceptions to copyright protection into their copyright systems, none are as flexible as that of the United States doctrine of fair use.²⁵ The flexibility of fair use comes from the fact that it is a standard by which courts balance the interests of copyright owners and the public by applying a four-factor balancing test. The flexibility springs from the universality of the test to any work, or any use.

20 *Stewart v. Abend*, 495 U.S. 207, at p. 236 (1990) (quoting *Iowa State Univ. Research Found., Inc. v. Am. Broad. Cos.*, 621 F.2d 57, at p. 60 (2d Cir., 1980)); accord *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at p. 577 (1994).

21 Leaffer, "The Uncertain Future of Fair Use in a Global Information Marketplace", 62 *Ohio St. L.J.* 849, at p. 863 (2001).

22 Leaffer, "The Uncertain Future of Fair Use in a Global Information Marketplace", 62 *Ohio St. L.J.* 849, at pp. 863 and 864 (2001).

23 Rosen and Usui, "Japan: The Social Structure of Japanese Intellectual Property Law", 13 *UCLA Pac. Basin L.J.* 32, at p. 36 (1994).

24 Rosen and Usui, "Japan: The Social Structure of Japanese Intellectual Property Law", 13 *UCLA Pac. Basin L.J.* 32, at p. 36 (1994) (quoting *Chosaku-ken Ho* (Copyright Law), Law Number 48 of 1970, article 30).

25 Jackson, "Harmony or Discord? The Pressure toward Conformity in International Copyright", 43 *Idea* 607, at p. 626 (2003).

Typically, laws of other countries specify particular limits and/or exceptions to copyrights for particular types of activities or works. While courts of those countries must still interpret and apply those specific limits and/or exceptions, leaving some room for flexibility, fair use by its nature is meant to be flexible to allow courts to balance the interests of copyright owners and the public on a case-by-case basis for every activity. This flexibility is essential as society's uses of protected works change. Accordingly, section IV below discusses fair use as applied by United States courts. In addition, particular attention is paid to those cases addressing fair use in the context of new technologies.

5.04 Governmental Treatment of Exceptions to Copyright Protections

(a) United States Fair Use

(i) In General

Fair use is an affirmative defense to copyright infringement. The defense is equitable in nature and difficult to distill to any simple formula as its application depends on the circumstances of each case.²⁶ In other words, the defense is “an equitable rule of reason, no generally applicable definition is possible, and each case raising the question must be decided on its own facts”.²⁷

Although fair use is an old concept in Anglo-American law, its origins dating back to 1803, it took until 1976 for the United States Congress to codify the doctrine as part of an overhaul of the Copyright Act.²⁸ Section 107 of 17 United States Code embodies the fair use standard as codified, and it lists four non-exclusive factors for evaluating whether an otherwise infringing use will be excused as a fair use. The statute provides:

Notwithstanding the provisions of section 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include:

(1) the purpose and character of the use, including whether such use is of commercial nature or is for nonprofit education purposes;

26 M. Nimmer and D. Nimmer, *Nimmer on Copyright*, at section 13.05(A) (1994).

27 H.R. Rep. Number 94-1476, at p. 65 (1976), reprinted in 1976 USCCAN 5659, at p. 5679.

28 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at pp. 575 and 576 (1994); Copyright Act of 1976, Pub. L. Number 94-553, section 107, 90 Stat. 2546.

- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use on the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made on consideration of all the above factors.²⁹

(ii) Legislative History of the Fair Use Defense

The text of the statute does not instruct courts how to apply the four factors. The legislative history, however, provides valuable insight into its intended purposes. The codification of fair use did not abrogate the Common Law history of the defense. Rather, Congress intended section 107 “to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way”.³⁰ In other words, Congress believed the four factors of section 107 were the essence albeit non-exclusive essence, of existing judicial criteria.³¹

Given the equitable nature of the defense, Congress recognized that over time, courts must be free to shape the doctrine to new situations. In particular, the revised Copyright Act:

Endorses the purpose and general scope of the judicial doctrine of fair use, but there is no disposition to freeze the doctrine in the statute, especially during a period of rapid technological change. Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis.³²

Finally, Congress provided examples of fair use:

Quotation of excerpts in a review or criticism for purposes of illustration or comment; quotation of short passages in scholarly or technical work, for illustration or clarification of the author’s observations; use in a parody of some of the content of the work parodied; summary of an address or article, with brief quotations, in a news report, reproduction by a library of a portion of a work to replace part of a damaged copy; reproduction by a teacher or student of a small part of a work to illustrate a lesson; reproduction of a work in legislative or judicial proceedings or

29 17 United States Code, section 107.

30 H.R. Rep. Number 94-1476, at p. 66 (1976), reprinted in 1976 USCCAN 5659, at p. 5680.

31 H.R. Rep. Number 94-1476, at p. 65 (1976), reprinted in 1976 USCCAN 5659, at p. 5680.

32 H.R. Rep. Number 94-1476, at p. 66 (1976), reprinted in 1976 USCCAN 5659, at p. 5680.

reports; incidental and fortuitous reproduction, in a newsreel broadcast, of a work located in the scene of an event being reported.³³

(iii) Purpose of Copyright Protections and the Fair Use Defense

The exclusive rights afforded to copyright holders by 17 United States Code, sections 106 and 106A, and the protections of fair use work together in furtherance of the principles underlying United States copyright law: to promote creativity and the dissemination of knowledge as intended by the Constitution.³⁴ In discussing the relationship of copyright protections and fair use, the Supreme Court has stated:

The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.³⁵

In other words, “[t]he copyright law, like the patent statutes, makes reward to the owner a secondary consideration”.³⁶

The purpose of copyright is undermined without fair use.

Thus, fair use “permits courts to avoid the rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster”.³⁷

(iv) Application of the Fair Use Defense in the United States Supreme Court

In General To understand the scope of fair use, it is necessary to examine its application by the courts. Since 1984, the United States Supreme Court has decided several cases which provide insight into the doctrine of fair use, to wit:

1. *Sony Corporation of America v. Universal City Studios, Inc.*³⁸

33 H.R. Rep. Number 94-1476, at p. 65 (1976), reprinted in 1976 USCCAN 5659, at p. 5680.

34 The United States Constitution provides that Congress shall have the power: “To promote the Progress of Science and Useful Arts, by securing for limited Times to Authors . . . the exclusive Right to their respective Writings”. United States Constitution, article I, section 8, clause 8.

35 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 429 (1984).

36 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 429 (1984) (quoting *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, at p. 158 (1948)).

37 M. Nimmer and D. Nimmer, *Nimmer on Copyright*, at section 13.05 (1994) (quoting *Iowa State Univ. Research Found., Inc. v. Am. Broad. Cos.*, 621 F2d 57 (2d Cir., 1980)).

38 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

2. *Harper and Row, Publishers, Inc. v. Nation Enterprises*;³⁹ and
3. *Campbell v. Acuff-Rose Music, Inc.*⁴⁰

Sony In *Sony*, the Supreme Court determined that the non-commercial home taping of television programs for later viewing at home constituted fair use.⁴¹ At the time this case began, video recording was a new technology. Accordingly, *Sony* is an illustration of how the Supreme Court applies fair use to a new technology.

Universal City Studios claimed its copyrights were being violated by owners of Sony's Betamax VTRs (video tape recorders). Universal sought money damages, an equitable accounting of profits, and an injunction prohibiting Sony from manufacturing and marketing VTRs.⁴² Universal claimed Sony was liable under a theory of contributory infringement. The Supreme Court determined that, under the staple article of commerce doctrine, because VTRs were capable of substantial non-infringing use, Sony was not liable for contributory infringement.⁴³ Because that question is unrelated to fair use, it will not be addressed further.

In preparation for trial, the parties studied the use of the VTR, finding the primary use of VTRs was time-shifting. According to the Supreme Court:

Time-shifting enables viewers to see programs they otherwise would miss because they are not at home, are occupied with other tasks, or are viewing a program on another station at the time of a broadcast that they desire to watch.⁴⁴

While both surveys found a substantial number of users were accumulating libraries of tapes, Sony found that about 80 percent of VTR owners were watching as much TV as they had before acquiring the machine. Sony was

39 *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985).

40 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). The Supreme Court also decided *Stewart v. Abend*, 495 U.S. 207 (1990). *Stewart* was the third case decided by the Supreme Court since the codification of fair use, but it is largely unhelpful in understanding the defense. The main issue addressed by the Supreme Court in *Stewart* was the assignability of a copyright holder's exclusive rights in its work before the expiration of the term of protection. *Stewart v. Abend*, 495 U.S. 207, at pp. 216–236 (1990). As for fair use, the Supreme Court's discussion and decision is unremarkable. Relying in part on *Sony* and *Harper and Row*, the Supreme Court concluded that the movie *Rear Window* was not a fair use of the book it was based on. *Stewart v. Abend*, 495 U.S. 207, at pp. 236–238 (1990).

41 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at pp. 454 and 455 (1984).

42 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 420 (1984).

43 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 456 (1984).

44 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 423 (1984).

also able to introduce evidence that some copyright holders, such as professional sports leagues, did not object to taping for home use.

Reversing the Ninth Circuit,⁴⁵ the Supreme Court held unauthorized time-shifting constituted fair use.⁴⁶

The Supreme Court found the first factor of section 107, the “purpose and character of the use”, weighed in Sony’s favor because time-shifting was a “non-commercial, non-profit activity”.⁴⁷ With little discussion, the Supreme Court also found the second and third factors of section 107 supported Sony:

When one considers the nature of a televised copyrighted audiovisual work and that time-shifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced does not have its ordinary effect of militating against a finding of fair use.⁴⁸

The bulk of the Supreme Court’s analysis focused on the fourth factor, “the effect of the use on the potential market for or value of the copyrighted work”.⁴⁹

The Supreme Court established two presumptions. First, “every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright”.⁵⁰ Second, a non-commercial use that does not affect the market for the original work is fair use.⁵¹ The presumption that a non-commercial use is fair may be rebutted if the plaintiff offers:

. . . proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for

45 The district court ruled in Sony’s favor, holding that “non-commercial home use recording of material broadcast over the public airwaves was a fair use” and that Sony was not liable for infringement. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 425 (1984). The Ninth Circuit, however, held that unauthorized time-shifting did not constitute fair use. It concluded “as a matter of law that the home use of a VTR was not a fair use because it was not a ‘productive use’”. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 427 (1984). According to the Ninth Circuit, because time-shifting is not a productive use, “it was unnecessary for [Universal] to prove any harm to the potential market for the copyrighted works . . . [and] that it seemed clear that the cumulative effect of mass reproduction made possible by VTRs would tend to diminish the potential market for respondents’ works”. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 427 (1984).

46 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 456 (1984).

47 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at pp. 448 and 449 (1984).

48 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at pp. 449 and 450 (1984).

49 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 450 (1984).

50 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 451 (1984).

51 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 450 (1984).

the copyrighted work. Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists. If the intended use is for commercial gain that likelihood may be presumed. However, if it is for a non-commercial purpose, the likelihood must be demonstrated.⁵²

Taken as a whole, the Supreme Court found the last factor favored Sony and that time-shifting was a non-commercial use.

Harper and Row In *Harper and Row*, the Supreme Court held the unauthorized copying of President Gerald Ford's biography by *The Nation* was not fair use because it significantly impaired the rights of the copyright holder.⁵³ *Time Magazine* contracted with Harper and Row to publish sections of Ford's biography in anticipation of the work's release. Before *Time* published its story, however, *The Nation* made use of an illicitly obtained copy of Ford's manuscript to produce an article of its own. Once *The Nation* published its article, *Time* refused to pay under the contract. Harper and Row then sued for copyright infringement.⁵⁴ The district court held that copying by *The Nation* was not fair use and awarded damages. The Second Circuit reversed; it held Ford's manuscript contained mostly uncopyrightable facts, and reporting of politically significant material by *The Nation* was fair use.⁵⁵

Before deciding whether the fair use defense was applicable to the article in *The Nation*, the Supreme Court made two preliminary findings. First, while the fair use defense can apply to the copying of an unpublished work, it weighs heavily against such a finding.⁵⁶

Second, *The Nation* argued that its copying of the Ford work was protected by the First Amendment. The Supreme Court rejected this argument; it held:

. . . that copyright's idea/expression dichotomy 'strike[s] a definitional balance between the First Amendment and the Copyright Act by permitting free communication of facts while still protecting an author's expression'. No author may copyright his ideas or the facts he narrates.⁵⁷

52 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 451 (1984).

53 *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985).

54 *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, at pp. 542 and 543 (1985).

55 *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, at pp. 543–545 (1985).

56 *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, at p. 554 (1985).

57 *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, at pp. 555 and 556 (1985).

In considering the first factor under section 107, “the purpose and character of the use”, the Supreme Court found that the use by *The Nation* was presumptively unfair because it was commercial. *The Nation* argued that the presumption that a commercial use is unfair is inapplicable to news reporting. The Supreme Court disagreed:

The Nation misses the point entirely. The crux of the profit/non-profit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.⁵⁸

The Supreme Court found the illicit manner in which *The Nation* obtained Ford’s work was relevant to its “character and purpose”. According to the Supreme Court, “[f]air use presupposes ‘good faith’ and ‘fair dealing’”. In this matter, the Supreme Court found the use by *The Nation* was not in good faith:

The Nation’s use had not merely the incidental effect but the intended purpose of supplanting the copyright holder’s commercially valuable right of first publication.⁵⁹

Thus, because the use by *The Nation* was both commercial and not in good faith, the first factor weighed heavily against a finding of fair use.

The second factor of section 107, “the nature of the copyrighted work”, also weighed against *The Nation*. Whether a work is published is one element of its nature. The use of any unpublished work is less likely to be fair because of the author’s interest in confidentiality and creative control. The Supreme Court reasoned that the use by *The Nation* could not be characterized as fair because it violated Ford’s irrefutable interest in confidentiality.⁶⁰

The third factor, “the amount and substantiality of the portion used”, evaluates the quantity and quality of the material copied from the original work. The Supreme Court found that, although the borrowing by *The Nation* was quantitatively small, it was qualitatively the most important part of the book. Moreover, the borrowed portion constituted the focal point of the article published by *The Nation*.⁶¹ Thus, this factor weighed heavily against *The Nation*.

58 *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, at p. 562 (1985).

59 *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, at pp. 562 and 563 (1985) (quoting *Time Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, at p. 146 (S.D.N.Y., 1968).

60 *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, at pp. 563 and 564 (1985).

61 *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, at pp. 564–566 (1985).

With respect to the fourth factor of section 107, the Supreme Court quoted *Nimmer on Copyright* for the proposition that:

Fair use, when properly applied, is limited to copying by others which does not materially impair the marketability of the work which is copied.

The use by *The Nation* did not just impair the market for the work, it usurped it. *Time* cancelled its contract with Harper and Row because of the article in *The Nation*. The Supreme Court reasoned that, if the practice of unauthorized prepublication were to become widespread, it would impair copyright holders' rights of first serialization.⁶² Based on this combination of factors, the Supreme Court concluded that the use by *The Nation* was not fair.

Campbell *Campbell* is the Supreme Court's most recent case discussing fair use. The Supreme Court considered whether the defendant, 2 Live Crew's "commercial parody of Roy Orbison's song, 'Oh, Pretty Woman'" was a fair use.⁶³ The Supreme Court held that, while a parody can be fair, the effect of 2 Live Crew's song on rap derivatives of Orbison's original song must be further considered to determine whether 2 Live Crew's use was fair.⁶⁴

In 1989, 2 Live Crew informed Acuff-Rose they created a parody of "Oh, Pretty Woman". 2 Live Crew offered to credit ownership of the original song and pay a fee. Acuff-Rose's agent refused permission and sued 2 Live Crew after they released the parody.⁶⁵ Relying on the Supreme Court's decision in *Sony*, the Sixth Circuit reversed, finding that 2 Live Crew's clearly commercial purpose prevented the use from being fair.⁶⁶

According to the Supreme Court, one aspect of "the purpose and character of the use" is whether it is transformative. The more transformative a use, the more likely it is fair:

[T]he goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at the heart of the fair use doctrine's guarantee of breathing space within

62 *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, at pp. 566–568 (1985).

63 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at pp. 571 and 572 (1994).

64 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at pp. 593 and 594 (1994).

65 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at pp. 572 and 573 (1994). The district court found 2 Live Crew's parody was fair use. It reasoned that, even though the use was commercial, 2 Live Crew took no more than was necessary to "conjure up" the original song, and the parody would not affect the market for the original. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at p. 573 (1994).

66 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at pp. 572 and 573 (1994).

the confines of copyright, and the more transformative the new work, the less will be the significance of other factors, like commercialism that may weigh against a finding of fair use.⁶⁷

The Supreme Court reasoned that parody is transformative because “it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one”.⁶⁸ The Supreme Court was careful to distinguish parody, a transformative use, from satire, a non-transformative use. According to the Supreme Court, parody “is the use of some elements of a prior author’s composition to create a new one that, at least in part, comments on that author’s works”, while satire “has no critical bearing on the substance or style of the original composition”.⁶⁹

According to the Supreme Court, 2 Live Crew’s song was a parody because it “could be perceived as commenting on the original or criticizing it, to some degree”.⁷⁰

The Supreme Court also recognized that 2 Live Crew’s use was commercial, and, under *Sony*, commercial use is presumptively unfair. Notwithstanding its statement in *Sony*, the Supreme Court held that fair use requires a sensitive balancing of interests:

The Court of Appeals elevation of one sentence from *Sony* to a *per se* rule thus runs as much counter to *Sony* itself as to the long Common Law tradition of fair use adjudication. Rather, as we explained in *Harper and Row*, *Sony* stands for the proposition that the ‘fact that a publication was commercial as opposed to non-profit is a separate factor that tends to weigh against a finding of fair use’. However that is all, and the fact that even the force of that tendency will vary with the context is a further reason against elevating commerciality to hard presumptive significance.

After finding that the second factor of section 107 failed to provide guidance in the case, the Supreme Court turned to the third factor of section 107.⁷¹ In

67 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at pp. 578 and 579 (1994).

68 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at p. 579 and 573 (1994).

69 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at p. 580 (1994).

70 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at p. 583 (1994). Specifically, the Supreme Court stated: “2 Live Crew juxtaposes the romantic musings of a man whose fantasy comes true, with degrading taunts, a bawdy demand for sex, and sigh of relief from paternal responsibility. The later words can be taken as a comment on the naiveté of the original of an earlier day, as a rejection of its sentiment that ignores the ugliness of street life and the debasement that it signifies. It is this joinder of reference and ridicule that marks off the author’s choice of parody from the other types of comment and criticism that traditionally have had a claim to fair use protection as transformative works . . .”.

71 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at p. 586 (1994).

considering “the amount and substantiality of the portion used in relation to the copyrighted work as a whole”, the Supreme Court reasoned that:

... the enquiry will harken back to the first of the statutory factors, for, as in prior cases, we recognize that the extent of permissible copying varies with the purpose and character of the use.⁷²

The Supreme Court held that, because a parody must establish a link with the older work, some borrowing is necessary. At a minimum, the parodist is entitled to borrow enough to “conjure up” the original work. Borrowing beyond this, however, “will depend, say, on the extent to which the song’s overriding purpose and character is to parody the original or, in contrast, the likelihood that the parody may serve as a market substitute for the original”.⁷³ According to the Supreme Court, 2 Live Crew borrowed no more lyrics than necessary because they copied only the first line of Orbison’s song and then significantly departed.⁷⁴

The fourth factor requires an inquiry into not just the actual harm the plaintiff has suffered, but also the harm to potential markets for the original and derivative works. In the context of parodies, the Supreme Court found damage to markets for the original unlikely because parodies do not replace the original; rather, they create a new product. Therefore, the measurement of a parody’s harm is limited to markets for derivative works.⁷⁵

As a matter of law, the Supreme Court found that criticism or parodies of the original are not derivative works.⁷⁶ Therefore, the proper inquiry was whether 2 Live Crew’s song harmed the market for a rap derivative of “Oh, Pretty Woman”. Since neither of the courts below reached this question, nor did 2 Live Crew provide evidence on this point, the case was remanded to determine the effect of 2 Live Crew’s song on rap derivatives.⁷⁷

(v) *Application of the Fair Use Defense in the United States Court of Appeals for the Ninth Circuit*

In General The Ninth Circuit has considered fair use in the context of developing technology. Specifically, *Sega Enterprises Ltd. v. Accolade, Inc.*,⁷⁸

72 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at pp. 586 and 587 (1994).

73 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at p. 588 (1994).

74 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at pp. 588 and 589 (1994). However, the Supreme Court ordered a remand to determine whether 2 Live Crew borrowed too much of Orbison’s bass riff. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at p. 589 (1994).

75 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at pp. 590 and 592 (1994).

76 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at p. 592 (1994).

77 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at pp. 593 and 594 (1994).

78 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510 (9th Cir., 1992).

Recording Industry Association of America v. Diamond Multimedia Systems Inc.,⁷⁹ and *A&M Records, Inc. v. Napster, Inc.*⁸⁰ provide illustrations of the interplay between fair use to newer technologies.

Sega In *Sega*, the Ninth Circuit sought to determine:

... whether the Copyright Act permits persons who are neither copyright holders nor licensees to disassemble a copyrighted computer program to gain an understanding of the unprotected functional elements of the program.⁸¹

Ultimately, the Ninth Circuit found such acts constitute infringement, but are a fair use.⁸² In doing so, the court confirmed that:

... [w]hen technological change has rendered an aspect or application of the Copyright Act ambiguous, ‘the Copyright Act must be construed in light of this basic purpose’, which is ‘to stimulate artistic creativity for the general public good’.⁸³

Accolade was an independent unlicensed producer of game cartridges for Sega’s Genesis game console. For Accolade to make its games compatible, it needed to understand how Sega game cartridges interfaced with the Genesis console. Accolade used a decompiler to convert the object code in Sega’s game cartridges and in the Genesis console into human readable source code.⁸⁴

79 *Recording Industry Association of America v. Diamond Multimedia Systems Inc.*, 180 F3d 1072 (9th Cir., 1999).

80 *FA&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004 (9th Cir., 2001).

81 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at pp. 1513 and 1514 (9th Cir., 1992).

82 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at pp. 1517–1528 (9th Cir., 1992); *Sony Computer Entm’t, Inc. v. Connectix Corp.*, 203 F3d 596 (9th Cir., 2000). The Ninth Circuit’s opinion in *Sony Computer* is simply a better-written version of its prior opinion in *Sega*. The question presented in *Sony Computer* was whether the intermediate copying of BIOS, when done to gain access to the programs’ functional elements, is a fair use. *Sony Computer Entm’t, Inc. v. Connectix Corp.*, 203 F3d 596, at pp. 598, 599, and 602 (9th Cir., 2000). BIOS is the “basic input-output system” that operates the PlayStation. *Sony Computer Entm’t, Inc. v. Connectix Corp.*, 203 F3d 596, at p. 598 (9th Cir., 2000). Just as in *Sega*, the court found the intermediate copying necessary to access the functional elements was a fair use. The court concluded that when the four fair use factors were “weighed together, in light of the purposes of copyright”, Connectix’s use was fair. *Sony Computer Entm’t, Inc. v. Connectix Corp.*, 203 F3d 596, at p. 608 (9th Cir., 2000) (quoting *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, at p. 578 (1994)).

83 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at p. 1527 (9th Cir., 1992) (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, at p. 432 (1984)).

84 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at pp. 1514 and 1515 (9th Cir., 1992). A decompiler translates the binary format of object code to human readable source code. *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at pp. 1514 and 1515 (9th Cir., 1992).

Accolade engineers located the interface specifications in Sega's source code, and used this information to make their own games compatible.⁸⁵ Sega sued Accolade for both trademark and copyright infringement.⁸⁶ The district court agreed with Sony that decompiling object code into source code constitutes copyright infringement, but it was not fair use.⁸⁷

With respect to the first statutory factor, the court acknowledged that the particular circumstances of a commercial use could overcome the presumption of unfairness. According to the court, Accolade's decompilation of Sega's object code was for an "essentially non-exploitative purpose" because Accolade sought only to discover the unprotected functional elements of Sega's code.⁸⁸ Moreover, the court reasoned that Accolade's discovery of the functional elements created a public benefit because it "has led to an increase in the number of independently designed video game programs offered for use with the Genesis console". Taking these two considerations together, the court reasoned that Accolade overcame the presumption of unfairness.⁸⁹

The court found the fourth factor, "the effect of the use on the potential market for or value of the copyrighted work", also supported Accolade. The court reasoned that, unlike the situation in *Harper and Row*, where the article in *The Nation* "usurped the market for the copyrighted work", Genesis owners often purchase more than one game. Thus, Accolade did not intend to "scoop" Sega's release of any particular game; rather, it sought only to become a legitimate competitor. The court reasoned that any financial impact on Sega would be minimal.⁹⁰

The bulk of the court's analysis is dedicated to "the nature of the copyrighted work", the second factor. In the context of computer programs, this inquiry is particularly challenging because copyright protection does not extend to ideas and a work's functional elements.⁹¹ Thus, to evaluate the nature of a copyrighted program, a court must remove the unprotected elements of the program from consideration.⁹²

85 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at pp. 1514 and 1515 (9th Cir., 1992).

86 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at p. 1516 (9th Cir., 1992).

87 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at p. 1517 (9th Cir., 1992).

88 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at pp. 1522 and 1527 (9th Cir., 1992).

89 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at p. 1523 (9th Cir., 1992).

90 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at pp. 1523 and 1524 (9th Cir., 1992).

91 Section 102 of the United States Copyright Act provides: "In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work". 17 United States Code, section 102.

92 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at pp. 1524 and 1525 (9th Cir., 1992). To remove the unprotected elements of the program, the court adopted the Second Circuit's test in *Computer Association International v. Altai, Inc.*, 23 USPQ2d 1241, at pp. 1252 and 1253 (2d Cir., 1992). This test "breaks down a computer program into its component subroutines and sub-subroutines and then identifies the idea or core functional element of each". *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at p. 1525 (9th Cir., 1992).

Even without the unprotected elements, the court found Accolade's conduct infringing, but did not end its inquiry there. Even though decompilation was infringement, the court found it was "necessary" to examine the uncopyrightable aspects of a program's object code. The court reasoned that while it was theoretically possible to study object code in its binary form, this method of study was so tedious that if decompilation were prohibited, the unprotected aspects of the program would receive *de facto* monopoly protection. This was impermissible because:

To enjoy a lawful monopoly over the idea or functional principle underlying a work, the creator of the work must satisfy the more stringent standards imposed by the patent laws.⁹³

In light of this conclusion, the court found the second factor of section 107 also weighed in favor of Accolade.⁹⁴ Without much explanation, the court found the third factor weighed against Accolade, but it was "of very little weight".⁹⁵

Recording Industry Association of America In *Recording Industry Association of America*,⁹⁶ the Ninth Circuit considered fair use as applied to MP3 technologies. The Recording Industry Association of America sued Diamond Multimedia Systems, a manufacturer of the "Rio" portable MP3 music player, alleging the player did not meet the requirements for digital audio recording devices under the Audio Home Recording Act of 1992 (the "Act"), because it did not employ a Serial Copyright Management System (SCMS) that sends, receives, and acts on information about the generation and copyright status of files that it plays.⁹⁷

The question before the court was whether the Act covered the Rio.⁹⁸ The court found the plain language of the Act excluded the Rio, but nonetheless considered the Act's legislative history. According to the court, the purpose of the Act and SCMS was to facilitate personal use, and the operation of the Rio was consistent with this because it merely makes copies of recordings on users' hard drives. Thus, according to the court, such "space-shifting" was a fair use consistent with the Supreme Court's holding in *Sony*.⁹⁹

93 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at p. 1526 (9th Cir., 1992).

94 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at p. 1526 (9th Cir., 1992).

95 *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F2d 1510, at pp. 1526 and 1527 (9th Cir., 1992).

96 *Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys. Inc.*, 180 F3d 1072 (9th Cir., 1999).

97 *Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys. Inc.*, 180 F3d 1072, at p. 1075 (9th Cir., 1999).

98 *Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys. Inc.*, 180 F3d 1072, at p. 1075 (9th Cir., 1999).

99 *Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys. Inc.*, 180 F3d 1072, at p. 1079 (9th Cir., 1999).

Napster *Napster*¹⁰⁰ is the primary case confronting Internet-based technologies in the context of fair use. Napster's technology enabled users to share copyrighted musical works in the form of MP3's over the Internet using a peer-to-peer (P2P) file sharing system. Napster's P2P system let users locate copyrighted musical works on other users' computers and download a copy of the work via the Internet. Various record labels sued Napster for copyright infringement.

Napster argued that its service as a whole, and the particular practices of sampling and space-shifting, were all fair uses. Napster contended its users downloaded files to sample them to decide whether to purchase a copy or not. Napster also maintained that the practice of space-shifting, when users download music they already own, was also a fair use.¹⁰¹ The district court disagreed, finding Napster infringed the copyright holder's exclusive rights, and none of the uses was fair.¹⁰²

In its analysis, the Ninth Circuit noted that the first factor of section 107, the purpose and character of the use, weighed against Napster. Citing *Campbell*, the court found Napster's use was not transformative. In considering whether the use was commercial, the court reasoned:

. . . [d]irect economic benefit is not required to demonstrate a commercial use. Rather, repeated and exploitative copying of copyrighted works, even if the copies are not offered for sale, may constitute a commercial use.

Under this standard, Napster's use was clearly commercial, because it saved users the expense of purchasing copies.¹⁰³

The second and third factors also weighed against Napster. Musical compositions are of a high creative value, and the copying thereof is less likely to constitute a fair use. Moreover, Napster users copied entire songs.¹⁰⁴

With regard to the fourth factor, the court found that Napster harmed both present and future markets for the copyrighted works. As for present harm, the court credited the studies commissioned by A&M Records, which found college students purchased less music because of Napster. Likewise, the court found the music industry was unable to develop its own digital download system because:

. . . [h]aving digital downloads available for free on the Napster system necessarily harms the copyright holders' attempts to charge for the same downloads.¹⁰⁵

100 *A&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004 (9th Cir., 2001).

101 *A&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004, at p. 1014 (9th Cir., 2001).

102 *A&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004, at pp. 1011–1014 (9th Cir., 2001).

103 *A&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004, at p. 1015 (9th Cir., 2001).

104 *A&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004, at p. 1016 (9th Cir., 2001).

105 *A&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004, at p. 1017 (9th Cir., 2001).

The court further found the practice of so-called “sampling” via Napster was not a fair use.¹⁰⁶ The court reasoned that Napster users were not really sampling music because they downloaded full and free copies. In contrast, licensed sampling only involves short portions of the work, and the samples “time out” after a short time on the downloader’s computer. Additionally, royalties are paid to the holder of the copyright. The court also found what Napster called sampling reduced the demand for CDs and prevented the development of a digital download market.

Likewise, Napster’s claim that sampling actually stimulated overall demand for CDs was not supported by the evidence.¹⁰⁷ The court also distinguished Napster’s version of space-shifting with that considered in *Recording Industry Association of America*, noting that:

. . . the methods of shifting in [that case] did not also simultaneously involve distribution of the copyrighted material to the general public; the time or space-shifting [in *Recording Industry Association of America*] exposed the material only to the original user.¹⁰⁸

The court also reasoned that *Sony* did not support Napster’s position because the copying in *Sony* was done in the home.¹⁰⁹

(vi) *The Function of Fair Use*

According to Professor Nimmer, as applied, the four-factor test of section 107 is essentially a “functional test”.¹¹⁰ The functional test examines:

. . . the effect of the defendant’s use on the potential market for or value of the plaintiff’s work, a comparison must be made not merely of the media in which the two works may appear, but rather in terms of the function of each such work regardless of media.¹¹¹

For example, as applied in *Harper and Row*, the functional test inquires “whether *The Nation* article adversely affected the value of any of the rights in the Ford manuscript whether or not the publisher had yet exercised those rights”.¹¹² Under this test, the use by *The Nation* is clearly not fair; its article deprived *Time* of US \$12,500.¹¹³ Although the other factors of section 107

106 *A&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004, at p. 1018 (9th Cir., 2001).

107 *A&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004, at p. 1018 (9th Cir., 2001).

108 *A&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004, at p. 1019 (9th Cir., 2001).

109 *A&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004, at p. 1019 (9th Cir., 2001).

110 M. Nimmer and D. Nimmer, *Nimmer on Copyright*, at section 13.05(B)(1) (1994).

111 M. Nimmer and D. Nimmer, *Nimmer on Copyright*, at section 13.05(B)(1) (1994).

112 M. Nimmer and D. Nimmer, *Nimmer on Copyright*, at section 13.05(B)(2) (1994).

113 M. Nimmer and D. Nimmer, *Nimmer on Copyright*, at section 13.05(B)(2) (1994).

can be viewed through the functional test, the fourth factor appears to be the most reliable gauge of how a court will decide a case.

(b) European Law

(i) In General

While fair use is a doctrine unique to the United States, exceptions to the grant of copyrights are globally recognized.¹¹⁴ Individual countries have long incorporated exceptions to the rights granted under copyright laws, striking a balance between the interests of the copyright owners and the public deemed appropriate by each respective country.

In contrast to the inherent flexibility of United States fair use, many countries provide for particular exceptions to copyrights by legislation. While some countries' laws allow some of the uses falling under the United States' fair use doctrine:

... [m]ost other countries, particularly civil law countries, do not have a broad, judicially created doctrine that is analogous to the United States' fair use exception.¹¹⁵

(ii) United Kingdom Fair Dealing

The United Kingdom's treatment of limitations to copyrights bears similarities to that of United States' fair use. Like the United States, Common Law plays an important role in the United Kingdom. Like fair use, fair dealing is a concept developed by courts. In addition, the scope of fair dealing falls within that of fair use.

Fair dealing, however, is more narrowly defined by the United Kingdom Copyright, Designs, and Patents Act 1988.¹¹⁶ Sections 29-50 of the 1988 Act delineate specific exceptions to copyright protections traditionally considered fair dealing.

In contrast, as discussed above, the United States' codified version of fair use set out a standard for determining fair uses, rather than a list of exceptions. Furthermore, fair dealing is less well developed by the United Kingdom courts than the doctrine of fair use in the United States. Consequently, United Kingdom courts have considered a more narrow range of activities in the context of fair dealing.

114 Newby, "What's Fair Here Is Not Fair Everywhere: Does the American Fair Use Doctrine Violate International Copyright Law?", 51 *Stan. L. Rev.* 1633, at p. 1642 (1999).

115 Newby, "What's Fair Here Is Not Fair Everywhere: Does the American Fair Use Doctrine Violate International Copyright Law?", 51 *Stan. L. Rev.* 1633, at p. 1642 (1999).

116 Copyright, Designs, and Patents Act 1988, sections 29–50 (c. 48).

Within that range, English courts have considered under what circumstances using extracts from a book¹¹⁷ or clips from a television program¹¹⁸ for purposes of comment, criticism, or review is fair dealing.

English courts also have addressed fair dealing in the context of using photographs for reporting current events.¹¹⁹

117 *Hubbard v. Vosper*, 2 Q.B. 84 (1972). The plaintiff, founder of the Church of Scientology, sued the defendant, a former member of the Church. The defendant used a number of extended extracts from the plaintiff's book to support critical theories of the Church. The court held the use of the extracts to be "fair dealing". In doing so, the court explained that it is impossible to define the exact scope of "fair dealing". Instead, the court reasoned that the determination must be a question of degree. Considerations for determining what constitutes fair dealing include the number and extent of the quotations and extracts: where the extracts considered together are many and long, the use may be unfair. It also is appropriate to consider the use made of the extracts: if the extracts are the basis for comment, criticism, or review, the use may be fair; whereas if the extracts are used to convey the same information in competition with the author, the use is likely to be unfair.

118 *Pro-Sieben Media AG v. Carlton United Kingdom Television Ltd.*, F.S.R. 43 (1998). Carlton Television made a program which criticized "checkbook journalism". Carlton included a 30-second video clip taken from a full television program by Pro Sieben. The clip included the logo of Pro Sieben. Substantial fees had been paid for the interview. It was claimed that Carlton obtained and spoiled the story, by showing the clip without contributing to the fees. The lower court looked at the motive of Carlton in including the particular clip, and concluded that the intent for using the clip was to defeat the economic interests of the plaintiffs. The Supreme Court of Appeal, however, held that this approach was too narrow and unanimously overturned the judge's decision. The Appeals Court held that the phrases "criticism or review" and "reporting current events" should be interpreted liberally, in the interests of freedom of speech. With respect to the defendants' purpose, it is sufficient for a program maker to sincerely, but misguidedly, believe that they were using another's copyright work for the purpose of criticism or review or for reporting a current event. Therefore, the court had to consider the impact of the derivative work on the audience. On this basis, the court decided that the purpose of the use of the extract was to criticize the works of checkbook journalism. The court noted, however, that the intentions and motives of the program maker are not completely irrelevant, but impact on the question of the fairness of the dealing. The court also held that the copying of the entire Pro Sieben program off air is likely to be a fair dealing if done for the purposes of deciding whether to use a clip from it and the actual use of the clip is a fair dealing.

119 *Hyde Park Residence Ltd. v. Yelland*, R.P.C. 604 (2000). *The Sun* published year-old pictures of Princess Diana and Dodi Al Fayed to dispute a current assertion by Mohammed Al Fayed in the *Daily Mirror* that the couple was making marriage arrangements. The pictures were taken from a video surveillance camera the day before the couple died. The security company that owned the videotape filed suit for infringement. *The Sun* alleged that the pictures were published for the purpose of reporting current events and, therefore, the fair dealing defense under section 30(2) of the 1988 Act applied. The lower court found publication by *The Sun* of the pictures to be fair dealing. The court reasoned that it was almost necessary to publish the pictures to refute Mr. Al Fayed's claims and the fact that *The Sun* paid the person who misappropriated the pictures did not weigh against the finding of fair dealing. The Supreme Court of Appeal, however, found the use unfair, noting that it is appropriate to consider the motives of the alleged infringer, in addition to considering whether the extent of the use was necessary for the purpose of reporting current events. Since the pictures did not establish that the couple was married, and only supported a minor fact stated in article in *The Sun* the extent of the use was unfair. Furthermore, the court noted that since the pictures had not been published, *The Sun* had prevented the copyright owner from exploiting the works.

Even with the enumerated exceptions stated in sections 29–50 of the Copyright, Designs, and Patents Act 1988, English courts, like United States courts, must carefully consider the circumstances of each case in concluding a particular use is fair. For example, when a court considers whether the use of a copyrighted work falls within one of the enumerated exceptions, the court will consider circumstances such as the extent of the particular use, the nature of the copyrighted work, the motivation of the user, and the effect of the use on the rights of the copyright owner.¹²⁰

Moreover, the inflexible nature of specific statutory exceptions is not necessarily able to effectively balance potentially conflicting legal interests in all situations. In *Ashdown v. Telegraph Group Ltd.*,¹²¹ the Supreme Court of Appeal considered the question of how protection afforded by the Copyright, Designs, and Patents Act 1988 and rights guaranteed by the Human Rights Act 1998 are to be balanced when in conflict.

Pursuant to article 10 of the European Convention, the 1998 Act guarantees the right to freedom of expression. In most circumstances, freedom of expression is protected by virtue of the fact that copyrights do not extend to the facts and ideas within a work. Therefore, publication of ideas and facts can occur without the need to copy the manner in which another expressed those facts and ideas. The court, however, noted that in rare circumstances it is in the public interest to publish the words of another without sanction. Accordingly, the court stated that although the 1988 Act does not contain a specific exception to copyright protection for public interest, section 171(3) of the 1988 Act permitted the defense of public interest to be raised. Section 171(3) provides that “[n]othing in this Part affects any rule of law preventing or restricting the enforcement of copyright, on grounds of public interest or otherwise”.¹²² As illustrated in *Ashdown*, specific exceptions may not readily provide the appropriate limits on copyrights under all circumstances.

(iii) Specific Exceptions

Most countries, however, have incorporated specific exceptions in their laws, rather than a standard for determining excepted uses. For example, European

120 *Pro-Sieben Media AG v. Carlton United Kingdom Television Ltd.*, F.S.R. 43 (1998) (considering the motives of the user); *Hyde Park Residence Ltd. v. Yelland*, R.P.C. 604 (2000) (considering the extent of the use, the fact that the work was unpublished, and the effect of the use on the rights of the copyright owner).

121 *Ashdown v. Telegraph Group Ltd.*, 4 All E.R. 666 (2001).

122 Ultimately, the appeal was dismissed. The court did not find that public interest or fair dealing as defined by the 1988 Act provided justification for the extent of the reproduction of the copyrighted work. The court reasoned that the work had been deliberately filleted to extract passages that were most likely to further the commercial interests of the defendant. Therefore, the court reasoned that article 10 did not allow the defendant to profit from the use of the copyright without paying compensation.

civil law countries, such as France and Germany, have enacted copyright legislation that includes exceptions similar to those in the United Kingdom's 1988 Act.¹²³ As the principles underlying the copyright laws of many European countries are based on the moral rights of authors, the exceptions to copyright protections tend to be narrower than those provided by fair use.

Japan and China, where formal copyright law is relatively new, also have opted for specific limits to copyrights.¹²⁴ The Copyright Law of Japan grants particular rights to the public, which, for example, permit uses for the development of education, art and culture, social welfare, and democratic systems.¹²⁵

The Copyright Law of the People's Republic of China¹²⁶ limits the scope of copyrights in several ways. Copyright protection is not afforded to:

1. Laws;
2. Regulations;
3. Resolutions, decisions, and orders of State organs;
4. Other documents of a legislative, administrative, or judicial nature and their official translations;
5. News on current affairs; and
6. Calendars, numerical tables and forms of general use, and formulas.¹²⁷

Furthermore Chinese law includes a list of specific exceptions to authors' rights.¹²⁸ Article 22 provides a list of 12 exceptions conditioned on mentioning

123 French Intellectual Property Code (*Code de la Propriete Intellectuelle*), article L 132-6; German Copyright Act (*Urheberrechtsgesetz*), articles 45–63.

124 Yamamoto, "The Wall Street Journal Case", *Copyright Update Japan 1998*, at http://www.cric.or.jp/cric_e/cuj/cuj98/cuj98_2.html (discussing the 27 October 1994 (*Hanrei Jihou* 1524-118) opinion of the Tokyo High Court and noting that Japan does not recognize a general principle of fair use).

125 Copyright Law of Japan, chapter II, section 3(5), articles 30–50. The purpose of the copyright protection system in Japan is to pursue the development of culture through ensuring the protection of authors' rights and other right holders. The Japanese government, however, recognizes other rights and values connected to the public welfare that are in contention with the protection of authors' rights. To provide a balance between copyright and other rights and values for the public welfare, the Copyright Law of Japan limits rights for limited and exceptional cases. The provisions are carefully established with strict and detailed conditions so that they do not unreasonably prejudice the interests of copyright owners.

126 Copyright Law of the People's Republic of China (2001), English translation, at <http://www.chinaiprlaw.com/english/laws/laws10.htm>.

127 Copyright Law of the People's Republic of China, article 5.

128 Copyright Law of the People's Republic of China, article 22.

the source of the exploited work and a lack of prejudice to the other rights enjoyed by the copyright owner. The exceptions include, for example:

. . . appropriate quotation from a published work in one's own work for the purposes of introduction to, or comments on, a work, or demonstration of a point; . . . reprinting by newspapers or periodicals, or rebroadcasting by radio stations, television stations, or any other media, of articles on current issues relating to politics, economics or religion published by other newspapers, periodicals, or broadcast by other radio stations, television stations or any other media except where the author has declared that the reprinting and rebroadcasting is not permitted; . . . translation, or reproduction in a small quantity of copies, of a published work for use by teachers or scientific researchers, in classroom teaching or scientific research, provided that the translation or reproduction shall not be published or distributed; . . . free-of-charge live performance of a published work and said performance neither collects any fees from the members of the public nor pays remuneration to the performers; [and] translation of a published work of a Chinese citizen, legal entity or any other organization from the Han language into any minority nationality language for publication and distribution within the country.¹²⁹

A general public interest exception also is provided.¹³⁰

The apparent scope of the exceptions between these countries and the United States fair use doctrine differs.¹³¹ In light of the different principles underlying the copyright laws of different countries, it is likely that even where particular exceptions appear similar in scope, the exceptions are applied differently to promote different principles and/or promote distinct political or social policies.

While the examination of legislation lends insight into countries' limits on copyrights and is sufficient for purposes of this chapter, further

129 Copyright Law of the People's Republic of China, article 22.

130 Copyright Law of the People's Republic of China, article 4 ("Copyright owners, in exercising their copyright, shall not violate the Constitution or laws or prejudice the public interests").

131 For example, the United States doctrine of fair use provides the basis for permitting reverse engineering of computer software. While most consider reverse engineering legal under Japanese copyright law, the law does not contain a specific provision for reverse engineering. Sugiyama, "Japanese Copyright Law Development, Presentation at Fordham University IP Conference" (19 April 2001), at http://www.softic.or.jp/en/articles/fordham_sugiyama.html. In contrast, many Europeans have enacted laws specifically for the protection of computer programs to address issues of reverse engineering.

differences in those limits may be revealed on more detailed consideration of the application of those laws.¹³²

5.05 International Treaties

(a) In General

As copyrights have increasingly become important assets in the global economy, treaties arose to provide a basic understanding of the scope of copyright laws among member countries. Each of the predominant multilateral treaties recognizes and provides for exceptions to the rights of copyright owners under the laws of the member states. As most international treaties allow individual states to define, within the confines of the treaty, their own exceptions to copyright protection based on domestic protections, the concept of fair use as it is known in the United States has not been widely adopted in the international community.

To date, there are a number of multilateral treaties related to copyrights. Two of the most prominent of those are the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention)¹³³ and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).¹³⁴

(b) Berne Convention for the Protection of Literary and Artistic Works

As originally conceived, the Berne Convention was intended to promote five objectives:

- (1) the development of copyright laws in favor of authors in all civilized countries;
- (2) the elimination over time of basing rights on reciprocity;
- (3) the end of discrimination in rights between domestic and foreign authors in all countries;
- (4) the abolition of formalities for the recognition and protection of copyright in foreign works; and

132 In addition to the explicit exceptions listed in the legislation of various countries, it would be interesting to identify whether any other provisions of copyright laws or non-copyright laws serve to limit authors' rights and compare the application of such provisions with that of fair use. *Ashdown v. Telegraph Group Ltd.*, 4 All E.R. 666 (2001) (addressing the potential effect of the Human Rights Act 1998 on copyrights).

133 Berne Convention for the Protection of Literary and Artistic Works, 24 July 1971, S. Treaty Doc. Number 99-27 (1986) (hereinafter "Berne Convention").

134 Agreement on Trade-Related Aspects of Intellectual Property Rights, 15 April 1994, 33 *I.L.M.* 81 (hereinafter "TRIPS").

(5) ultimately, the promotion of uniform international legislation for the protection of literary and artistic works.¹³⁵

At its inception, the Berne Convention embodied two underlying principles which are still vital today. The first is the idea of a union of states for the protection of the rights of authors in their literary and artistic works. The second is the rule of national treatment. With national treatment, authors receive in other countries the same protection for their works as those countries provide their own authors.

The Berne Convention has been revised five times, the most recent revision being the 1971 Paris Act of Berne, which contained revisions to accommodate developing countries.¹³⁶

The copyright laws of those countries involved in developing the Berne Convention contained exceptions and limitations on authors' rights. Therefore, such ideas were incorporated into the Convention. In her historical analysis of exceptions and limitations to copyrights, Professor Okediji notes that:

What was particularly problematic was that the recognized exceptions in the national legislation of each country were not rooted in a comprehensive philosophical perspective or policy with regard to copyright specifically, but instead tended to reflect broad themes within the socio-historical and political culture of the particular country. Thus, the initial set of limitations proposed. . . were not outgrowths of a particular doctrine or perspective on copyright *per se*. . . Consequently, the exceptions found throughout the Berne Convention do not necessarily reflect a common understanding or agreement as to the construction of each exception¹³⁷

Currently, article 9(2) of the Berne Convention allows countries to:

. . . permit the reproduction of [literary and artistic] works in certain special cases, provided that such reproduction does not conflict with a

135 House Report of the Berne Convention Implementation Act of 1988, H.R. Rep. Number 100-609 (1988). The Berne Convention was a European construct. Other countries, such as those in Africa, Asia, and Latin America, were not active participants in the development of the Convention. Okediji, "Toward and International Fair Use Doctrine", 39 *Colum. J. Transnat'l L.* 75, at p. 95 (2000).

136 H.R. Rep. Number 100-609. Other revisions of the Berne Convention include the 1908 Berlin Act (prohibiting formalities as a condition of the enjoyment and exercise of rights under the Convention); 1928 Rome Act (recognizing the "moral rights" of authors); 1948 Brussels Act (establishing the term of protection); and 1967 Stockholm Act (expressly establishing the implicit right of reproduction).

137 Okediji, "Toward and International Fair Use Doctrine", 39 *Colum. J. Transnat'l L.* 75, at p. 99 (2000).

normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.¹³⁸

The text of the Convention, however, does not provide insight into the meanings of “special case”, “a normal exploitation of the work”, or “legitimate interests of the author”.

In addition to the general standard for exceptions, the Convention also lists particular purposes for which countries may legislate exceptions. For example, with certain conditions, countries may permit the use of a work to make quotations, to teach, or to report current events.¹³⁹

(c) Agreement on Trade-Related Aspects of Intellectual Property Rights

TRIPS, article 13, incorporates language similar to that of article 9(2) of the Berne Convention.¹⁴⁰ Specifically, article 13 states:

Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation

138 Berne Convention, article 9(2).

139 Article 10(1) of the Berne Convention states that “[i]t shall be permissible to make quotations from a work which has already been lawfully made available to the public, provided that their making is compatible with fair practice, and their extent does not exceed that justified by the purpose, including quotations from newspaper articles and periodicals in the form of press summaries”. Article 10(2) is directed to teaching. Countries may “permit the utilization, to the extent justified by the purpose, of literary or artistic works by way of illustration in publications, broadcasts or sound or visual recordings for teaching, provided such utilization is compatible with fair practice”. Article 10 *bis* (2) allows countries to determine the conditions under which works may be reproduced for the purpose of reporting current events.

140 The World Intellectual Property Organization Treaty, article 10, provides: “(1) Contracting Parties may, in their national legislation, provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this Treaty in certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author. (2) Contracting Parties shall, when applying the Berne Convention, confine any limitations of or exceptions to rights provided for therein to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author”. WIPO Copyright Treaty, 36 *I.L.M.* 65 (20 December 1996); WIPO Performances and Phonograms Treaty, 36 *I.L.M.* 76, article 16(2) (20 December 1996) (“Contracting Parties shall confine any limitations of or exceptions to rights provided for in the Treaty to certain special cases which do not conflict with a normal exploitation of the performance or phonogram and do not unreasonably prejudice the legitimate interests of the performer or of the producer of the phonogram”); Universal Copyright Convention, 24 July 1971, 25 *U.S.T.* 1341, *U.N.T.S.* 178. Article 4 *bis* of the Universal Copyright Convention provides that “any Contracting State may, by its domestic legislation, make exceptions that do not conflict with the spirit and provisions of this Convention, to the rights mentioned in paragraph 1 of this article. Any State whose legislation so provides, shall nevertheless accord a reasonable degree of effective protection to each of the rights to which exception has been made”.

of the work and do not unreasonably prejudice the legitimate interests of the right holder.

Unlike the Berne Convention, TRIPS provides a mechanism for enforcement of its provisions. Accordingly, countries may challenge the laws of other countries pursuant to provisions of the Dispute Settlement Understanding.¹⁴¹

In 1999, the European Communities alleged that the United States Fairness in Music Licensing Act¹⁴² failed to meet the standards of article 13 of TRIPS and requested the establishment of a World Trade Organization (WTO) Panel. The resulting WTO Panel Report provides some insight into the meaning of article 13, as well as article 9(2) of the Berne Convention.¹⁴³

In construing the meaning of a “special case” under TRIPS, the Panel noted that an exception to copyright protection in a “special case” is not necessarily the same as an exception with a “special purpose”.¹⁴⁴ The panel further held that to constitute a “special case”, the exception must be clearly defined and narrow in scope.¹⁴⁵ In construing the phrase “normal exploitation” under TRIPS, the Panel held that normal exploitation includes actual and potential uses of a work. The Panel further noted that an exception for uses that do not come into economic competition with non-exceptioned uses would presumptively not conflict with the normal exploitation of a

141 Dispute Settlement Understanding, 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 2, *Legal Instruments — Result of the Uruguay Round*, volume 27, 33 *I.L.M.* 112 (1994). Questions regarding the consistency of fair use with the Berne Convention and article 13 of TRIPS have been raised by scholars. Okediji, “Toward and International Fair Use Doctrine”, 39 *Colum. J. Transnat’l L.* 75, at pp. 114–123 (2000). Engle, “When Is Fair Use Fair?: A Comparison of EU and United States Intellectual Property Law”, 15 *Transnat’l Law* 187, at pp. 222–225 (2002). It is beyond the scope of this chapter to address such issues. It is worth noting that fair use was an integral part of United States copyright law prior to the United States’ membership to the Berne Convention or TRIPS. Furthermore, since the United States joined TRIPS, there has been no formal challenge to fair use.

142 17 United States Code, section 110(5).

143 WTO Panel Report on the United States — section 110(5) of the United States Copyright Act, 15 June 2000, WT/DS160/R, at <http://www.wto.org/wto/ddf/ep/public.html> (hereinafter Panel Report). Okediji, “Toward and International Fair Use Doctrine”, 39 *Colum. J. Transnat’l L.* 75, at pp. 123–135 (2000); Gaubiac, “Exceptions and Limitations to Copyright within the Meaning of article 13 of TRIPS”, *UNESCO Copyright Bulletin*, at http://portal.unesco.org/culture/en/ev.php-URL_ID=10018&URL_DO=DO_TOPIC&URL_SECTION=201.html.

144 WTO Panel Report on the United States — section 110(5) of the United States Copyright Act, 15 June 2000, WT/DS160/R, at <http://www.wto.org/wto/ddf/ep/public.html>.

145 WTO Panel Report on the United States — section 110(5) of the United States Copyright Act, 15 June 2000, WT/DS160/R, at <http://www.wto.org/wto/ddf/ep/public.html>.

work.¹⁴⁶ Without standards to apply to future cases, the meaning of article 13 (and article 9(2) of the Berne Convention) will remain ambiguous leaving countries little on which to base future challenges under article 13.¹⁴⁷

5.06 Limitations on Copyrights in the Digital World

(a) In General

The Berne Convention and TRIPS allow countries to limit copyrights, but provide little guidance for such limits. Considering the differences between countries' approaches to limiting copyrights, there would be benefit to a standard to provide guidance for countries in their efforts to balancing the interests of copyright owners and the public in the face of new and developing technologies.

To determine the scope of such a standard, it is necessary to consider the challenges to balancing those interests presented by digital technologies and responses to those challenges.

(b) Challenges to Balancing the Interests of Copyright Owners and the Public: The Threat to Copyright Owners

There is no doubt that recent and constantly developing digital technologies have enabled easy and extensive infringement of copyrights. Many copyrighted works are or can be placed in a digital format. For example, music, images, and even entire libraries exist in digital formats. These works can be easily and quickly copied.

Furthermore, works in digital formats can be quickly and easily transmitted to anyone with access to the Internet. Accordingly, a person with a copyrighted work in a digital format can share that work with vast numbers of people quickly, easily, inexpensively, and, potentially, without their permission. It is clear that new and developing technologies present challenges to protections provided by copyright law and to the enforcement of those laws.

146 WTO Panel Report on the United States — section 110(5) of the United States Copyright Act, 15 June 2000, WT/DS160/R, at <http://www.wto.org/wto/ddf/ep/public.html>. The Panel Report provides some explanation of article 13, but is not particularly useful as a guide for countries to determine what legislation will be considered compliant. Similarly, the Panel Report does not provide much guidance to future Panels. The reasoning and factors on which the Panel based its decision indicate that compliance with article 13 must be determined on a case-by-case basis. Okediji, "Toward and International Fair Use Doctrine", 39 *Colum. J. Transnat'l L.* 75, at p. 130 (2000).

147 Okediji, "Toward and International Fair Use Doctrine", 39 *Colum. J. Transnat'l L.* 75, at p. 150 (2000).

The music industry's experience with new technologies is a prominent illustration of the threat that digital technologies present to copyright owners.¹⁴⁸ In addition to *Napster*, discussed above, other companies are using Peer-to-Peer (P2P) technologies which have enabled widespread copyright infringement.¹⁴⁹ Some of these new technologies have sparked prominent legal battles in the United States. The fate of such technologies remains unclear.

The most recent case is *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*¹⁵⁰ This case was instituted by the music industry, along with other entertainment industries, against Grokster Ltd. and StreamCast Networks, Inc. Both Grokster Ltd. and StreamCast freely distribute P2P software that allows users to share computer files with each other, including digitized music and motion pictures. Metro-Goldwyn-Mayer Studios, Inc., and other copyright owners filed suit against Grokster and StreamCast, alleging liability for vicarious and contributory copyright infringement.

In contrast to *Napster*, the Ninth Circuit affirmed the district court's holding that neither Grokster nor StreamCast was liable for vicarious or contributory copyright infringement due in large part to the fact that Grokster and StreamCast exert very little control over the operation of their particular P2P.¹⁵¹ Different P2P systems function in different ways to accomplish similar objectives. Napster's P2P system used a proprietary centralized indexing software architecture wherein an index of all available files was maintained on Napster-owned and operated servers. A user looking for a particular file on the Napster system sent a request to the Napster server. The Napster server, in turn, searched the index for the file and transmitted the search results to the user.

Where results showed that another user having the file was logged on, the user could connect to the other user's computer and download the file. Unlike Napster's system, Grokster's and StreamCast's systems avoid the use of a

148 Committee on Intellectual Property Rights in the Emerging Information Infrastructure, National Research Council, *The Digital Dilemma: Intellectual Property in the Information Age*, chapter 2 (2000), at http://www.nap.edu/html/digital_dilemma/ch2.html (stating that music is intellectual property's "canary in the digital coal mine").

149 In traditional P2P networks, computers were typically situated within relatively close physical proximity and ran similar networking protocols and software. Although one computer acted as a server at any given time, any of the computers within the P2P network could handle those responsibilities. In the past, individual computers accessing the internet (a client computer) were not sophisticated enough to be active parts of the internet, e.g., servers. As hardware and software technologies developed, this changed. In the modern version of P2P computing, P2P networks exist over the internet and each user's computer serves as both a client and a server.

150 *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 380 F3d 1154 (9th Cir., 2004).

151 *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 380 F3d 1154 (9th Cir., 2004).

central server. Under StreamCast's system, each user has an index of only the files that the user is making available to other users on the StreamCast P2P network. Grokster employs a "supernode" model where select computers on the network function as indexing servers. Any computer on Grokster's P2P network can function as a server if it meets certain technical requirements.¹⁵² The Ninth Circuit acknowledged that it was undisputed that Grokster's and StreamCast's P2P systems had substantial non-infringing uses.¹⁵³ Due to the designs of systems, the Ninth Circuit reasoned that the defendants did not provide a site and facilities for infringement.¹⁵⁴

Additionally, since the defendants do not keep a centralized index of files, the copyright owners' notices of infringing conduct on the systems were ineffective since, at the time the notices were received, the defendants were doing nothing to contribute to any infringement and could do nothing to stop the alleged infringement.¹⁵⁵ Furthermore, the court held that the defendants were not vicariously liable for infringement because Grokster and StreamCast lacked the right and ability to supervise users of their P2P networks. The Supreme Court, however, was to hear the case, and a decision was expected in July 2005.

(c) Responses to Digital Technologies

(i) *In General*

Industries and governments have reacted to new and developing digital technologies and the apparent threat that the technologies present to the rights of copyright owners. There have been two prominent responses. First, industries have developed technological controls for digital information, deemed digital rights management. Second, governments have enacted legislation to support industries' efforts to control information. The 1996 WIPO Copyright Treaty responded to the concerns of copyright owners that their works would be widely pirated with the development of digital technologies. The resulting United States legislation came in the form of the 1998 Digital Millennium Copyright Act.

In 2001, the European Parliament issued Directive 2001/29/EC, commonly known as the EU Copyright Directive. Digital rights management technologies

152 *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 380 F3d 1154, at pp. 1158–1160 (9th Cir., 2004).

153 *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 380 F3d 1154, at pp. 1161 and 1162 (9th Cir., 2004).

154 *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 380 F3d 1154, at p. 1162 (9th Cir., 2004).

155 *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 380 F3d 1154, at p. 1162 (9th Cir., 2004).

supported by law have changed, and they continue to change the flow of digital information and copyrighted works. As a consequence, the role of fair use in the United States, as well as that of exceptions to copyright protections outside the United States, has changed. As the responses to digital technologies continue to develop, it is the limitations on copyrights that may be in danger.

(ii) *Digital Rights Management*

Digital rights management technologies are aimed at increasing the kinds and/or scope of control that copyright owners can assert over their intellectual property assets. In that sense, digital rights management is similar to the copy protection technologies employed in the 1980s.¹⁵⁶

Digital rights management systems protect the copyrights of data circulated by digital media, including the Internet, by enabling secure distribution and/or disabling illegal distribution of the data. Typically, a digital rights management system protects intellectual property by either encrypting the data so that it can only be accessed by authorized users or marking the content with a digital watermark or similar method so that the content cannot be freely distributed.¹⁵⁷

Digital rights management technologies are still in development. Ultimately, digital rights management seeks to provide means to charge consumers for certain uses of copyrighted works and prohibit other uses, including piracy and free file sharing. Examples of proposed and/or developing technologies include: use of a computer code to program certain allowable uses directly onto the rule set that controls access to a digital file; use of key access where users apply for digital keys to access files and decisions to grant keys would be made by a person; and a combination of the first two methods where a code may prohibit certain uses, but a user could apply for an access key to use the file in a manner prohibited by the code.¹⁵⁸

156 Examples of copy protection technologies included using floppy disks with holes punched out at precise locations, or, as with Lotus 1-2-3, a software program would write a code onto the floppy disk so that the disk could not be used to install the program onto any other hard drives unless one first used a utility on the floppy to remove the first hard drive installation. The copy protection technologies tended to be cumbersome to users and were eventually abandoned by many companies.

157 von Lohmann, "Electronic Frontier Foundation, Fair Use and Digital Rights Management: Preliminary Thoughts on the (Irreconcilable?) Tension between Them" (16 April 2002), at [http://www.eff.org/IP/digital rights management/fair_use_and_drm.html](http://www.eff.org/IP/digital%20rights%20management/fair_use_and_drm.html).

158 Petrick, Berkman Center for Internet & Society at Harvard Law School, "Why DRM Should be Cause for Concern: An Economic and Legal Analysis of the Effect of Digital Technology on the Music Industry", *Research Publication Number 2004-09*, at pp. 7 and 8, at <http://ssrn.com/abstract=618065> (Nov. 2004) (citing Burk and Cohen, "Fair Use Infrastructure for Rights Management Systems", 15 *Harv. J.L. & Tech.* 41, at p. 48 (Fall 2001)).

Considering the music industry's public battle with P2P technology over copyright infringement, it is no surprise that the music industry has made use of digital rights management.¹⁵⁹ For example, the Apple iTunes¹⁶⁰ employs digital rights management technologies in its successful on-line music store.¹⁶¹

Apple's digital rights management system, FairPlay, limits use of data in two ways. First, users are only permitted to download a purchased song once and are only able to use the song on five computers. Additionally, users can copy any given song to a CD an unlimited number of times, but can only copy the same playlist seven times. Second, only Apple's iPod products support FairPlay, and the iPod products only support the Advanced Audio Coding and MP3 standard rather than the dominant standard used by the other digital music services: Microsoft's Windows Media digital rights management for Windows Media Audio.¹⁶² Thereby, Apple limits the interoperability of its technologies.¹⁶³

Just as Apple's Fair Play limits the number of times a music file can be copied once it is purchased, digital rights management technologies could be developed to limit copying completely, regardless of the purpose for the copying. In theory, it is possible that digital rights management technologies could dictate all uses of the works they protect. As digital rights management technologies are still developing, their impact is not entirely apparent. It is clear, however, that digital rights management technologies will continue to

159 Gasser *et al.*, Berkman Center for Internet & Society at Harvard Law School, "iTunes: How Copyright, Contract, and Technology Shape the Business of Digital Media — A Case Study", Research Publication Number 2004-07, at <http://ssrn.com/abstract=556802> (June 2004).

160 Unlike certain other internet music stores, Apple iTunes treats purchases like sales, rather than rentals. Consequently, the ability to play a purchased song is not contingent on remaining an Apple iTunes customer.

161 See <http://www.apple.com/itunes/store/>.

162 Gasser *et al.*, Berkman Center for Internet & Society at Harvard Law School, "iTunes: How Copyright, Contract, and Technology Shape the Business of Digital Media — A Case Study", Research Publication Number 2004-07, at <http://ssrn.com/abstract=556802> (June 2004).

163 On 15 June 2004, Apple launched its iTunes Music Store in the United Kingdom, France, and Germany. In its first week, Apple outsold its closest competitor by a margin of 16 to one. Subsequently, on 26 October 2004, Apple launched its European Union version of the iTunes Music Store. Press Release, Apple, "Apple Launches EU iTunes Music Store" (26 October 2004), at <http://www.apple.com/pr/library/2004/oct/26itmseu.html>. The EU store serves Austria, Belgium, Finland, Greece, Italy, Luxembourg, The Netherlands, Portugal, and Spain. The European stores are nearly identical to the United States store, and they offer the same features as are offered in the United States. Notably, Apple describes its digital rights management as "groundbreaking personal use rights". Press Release, Apple, "Apple Launches EU iTunes Music Store" (26 October 2004), at <http://www.apple.com/pr/library/2004/oct/26itmseu.html>. Gasser *et al.*, Berkman Center for Internet & Society at Harvard Law School, "iTunes Europe: A Preliminary Analysis" (June 2004), at http://cyber.law.harvard.edu/media/uploads/82/itunes_europe_analysis.pdf.

exert control over the relationship between the public and copyright owners and will likely favor the interests of the copyright owners.

(iii) Legislation

In General The 1996 WIPO Copyright Treaty deals with the protection of literary and artistic works. It serves to update and supplement the major existing WIPO treaties on copyright and related rights, e.g., the Berne Convention, in response to developments in technology and in the marketplace. The WIPO Copyright Treaty directs countries to enact anti-circumvention laws and seeks to protect digital rights management.¹⁶⁴

As a result, countries have passed legislation to meet their obligations under the Treaty. Below, this article considers the United States and European legislation pursuant to the Treaty.¹⁶⁵

Digital Millennium Copyright Act In 1998, the United States passed the Digital Millennium Copyright Act to outlaw certain acts of circumvention and technologies designed to circumvent technical measures used to protect copyrighted works. The anti-circumvention provisions of the Digital Millennium Copyright Act are codified in section 1201 of the United States Copyright Act.¹⁶⁶ Congress enacted section 1201 in response to two pressures, namely:

1. Obligations imposed on the United States by the 1996 WIPO Copyright Treaty; and
2. Concerns of copyright owners that their works would be widely pirated with the development of digital technologies.

Section 1201 contains two distinct prohibitions, these being:

1. A ban on acts of circumvention; and
2. A ban on the distribution of tools and technologies used for circumvention.

First, the Digital Millennium Copyright Act prohibits the act of circumventing a technological measure used by copyright owners to control access to their works (“access controls”).¹⁶⁷ For example, this provision makes it unlawful to defeat the encryption systems protecting works contained on DVDs.

164 World Intellectual Property Organization Copyright Treaty, 36 *I.L.M.* 65 (20 December 1996).

165 For Japan, see “On the Law to Partially Amend the Copyright Law”, passed in the 145th session of the National Diet on 15 June 1999 and promulgated as Law Number 77 of 1999 on 23 June 1999.

166 17 United States Code, section 1201.

167 17 United States Code, section 1201(a)(1).

Second, the Digital Millennium Copyright Act prohibits the manufacture, sale, distribution, or trafficking of tools and technologies that make circumvention possible.¹⁶⁸ These provisions ban both technologies that defeat access controls, and also technologies that defeat use restrictions imposed by copyright owners, such as copy protections.

Section 1201 permits circumvention for certain limited activities, including security testing, reverse engineering of software, encryption research, and law enforcement.¹⁶⁹ These exceptions have been extensively criticized as being too narrow to be of any affect.¹⁷⁰ The Digital Millennium Copyright Act states that it is not intended to affect fair use as a defense to copyright infringement.¹⁷¹ Fair use, however, is not a defense to violations of acts of circumvention prohibited by the Digital Millennium Copyright Act.

Directive 2001/29/EC of the European Parliament and the Council of May 2001 Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society is the European counterpart to the United States Digital Millennium Copyright Act.¹⁷²

Like the Digital Millennium Copyright Act, the EU Copyright Directive, as it is commonly known, protects technological measures that restrict the use of literary and other works in digital form based on instructions from their owners. The Directive requires member states to provide adequate legal protection prohibiting the “circumvention of any effective technological measures, which the person concerned carries out in the knowledge, or with reasonable grounds to know that he or she is pursuing that objective”.¹⁷³ The EU Copyright Directive also requires states to have adequate legal protection prohibiting trafficking in circumventing technology.¹⁷⁴ The European Commission reported on the operation of the Directive in December 2004, after which amendments may be made by the Parliament and Council.

The EU Copyright Directive does require states to provide some exceptions. Member must take appropriate action to ensure that copyright owners

168 17 United States Code, section 1201(a)(2) and (b).

169 17 United States Code, section 1201(e)–(g).

170 Samuelson, “Intellectual Property and the Digital Economy: Why the Anti-Circumvention Regulations Need to Be Revised”, 14 *Berkeley Technology L.J.* 519, at pp. 537–557 (1999), at <http://www.sims.berkeley.edu/~pam/papers.html>.

171 17 United States Code, section 1201(c)(1).

172 Directive 2001/29/EC of the European Parliament and of the Council on the harmonization of certain aspects of copyright and related rights in the information society, *O.J. L* 167/10-19 (22 May 2001) (hereinafter the “EU Copyright Directive”).

173 Copyright Directive, article 6.

174 Copyright Directive, article 6.

adhere to certain limits on their rights. This should be understood to mean that owners will be required to give access to consumers who can claim one of the specified exemptions, but it is currently unclear how states will construe the EU Copyright Directive.¹⁷⁵ Additionally, states are not required to protect all exceptions. For example, copies for private use, reporting current events, and for criticism and review are not fully protected.¹⁷⁶

Additionally, the exceptions apply only to the prohibition against circumvention, not the prohibition against trafficking in circumvention technology. Therefore, the practical effects of the exceptions are questionable since the only apparent way of legal circumvention is to privately develop and use circumvention technologies. Moreover, where works are made available by contract, states are not required to ensure that copyright owners respect the limitations to their copyrights.¹⁷⁷

(iv) Effects of Digital Rights Management and Supporting Legislation on Limitations to Copyrights

By implementing digital rights management technologies to protect a copyrighted work, the copyright owner can dictate the rights a user has with respect to the work. Since, with limited exceptions, the Digital Millennium Copyright Act and the EU Copyright Directive prohibit the circumvention of digital rights management technologies, copyright owners are able to gain greater control over their works than provided by basic copyright laws.

In essence, the Digital Millennium Copyright Act and EU Copyright Directive have turned digital rights management into law, and copyright owners can, in effect, design the law that governs their copyrighted works. Moreover, copyright owners have the ability to significantly restrict fair uses or uses meeting an exception to the copyright protections afforded to their works. As stated by a critic of the Digital Millennium Copyright Act referring to digital rights management technologies as code:

The controls built into the technology of copy and access protection become rules the violation of which also is a violation of the law. In this way, the code extends the law-increasing its regulation, even if the subject it regulates (activities that would otherwise plainly constitute fair use) is beyond the reach of the law. Code becomes law; code extends the law; code thus extends the control that copyright owners effect¹⁷⁸

175 Brown, Foundation for Information Policy Research, “Implementing the EU Copyright Directive”, at p. 18, at <http://www.fipr.org/copyright/guide/> (last viewed 1/15/1905).

176 Copyright Directive, article 6(4).

177 Copyright Directive, article 6(4).

178 Lessig, *Free Culture: How Big Media Uses Technology and the Law to Lock Down Culture and Control Creativity*, at p. 160 (2004).

Together, digital rights management and the anti-circumvention laws that support it have significantly shifted the balance between the interests of copyright owners and the public.¹⁷⁹

It is undeniable that certain technologies threaten the rights of copyright owners. It is equally clear that technologies, such as digital rights management, and legislative measures, such as the Digital Millennium Copyright Act and EU Copyright Directive, threaten the limits on copyright protections and, therefore, the interests of the public. To adequately serve the principles underlying copyright laws, copyright protections must be limited. Furthermore, in an increasingly information-based global economy and society, limits on copyright protections are essential to promoting free flow of information.

5.07 International Fair Use Standard

As noted above, in light of the differences between countries' approaches to limiting copyrights and the lack of effective guidance for determining appropriate limitations under various treaties, there would be benefit to an international standard for limitations on copyright protections. For the purposes of this chapter, such a standard is referred to an international fair use standard.¹⁸⁰ Below, this chapter identifies considerations for developing an international fair use standard, and suggests some general guidelines for such a standard.

Currently, the Berne Convention and TRIPS primarily provide a ceiling for limitations on copyrights. In other words, countries are prohibited from providing exceptions beyond what is set out in the Berne Convention and TRIPS. This approach makes sense, since limits on copyright protections should be narrow as compared to the grant of copyright protections.

The approach, however, does not exclude the possibility of a floor within an international fair use standard. The need for limits to copyright protections is universally recognized. Furthermore, there are many exceptions to copyrights that are recognized by all or a majority of countries. As noted above, limitations have been threatened by new technologies and supporting legislation.

179 In the early days of the Internet, tracking infringing activities was difficult. As technologies develop, however, infringing activities are ever easier to detect, contributing to a shift in favor of copyright owners' interests. Lessig, *FREE CULTURE: How Big Media Uses Technology and the Law to Lock Down Culture and Control Creativity*, at p. 160 (2004).

180 Okediji, "Toward an International Fair Use Doctrine", 39 *Colum. J. Transnat'l L.* 75, at p. 159 (2000) (noting that a standard, rather than a rule, is the more appropriate form).

Accordingly, a minimum floor to preserve certain exceptions to copyrights is warranted. The concept of requiring minimum limits on copyrights is not without precedent. As discussed above, the EU Copyright Directive requires countries to provide certain exceptions to copyright protections. To protect public welfare in information-based economies and societies, limits on copyrights cannot be overlooked or dismissed. At a minimum, certain activities related to education, scientific research, public comment or criticism, and security should be protected from sanctions under copyright laws.

It also is important to consider how a standard would accommodate current laws limiting copyrights, support principles underlying copyright laws, and provide relevant guidance in the future. A standard would be best accepted if it accommodated current differences in the limits to copyright protections provided by individual countries, as well as the current requirements of copyright-related treaties.

Additionally, since limitations to copyrights provide balance between the interests of copyright owners and the public, a standard would allow individual countries to balance those interests as legitimately needed. Thus, a standard could allow a country to balance interests in light of the principles underlying its own national copyright law; or it could allow developing countries to balance those interests to best promote development. Furthermore, a standard should be flexible enough to allow countries to adapt to changing circumstances presented by future technologies.

Professor Okediji has suggested that an international standard should require that a country base an exception on an established or identified public policy objective and that the exception be reasonably related to that stated objective.¹⁸¹ As already acknowledged in treaties, another likely criterion is that an exception should not conflict with normal exploitation of the work. Whatever its substance, an international fair use standard should guide countries in maintaining a balance between the interests of copyright owners and the public.¹⁸²

5.08 Conclusion

The increasing importance of intellectual property in local and global economies has placed focus on the laws protecting such property, including copyright laws. It is accepted that a primary function of copyright laws is to grant copyright owners rights over creative works. By way of limitations

181 Okediji, "Toward and International Fair Use Doctrine", 39 *Colum. J. Transnat'l L.* 75, at pp. 168 and 169 (2000).

182 Okediji, "Givers, Takers, and Other Kinds of Users: A Fair Use Doctrine for Cyberspace", 53 *Fla. L. Rev.* 107, at pp. 154 and 155 (2001).

and/or exceptions, copyright laws also serve the interests of the public. Such limitations and exceptions define the balance between the interests of copyright owners and those of the public and, therefore, are essential to underlying purposes and principles of copyright laws.

The current lack of an international standard for limitations to copyrights, as well as the focus on threats of new technologies to the interests of copyright owners, undermines such limitations. Accordingly, limits on copyrights are themselves open to threats presented by new and future technologies.

As the use and transfer of information becomes more and more dependent on digital technologies, those technologies exert greater control over the information. Technologies for restricting access to copyrighted works allow copyright owners greater protection than that provided by basic copyright laws. Additionally, past focus on the threat of digital technologies to the interests of copyright owners has led to legislation buttressing restrictive technologies.

An international fair use standard is a means for preserving the balance between the interests of copyright owners and those of the public in light of new and developing technologies. Any such a standard would undoubtedly be the result of lengthy negotiations between countries. Certain considerations should guide the development of a standard, including: current laws and treaties regarding limiting copyrights, principles underlying various copyright laws, and the ability to adapt to future technologies.

Additionally, a standard should provide a ceiling for limitations on copyright protections in keeping with the idea that copyright laws are a grant of rights to copyright owners. However, in recognition that copyright laws must necessarily provide a balance between the interests of copyright owners and those of the public, a floor narrowly defining minimum exceptions to copyright protections is warranted.