

No. 04-480

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IN THE  
**Supreme Court of the United States**

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METRO-GOLDWYN-MAYER STUDIOS, INC., *et al.*,

*Petitioners,*

v.

GROKSTER, LTD., *et al.*,

*Respondents.*

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ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

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**BRIEF OF *AMICUS CURIAE* ALTNET, INC.  
IN SUPPORT OF RESPONDENTS**

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Altnet, Inc. (“Altnet”) respectfully submits this brief as *amicus curiae* in support Respondents.

**STATEMENT OF INTEREST OF *AMICUS CURIAE*<sup>1</sup>**

Altnet is the “poster child” of a substantial, noninfringing use of peer-to-peer file sharing technology. Altnet has built a successful and profitable business based on the electronic distribution of *licensed* content, including audio, video, and software files. Using the same open “FastTrack” peer-to-peer technology that underlies Respondent Grokster’s software application, a licensed version of the Joltid closed peer-to-peer technology, and Microsoft’s Digitally Rights Managed (“DRM”) technology, Altnet became the world’s largest provider of secure content for peer-to-peer distribution over the internet. Altnet has issued approximately 300,000 licenses each day for electronic content, which it makes available for peer-to-peer searching and downloading. In less than a year, Altnet had not only populated the so-called “file sharing networks” with an enormous amount of licensed content, but had implemented the means for collecting revenue from users of peer-to-peer software applications and distributing that revenue to copyright holders.

While embraced by many artists and labels not blessed with recording, marketing, or distribution contracts from the major record labels, Altnet is viewed as a direct, competitive threat by the Motion Picture Studio and Recording Company Petitioners (“Petitioners”). By bundling Altnet’s technology to interoperate with peer-to-peer software applications like those at issue in

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1. The parties to this proceeding have filed with the Clerk of Court blanket consents to all *amicus curiae* briefs. Pursuant to Rule 37(6), *amicus curiae* states that no counsel for a party to this proceeding authored this brief in whole or in part. Counsel for *amicus curiae* Altnet, Inc. (“Altnet”) is counsel for Sharman Networks Limited which is a party to the underlying action from which this proceeding arose; however, neither Altnet nor Sharman are parties to the current appeal. Likewise, no person other than the *amicus curiae* made a monetary contribution to the preparation or submission of this brief.

this case, Altnet can distribute music and movies at a small fraction of the cost needed to operate Petitioners' "brick and mortar" distribution businesses. Altnet also competes with several of the Petitioner-owned and sponsored *Amici*, such as MusicNet, who operate "web-based" businesses for internet distribution of licensed content. Altnet possesses competitive advantages over these *Amici* because the use of peer-to-peer distribution technology does not require the same investment in web-based server architecture, and it is more popular among consumers.

If Respondents were held contributorily or vicariously liable each time a user of their software downloaded a copyrighted work without permission of the copyright owner, no company could risk development or provision of the peer-to-peer technology and applications at issue in this case—or any other internet communication tool. Indeed, no open computer communication protocol in the hands of computer users, including HTTP (the most widely-used communication protocol on the internet) is immune from misuse. Without these peer-to-peer communication protocols, Altnet's digital distribution of *licensed* content business could not function, leaving Petitioners and their *Amici* with monopolistic control over both physical and digital content distribution. Accordingly, Altnet respectfully requests this Court to affirm the decision of the United States Court of Appeals for the Ninth Circuit.

#### **SUMMARY OF ARGUMENT**

In *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) ("*Sony*"), this Court recognized both that the Constitution textually assigns to Congress the task of defining the scope of the limited copyright monopoly that should be granted to authors, and that this task involves a difficult balance between competing interests as significant changes to technology occur. Accordingly, the Court properly declined to expand the contours of secondary copyright infringement liability beyond long-established, common law traditions. It deferred to Congress to fashion new rules that new technology makes necessary.

By their appeal, Petitioners ask this Court to extend the scope of secondary copyright infringement liability beyond its existing, common law boundaries. This *amicus brief*, in ways not expressed by any other *amicus* or party, comprehensively provides this Court with the sound public policy and constitutional reasons why it should decline the Petitioners' invitation to create new copyright law and instead defer that task to Congress. In sum, this *amicus brief* details from a public policy and practical perspective the institutional incapacity of the courts, and the inherent limitations of the adjudicatory process, to craft adequate solutions to challenges posed by ever-increasing advancements and fundamental changes in information dissemination technologies.<sup>2</sup>

#### ARGUMENT

#### **I. As A Constitutional Matter, The Court Should Defer To Congress The Legislative Task Of Whether Petitioners Should Be Given Additional Copyright Protections**

##### **A. The Constitution Textually Entrusts to Congress the Power to Determine the Scope and Duration of Copyright Protection**

Article I, Sec. 8 of the Constitution provides that: "The Congress shall have Power . . . to Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

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2. The Petitioners are indeed asking this Court to extend the law, not to apply "long-established principles of secondary liability in copyright law" as they state in their "Question Presented." This is so because the Petitioners persist, as they have now done twice before in the district court and in the appellate court below, to mischaracterize the Respondents' conduct as operating "services" rather than distributing a software "product." That mischaracterization is fundamental to their legal argument—the word "services" appears three times in their single statement of the "Question Presented" on appeal.

“As the text of the Constitution makes plain, it is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors or to inventors in order to give the public appropriate access to their work product.” *Sony*, 464 U.S. at 429. Indeed, “long before the enactment of the Copyright Act of 1979, 35 Stat. 1075, it was settled that the protection given to copyrights is wholly statutory.” *Sony*, 464 U.S. at 431 (citing *Wheaton v. Peters*, 33 U.S. (8 Peters) 591, 661-662 (1834)). And that “[t]he remedies for infringement ‘are only those prescribed by Congress.’” *Id.* (quoting *Thompson v. Hubbard*, 131 U.S. 123, 151 (1889)).

Further, the Court has stressed that “it is generally for the Congress, not the courts, to decide how best to pursue the Copyright Clause’s objectives.” *Eldred v. Ashcroft*, 537 U.S. 186, 212 (2003).

‘The enactment of copyright legislation by Congress under the terms of the Constitution is not based upon any natural right that the author has in his writings, . . . but upon the ground that the welfare of the public will be served and progress of science and useful arts will be promoted by securing to authors for limited periods the exclusive rights to their writings.’

*Sony*, 464 U.S. at 429 n.10 (quoting H.R. Rep. No. 2222, 60th Cong., 2d Sess. 7 (1909)). Congress thus seeks to define the rights included in copyright so as to serve the public welfare and not necessarily so as to maximize an author’s control over his or her product. *Id.* at 429 (“The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.”) (internal quotations omitted). The challenge of copyright law is to strike the “difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society’s competing interest in the free flow of ideas, information, and

commerce on the other hand.”<sup>3</sup> *Id.* “Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology.” *Id.* at 431.

**B. This Court Has Repeatedly Recognized the Constitutional Prohibition on Judicially-Created Intellectual Property Right Protections**

The scope of the limited copyright and patent monopoly privileges being statutory, this Court and the intermediate appellate courts have consistently declined to broaden the scope of the statutory patent and copyright monopoly even where fairness and policy considerations strongly counseled an expansive reading. *See, e.g., Sony*, 464 U.S. at 431 (“The judiciary’s reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme. . . . Sound policy, as well as history supports our

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3. While Petitioners urge that this Court is properly entrusted to make what amounts to an unprecedented expansion of the scope of copyright monopoly and secondary copyright infringement liability, two terms ago they advocated that the task of defining the scope of copyright protection is reposed in Congress: In *Eldred v. Ashcroft*, 537 U.S. 186 (2003), where the Petitioners here (MPAA and RIAA) were defending the constitutionality of the Copyright Term Extension Act (CTEA), Pub. L. No. 105-298, §§ 102(b) and (d), 112 Stat. 2827-2828 (amending 17 U.S.C. §§ 302, 304) (1998), they highlighted Congress’s constitutionally designated role and special competence in “defining the scope” of copyrights:

*Judgments of this sort, including judgments about the appropriate duration of the copyright term, require balancing disparate interests and making predictions about future behavior. These factually complex, predictive determinations are precisely the sort that legislatures are most competent to make*, and to which courts should defer once the legislature has decided.

MPAA’s Amicus Brief in support of Respondent in *Eldred v. Ashcroft*, available at 2002 WL 1836658, \*3 (2002) (emphasis added).

consistent deference to Congress when major technological innovations alter the market for copyrighted materials.”)

With new technological developments, copyright holders have repeatedly asked the courts to expand the reach of their existing copyright protections to encompass new forms of communications and expressions. In each case, this Court has declined to create additional protections beyond those plainly provided by statute, notwithstanding the fact that formulation of responsive legislation had taken years to develop. Notably, in each case Congress has eventually formulated a legislative solution, which in its sheer complexity would have been beyond the judiciary’s institutional capability (leaving aside, its lack of constitutional authority) to craft.

### **1. Cable TV Technology**

With the advent of cable TV, copyright holders of television programs brought copyright infringement suits claiming that cable TV operators infringed their copyrights by intercepting broadcast transmissions of copyrighted material and re-channeling those through their CATV systems to paying subscribers. *See, e.g., Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968); *Teleprompter Corp. v. CBS, Inc.*, 415 U.S. 394 (1974). In each case this Court, ruling upon copyright’s statutory scope, held that the accused conduct by Cable TV operators did not amount to copyright infringement. *Fortnightly*, 392 U.S. at 400-01; *Teleprompter*, 415 U.S. at 407-08 & 415. In each case, the Court rejected invitations to extend the scope of copyright protection on pragmatic grounds, deeming it a task for Congress:

We have been invited by the Solicitor General in an amicus curiae brief to render a compromise decision in this case that would, it is said, accommodate various competing considerations of copyright, communications and antitrust policy. We decline that invitation. That job is for Congress.



*Fortnightly*, 392 U.S. at 401 (internal footnotes omitted).<sup>4</sup> The Court rejected as well copyright holders' argument that the Court should extend Copyright protection because of the adverse impact of the accused conduct upon the economics and market structure of copyright licensing, *Teleprompter*, 415 U.S. at 410, emphasizing the legislative nature of the task:

These shifts in current business and commercial relationships, while of significance with respect to the organization and growth of the communications industry, simply cannot be controlled by means of litigation based on copyright legislation enacted more than half a century ago, when neither broadcast television nor CATV was yet conceived. Detailed regulation of these relationships, and any ultimate resolution of the many sensitive and important problems in this field, must be left to Congress.

*Teleprompter*, 415 U.S. at 414. It was not until 1976 that Congress legislatively superseded *Fortnightly* and *Teleprompter*, and addressed the CATV issue through a complex compulsory license regime as part of the Copyright Act of 1976.<sup>5</sup> (*See infra* Section III.A.1).

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4. The Court declined to assume this task even though efforts at devising legislation addressing the issue had been unsuccessful during the preceding twelve years, 1955-1967. *Fortnightly*, 392 U.S. at 396 n.17 & 401 n.33 (summarizing continuous legislative activity from 1955 to 1967, commencing with Congress's authorization in 1955 of a program of studies by the Copyright Office, resulting in Register of Copyright's Report in 1961 on the General Revision of the U.S. Copyright law, House Judiciary Committee Print, 87<sup>th</sup> Cong., 1<sup>st</sup> Sess. (1961), and continuing with various bills introduced in the House and Senate, with a bill revising the copyright laws enacted in the Ninetieth Congress in 1967. The bill as reported contained a complex provision dealing with CATV, but the provision was struck from the bill on the House floor prior to amendment).

5. *See* 17 U.S.C. § 111; Act of Oct. 19, 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended in scattered sections of 17 U.S.C.).

## 2. Radio Broadcast of Copyrighted Music

Similarly, in *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975), the Court was presented with the question whether a copyright's statutory exclusive rights encompassed radio reception for profit of an authorized broadcast of copyrighted musical compositions. *Id.* at 152. The Court, relying on *Fortnightly* and *Teleprompter*, answered the question in the negative. *Id.* at 161-62. The justices, both in the majority and dissent, understood the need for legislative action. Justice Blackmun's concurring opinion pointed out the legislative efforts that sought to distinguish between "the use of a radio in a public place and the causing of a work or other subject-matter to be transmitted to subscribers to a diffusion service," but concluded that, "[r]esolution of these difficult problems and the fashioning of a more modern statute are to be expected from the Congress." *Id.* at 166 (Blackmun, J., concurring). *See also id.* at 167-68 & 170 (Burger, C.J., dissenting)

My primary purpose in writing is not merely to express disagreement with the Court but to underscore what has repeatedly been stated by others as to the need for legislative action. . . . [T]he issue presented can only be resolved appropriately by the Congress. . . . In my view, we should bear in mind that "[o]ur ax, being a rule of law, must cut straight, sharp, and deep; and perhaps this is a situation that calls for the compromise of theory and for the architectural improvisation which only legislation can accomplish."

(Quoting *Fortnightly*, 392 U.S. at 408 (Fortas, J., dissenting)).

## 3. Internet Service Providers

In *RIAA v. Verizon Internet Serv., Inc.*, 351 F.3d 1229 (D.C. Cir. 2003), *cert. denied*, 125 S. Ct. 309 (2004), the court of appeals, "while not unsympathetic either to the RIAA's concern regarding the widespread infringement of its members' copyrights, or to the need for legal tools to protect those rights,"

*id.* at 1238, noted the deference to Congress dictated by *Sony* and declined to judicially expand the reach of the Digital Millennium Copyright Act's (DCMA)<sup>6</sup> statutory subpoena provisions, reasoning that:

It is not the province of the courts, however, to rewrite the DCMA in order to make it fit a new and unforeseen internet architecture, no matter how damaging that development has been to the music industry or threatens being to the motion picture and software industries. The plight of copyright holders must be addressed in the first instance by the Congress; only the "Congress has the constitution authority and institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology."

*Id.* (quoting *Sony*, 464 U.S. at 431). The court also pointed out the ongoing congressional fact-finding activities in response to the P2P technology as another reason for deferring to Congress:

The stakes are large for the music, motion picture, and software industries and their role in fostering technological innovation and our popular culture. It is not surprising, therefore, that even as this case was being argued, committees of the Congress were considering how best to deal with the threat to copyrights posed by P2P file sharing schemes. *See, e.g., Privacy & Piracy: The Paradox of Illegal File Sharing on Peer-to-Peer Networks and the Impact of Technology on the Entertainment Industry: Hearing Before the Senate Comm. On Governmental Affairs, 108th Congress (Sept. 30, 2003); Pornography, Technology, and Process: Problems and Solutions on Peer-to-Peer Networks:*

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6. Pub. L. No. 105-304, 122 Stat. 2860 (1998) (codified as amended in scattered exceptions of 17 U.S.C.).

*Hearing Before the Senate Comm. on the Judiciary,*  
108th Congress (Sept. 9, 2003).

*Id.* at 1238-39. *Cf. Dowling v. United States*, 473 U.S. 207, 228 (1985) (rejecting interpretation of statute imposing criminal penalties for interstate transportation of stolen property to reach music bootlegging and piracy, reasoning that, “the deliberation with which Congress over the last decade has addressed the problem of copyright infringement for profit, as well as the precision with which it has chosen to apply criminal penalties in this area, demonstrates anew the wisdom of leaving it to the legislature to define crime and prescribe penalties.”)

#### 4. Analogous Patent Law Precedent

In the analogous area of patents, this Court has deferred to Congress to expand the scope of liability. In *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972), this Court refused to enlarge the statutory right to exclude accorded to patent holders and emphasized that closing a loophole in the right to exclude, so as to alleviate any inequity to the intellectual property owner, is a task for Congress. In *Deepsouth*, the alleged infringer sought to avoid 35 U.S.C. § 271(a) patent infringement liability by exporting machinery from the U.S. “in less than fully assembled form, for use abroad.”<sup>7</sup> *Id.* at 519. Specifically, the issue was whether section 271(a) barred *Deepsouth* from “mak[ing] the parts of the [infringing shrimp] deveining machines, to sell them to foreign buyers, and to have the buyers assemble the parts and use the machines abroad.” *Id.* at 523.

*Deepsouth* argued that no infringement occurs since “both the ‘making’ and the ‘use’ of the machines occurs abroad.” *Id.* at 524. *Laitram*, the patentee, characterized *Deepsouth*’s contention as “based upon a hypertechnical reading of the patent code that, if tolerated, will deprive [the patentee] of its right to the fruits” of its invention, and urged the Court to find

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7. At the time, section 271(a) provided: “. . . whoever without authority makes, uses or sells any patented invention, within the United States . . . infringes the patent.” 35 U.S.C. § 271(a) (1952).

infringement. *Id.* This Court, while sympathetic to Laitram’s predicament, declined to interpretively broaden the scope of patent protection. *Id.* at 525. Noting that if the patentee, Laitram, “has a right to exclude” Deepsouth’s conduct, “it must be derived from its patent grant, and thus from the patent statute.” *Id.* at 526. The Court reversed the Fifth Circuit’s holding below because, “absent a Congressional recasting of the statute,” the scope of the statutory right to exclude did not reach “the substantial manufacture of the constituent parts of the machine.”<sup>8</sup> *Id.* at 527-28. In rejecting the notion that the statute should be construed in a manner that “would better reflect the policy of the Framers,” *id.* at 529, the Court emphasized that the task belonged to Congress:

The direction of Art. I is that Congress shall have the power to promote the progress of science and the useful arts. When, as here, the Constitution is permissive, ***the sign of how far Congress has chosen to go can come only from Congress. . . . It***

8. The Court synopsisized Deepsouth’s conduct as follows: “Deepsouth in all respects save final assembly of the parts ‘makes’ the invention. It does so with the intent of having the foreign uses effect the combination without Laitram’s permission. Deepsouth sells these components as though they were the machines themselves; the act of assembly is regarded, indeed advertised, as of no importance.” *Deepsouth*, 406 U.S. at 524. The Court noted that the Fifth Circuit Court of Appeals, departing from the decisional law of its sister circuits, had found for the patentee Laitram, stating that:

In the Fifth Circuit panel’s opinion, those courts that previously considered the question “work themselves into . . . a conceptual box” by adopting “an artificial, technical construction” of the patent laws, a construction, moreover, which in the opinion of the panel, “(subverted) the Constitutional scheme of promoting the Progress of Science and useful Arts” by allowing an intrusion on a patentees’ rights, 443 F.2d at 938-939, citing U.S. Const., Art. I, § 8. . . . We disagree with the Court of Appeals for the Fifth Circuit.

*Id.* at 525.

*follows that we should not expand patent rights by overruling or modifying our prior cases construing the patent statutes*, unless the argument for expansion of privilege is based on more than mere inference from ambiguous statutory language. . . . In sum: the case and statutory law resolves this case against the respondent. When so many courts have so often held what appears so evident . . . we are not prepared to break the mold and begin anew. . . .

*Id.* at 530-32 (emphasis added).

Subsequent to the *Deepsouth* decision, in 1984 Congress amended section 271 to add a new statutory right to exclude that expressly overturned the *Deepsouth* decision. *See* 35 U.S.C. § 271(f).

Similarly, the 1988 enactment of 35 U.S.C. § 271(g) to the Patent Act provides another illustration that any perceived loophole in a statutory right to exclude ought to be addressed by Congress. Prior to enactment of § 271(g), the patentee was without a remedy to exclude importation of unpatented products that were made overseas using a process covered by a U.S. patent. As the product itself was not patented, and the process by which it was made occurred overseas, the patent owner had no remedy against importation and sale of such products in the United States. The domestic pharmaceutical industry lobbied Congress to close this loophole. Congress, thereupon, enacted a new statutory right to exclude, embodied in § 271(g), that statutorily addressed the matter. 35 U.S.C. § 271(g).<sup>9</sup>

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9. 35 U.S.C. § 271(g) provides in part:

Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, sale or use of the product occurs during the term of such process patent. . . .

## **II. The Inherent Limitations Of Judicial Resources, Institutional Capacity And The Adjudicatory Process Compel This Court To Defer To Congress The Task Of Creating New Copyright Protection In Response To New Technologies**

Congress has long been aware of the fundamental challenges that computer and information age technological advances pose to the intellectual property system. Undergirding the extensive and complex legislative activity during the past twenty years pertaining to the patent and copyright systems have been various congressionally-sanctioned studies and reports by teams of experts recommending precisely how Congress should adapt the system to new technologies. In a remarkably extensive and prescient study by Congress's Office of Technology Assessment in 1986, entitled U.S. Congress, Office of Technology Assessment, *Intellectual Property Rights in an Age of Electronics and Information*, OTA-CIT-203 (Washington, DC: U.S. Government Printing Office, April 1986) (hereinafter the "Congress's OTA 1986 Study"),<sup>10</sup> the authors, in explaining the various strategic choices available to Congress, addressed precisely the institutional incapacity of the courts and the inherent limitations of the adjudicatory process to craft adequate solutions to challenges posed by ever-increasing advancements and fundamental changes in information dissemination technologies. In addition, Congress's Office of Technology

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10. U.S. Congress, Office of Technology Assessment, *Intellectual Property Rights in an Age of Electronics and Information*, OTA-CIT-203 (Washington, DC: U.S. Government Printing Office, April 1986), available at [http://govinfo.library.unt.edu/ota/Ota\\_3/DATA/1986/8610.PDF](http://govinfo.library.unt.edu/ota/Ota_3/DATA/1986/8610.PDF) and <http://www.wws.princeton.edu/cgi-bin/byteserv.prl/~ota/disk2/1986/8610/8610.PDF> (hereinafter the "Congress's OTA 1986 Study"), at 279-80. "The request for this assessment, *Intellectual Property Rights in an Age of Electronics and Information*, was made by Senator Charles McC. Mathias, Jr., Senate Committee on the Judiciary, and by Congressmen Peter W. Rodino, Jr., Robert W. Kastenmeier, Hamilton Fish, and Carlos Moorhead, House Committee on the Judiciary." *Id.* at 15.

Assessment issued a further 292-page report in 1989, entitled “*Copyright and Home Copying: Technology Challenges the Law.*”<sup>11</sup> These studies persuasively demonstrate not only that the challenges are complex and the competing interests are multifarious, but that the adjudicatory process is simply inadequate to resolve the attendant policy-driven issues.

#### **A. Historic Overview of Copyright Law Development**

Prior to the information age, the mechanisms by which the intellectual property system worked were straightforward:

The government granted rights to an author or inventor. From this point on, the government’s role was relatively minor. Rewards were determined in the marketplace. . . . The holders of copyrights and patents holders were responsible for detecting infringements and preventing unauthorized use of a work. Enforcing one’s right was not unduly burdensome. This was particularly true in the case of copyright. Given the expense and the organizational requirements needed to reproduce works there were only a limited number of printers, and thus it was relatively easy to keep track of their activities.

Congress’s OTA 1986 Study, at 3.

The explosion of information-age technological advances “is complicating this process and undermining many of the mechanisms that governed the system in the past.” *Id.* Indeed, as of 1986, the OTA reported to Congress that

the new information and communications technologies available today are challenging the intellectual property system in ways that may only

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11. U.S. Congress, Office of Technology Assessment, *Copyright and Home Copying: Technology Challenges the Law*, OTA-CIT-422 (Washington, DC: U.S. Government Printing Office, October 1989), available at [http://govinfo.library.unt.edu/ota/Ota\\_2/DATA/1989/8910.PDF](http://govinfo.library.unt.edu/ota/Ota_2/DATA/1989/8910.PDF) and <http://www.wws.princeton.edu/cgi-bin/byteserv.prl/~ota/disk1/1989/8910/891001.PDF>.



be resolvable with substantial changes in the system or with new mechanisms to allocate both rights and rewards. Once a relatively slow and ponderous process, technological change is now outpacing the legal structure that governs the system, and is creating pressures on Congress to adjust the law to accommodate these changes. The pressures are coming from a number of different parties, and they are motivated by a wide range of concerns. . . .

*Id.*

“Given the rapidity of, and uncertainty with respect to, changes in information and communication technologies and their impact on the intellectual property system,” the Congressional OTA Study questioned “whether the existing institutions that were established to address intellectual property issues are either equipped with or are capable of developing an ongoing process to assess and plan for technological change.”<sup>12</sup>

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12. Congress’s OTA 1986 Study elaborates that,

The rapid development of information and communication technologies, combined with greater public access to them, has strained many of the traditional mechanisms for protecting intellectual properties. This growth and development has also stressed the system by which creators, producers, and distributors of intellectual properties are remunerated. For example, because many of these technologies permit decentralized access and require electronic handling of information, their use can be carried out privately and is, therefore, less subject than in the past to monitoring and control. Moreover, by generating new uses and users of intellectual properties, these technologies are convoluting the process by which intellectual properties are created, published, distributed, and used. Similarly, they are altering some of the traditional roles, and relationships of actors in the intellectual property system. As a result, many of those involved are seeking new kinds of rights and forms of remuneration.

Congress’s OTA 1986 Study, at 272.

*Id.* at 272. More pointedly, Congress was worried about the judicial determination of copyright scope retarding the growth of technologies that would otherwise promote the dissemination of information.

Judicial decisions on the allocation of proprietary rights in new information technologies and on access to new forms of communications occupy a position of singular importance. . . . At a time when the dimensions of advance in these technologies are seen as equal in importance to the advent of the industrial revolution and when the potential for the monopolization of control they embody surpasses anything organized societies have known so far, ***the power of courts to demarcate rights of ownership in and access to knowledge is the power to decide whether or not the new information and communication technologies will be used to increase the public dissemination of information.***

The shortcomings of intellectual property rights adjudication must be seen against that challenge.

Congress's OTA 1986 Study at 268 n.34 (emphasis added). As is apparent from the complexity and frequency of the copyright legislation during the 1990s, discussed *infra*, "[t]o resolve the numerous and competing intellectual property claims . . . will be very difficult." *Id.* at 273. "It will require policy makers to develop an analytic rationale for the optimum charging of fees and the economically efficient and socially equitable distribution of rewards. To do so, they will ***need to know about all of the parties at stake in relatively great detail, and also understand their roles in the intellectual property process, and how each might fare under alternative scenarios.***" *Id.* (emphasis added).

As confirmed by the OTA Study, the inherent institutional limitations of the adjudicatory process make it particularly unsuitable for resolving these policy-driven issues in a number of ways, including: (1) the adjudicative information is biased and inadequate; and (2) the resources available to the courts are

limited and the single-case attributes of the adjudicatory process are too confining to consider the larger policy issues and impacts. *Id.* at 277-80.

**B. Adjudicative Information is Inadequate to Determine Proper Policy Involving new Technologies and Assess Unforeseen Consequences of Adjudicatory Decisions**

Among the resources at the disposal of Congress—the body constitutionally designed to make social policy—is “the availability of expert or specialized knowledge, of procedures for the evaluation of alternative strategies or policies and of studies projecting the consequences of alternative choices. Courts lack most of these resources.” *Id.* at 279.

“Judges are not experts, they are generalists par excellence.” *Id.* The lack of expert knowledge and specialization, compounded by the lack of expert resources of the magnitude required (such fact-finding and policy assessment entities as the OTA, the Copyright Office and the Librarian of Congress), leaves the adjudicatory process ill-equipped to deal with matters calling for expertise and skills in particular fields. The difficulty arises, in part, from “the scale and complexity of technical issues,” and, in part, from “the fact that judges have to deal with cases quite isolated from their larger context and on the basis of nonprobabilistic legal reasoning.” *Id.*

**C. The Case-by-Case Adjudicatory Process is Informationally Partial and Biased**

From a policy standpoint, information presented to courts during litigation is partial in “the dual sense that it is both incomplete and biased.” *Id.* “Information is incomplete and fragmented, because the judicial focus tends to be delineated by the issues which the litigants choose to raise.” *Id.* As a result,

Adjudication does not provide mechanisms for routine feedback on the consequences of decisions and it provides only limited opportunities for locating specific issues in their broader *social*

context. The judicial process makes little or no provision for reviewing the consequences of decisions. The contrast between the intensive examination of antecedent facts and the near total neglect of subsequent or consequential facts—i.e., the impact of a decision on economic, social, or scientific behavior and developments, is striking.

*Id.* at 279-80 (emphasis in original).

Adjudicative information is biased because “the adversary process subjects virtually all of the information brought before a court to the service of stakeholders. Not all interest groups with stakes in the outcome of a particular case are represented and those interests which are represented are not necessarily balanced in the resources they can bring to bear on litigation.” *Id.* at 280.

#### **D. The Adjudicatory Process is Confined to Consideration of Competing Interests in a Single Case**

Aside from exacerbation of the courts’ caseload, the resolution of intellectual property issues in view of new technology raises questions as to whether the “special attributes of the adjudicatory process are suited to this task.” *Id.* at 278. The Congress’s OTA 1986 Study highlights those institutional limitations: “Courts will have to decide copyright questions in the context of imperfect information about the course of technological change, of doubt over the economic consequences of the allocation of new proprietary rights in information technology, of lack of public support or understanding, and in the absence of comprehensive legislative guidance.” *Id.* at 278.

Since judges must resolve concrete issues and reach decisions one case at a time, “they cannot devise a coherent program or policy.” *Id.* Congress’s OTA Study explains why decisions reached by the adjudicatory process may indeed be counterproductive from a policy standpoint:

The rapid rate and complexity of technological change aggravate the inherent liabilities of the

judicial process and may make intellectual property law issues less manageable for the courts and may, by extension, make the outcome more counterproductive from a science and social policy perspective. *It is in this sense that superimposing technological information policy issues on judicial institutions primarily structured to decide individual cases in the context of traditional intellectual property law may prove detrimental to both the courts and those with large stakes in litigation over these issues.* Future changes in information and communication technology are likely to leave courts perpetually a step behind the task they must perform.

*Id.* at 280 (emphasis added).

### **III. Only Congress Has The Institutional Fact-finding Mechanisms And Evaluative Tools To Shape New Copyright Policy In The Face Of New Technologies**

Unlike the courts, Congress has the mechanisms and tools to comprehensively identify and evaluate competing policy concerns and fashion appropriate legislation. Indeed, the course of the past two decades amply demonstrates not only that Congress and the legislative process are institutionally equipped to the task, but that, in fact, Congress has devised variously complex amendments to the intellectual property statutes to address challenges raised by the information age.

#### **A. Congress has Repeatedly Demonstrated its Ability to Fashion Legislation to Address the Issues Raised by New Technologies**

For its first 150 years of existence, U.S. Copyright law was based largely on a judicially administered, industry-neutral property rights regime. In recent decades, however, and in response to technological changes, Congress has departed from the pure property rights regime (that is, granting exclusive rights enforceable in the courts) in favor of a regulatory regime by

introducing detailed, industry-specific exemptions and several complex compulsory licensing schemes for certain industries. Indeed, from 1976 to 2004, Congress has enacted fifty-four (54) statutory amendments to the Copyright Code, a great many of which were in response to technological changes.<sup>13</sup> Only some of the more notable amendments are discussed herein.

### 1. The Copyright Act of 1976

The 1976 revision of the Copyright Act<sup>14</sup> represented a significant departure from the property rights model. As early as 1955, Congress authorized the Copyright Office to begin studying the possibility of substantially revising the Act in response to dramatic technological changes in the copyrights industry. The Copyright Office submitted a detailed report to Congress in 1961.<sup>15</sup> After a number of proposed drafts, the first revision bill was introduced in 1964, followed by extensive hearing. Bills were passed by the House in 1967 and 1976, and by the Senate in 1974 and 1976.<sup>16</sup> Differences in the versions were resolved, and the new act was signed in 1976. The process of revision thus took more than twenty years. Much of the delay resulted from the complexity of the subject matter (in light of new industries and technologies) and from the need to balance

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13. See *Copyright Law of the United States of America and Related Laws Contained in Title 17 of the United States Code*, available at <http://www.copyright.gov/title17/> (listing four amendments in 2004), and the *Preface thereto*, at iii-viii (detailing fifty (50) amendments during 1976-2002), available at <http://www.copyright.gov/title17/circ92.pdf>.

14. Act of Oct. 19, 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended in scattered sections of 17 U.S.C.).

15. U.S. Copyright Office, 87<sup>th</sup> Cong., *Report of the Register of Copyrights on the General Revision of the U.S. Copyrights Law* (Washington, D.C., Govt. Print. Off., 1961 (House Committee Print, 87th Cong., 1st sess.)).

16. See H.R. 2512, 90<sup>th</sup> Cong. (1967); S. 1361, 93<sup>rd</sup> Cong. (1974); S. 22, 94<sup>th</sup> Cong. (1976); H.R. Rep. No. 94-1476 (1976), reprinted at 1976 U.S.C.C.A.N. 5659.

the interests of many competing industry players.<sup>17</sup> The resulting statute was significantly more complex and detailed than previous copyright acts. The 1976 Act contained several dozen extremely detailed sections and spanned several hundred pages.

Aside from creating several industry-specific exemptions or limitations on exclusive rights (*e.g.*, exemptions for libraries, certain public performances, etc.),<sup>18</sup> and codifying the common law fair use defense,<sup>19</sup> the 1976 Act made use of compulsory licenses in response to technological changes and the advent of new industries. For example, the Supreme Court having previously held, in *Fortnightly* and *Teleprompter*, that the copyright monopoly did not extend to retransmission of copyrighted broadcasts by cable television providers, the 1976 Act legislatively superseded those decisions and expressly created a compulsory license for cable broadcasting. *See* 17 U.S.C. § 111; H.R. Rep. 94-1476, at 89 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5704 (noting *Fortnightly* and *Teleprompter*). The resultant legislation was extremely complex and detailed, which enabled cable television providers to retransmit broadcast television signals. As noted in the legislative history, the provision was the result of a compromise hammered out between the broadcast and cable industries.<sup>20</sup> H.R. Rep. 94-1476, at 89 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5704. In short, the 1976 Act singled out a particular industry for special treatment. It further dictated the very detailed terms of the compulsory license, very much like a private licensing

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17. *See* Jessica D. Litman, *Copyright Compromise and Legislative History*, 72 Cornell L. Rev. 857, 870-79 (1987).

18. *See generally* 17 U.S.C. §§ 108-122.

19. Pub. L. No. 94-553, § 107, 90 Stat. at 2546.

20. The 1976 Act also contained a similar compulsory license for jukebox operators, 17 U.S.C. § 116, and was later amended to include similar complex compulsory licenses for satellite retransmissions of broadcast television. 17 U.S.C. § 119 (general statute retransmission license); § 122 (local-to-local satellite retransmission license).

agreement struck between private parties enacted into law by Congress.<sup>21</sup>

During the substantial work that went into the drafting of the 1976 Act, it became increasingly apparent that advances in photocopying and computer technology would have a dramatic impact on the copyright markets. Wishing not to jeopardize the substantial work put into the revision, Congress tabled new issues presented by new computer technologies and commissioned them for a study by the National Commission on New Technology Uses of Copyrighted Works (CONTU) as part of a comprehensive study of the impact of technology on copyrights.<sup>22</sup>

## **2. Audio Home Recording Act of 1992**

As the Sony-Betamax controversy unfolded after introduction of Sony's Betamax video recorders in 1975, Congress contemplated several pieces of legislation offering alternative solutions prior to this Court's *Sony* decision. They were uniform in exempting consumers from liability for home recording, but some advocated free exemption, while others put a price on it through a compulsory license scheme.<sup>23</sup>

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21. See Litman, *supra* note 19, at 869.

22. See Pamela Samuelson, *CONTU Revisited: The Case Against Copyright Protection for Computer Programs in Machine-Readable Form*, 1984 Duke L.J. 663, 665. Established in 1974, CONTU was charged with the task of studying these new technologies and issuing recommendations to Congress for amending the Copyright Act. The Commission consisted of various experts from the relevant fields of law and technology. After four years of study, CONTU issued its final report in 1978, along with specific recommendations for amendments to the 1976 Act. Nat'l Comm'n on New Technological Uses of Copyrighted Works, *Final Report of the Nat'l Comm'n on New Technological Uses of Copyrighted Works* 1-2 (1976).

23. The first bill (S. 1758) was introduced in the Senate in 1981 by Senator DeConcini. Matching legislation was introduced in the House by Representative Parris (H.R. 4808) and Representative Duncan (H.R. 5250). Hearings were held, but no action was taken during the  
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Congress' legislative efforts continued throughout the 1980s and early 1990s, and also took note of new digital recording technology such as compact disks and digital audio tape technology that would permit consumers for the first time to make digital copies of recorded music. The representatives of the consumer electronics technology and copyright owners negotiated a compromise, which Congress subsequently enacted into law as Audio Home Recording Act of 1992 (AHRA): Immunity from liability for consumers and device manufacturers in exchange for payment of a royalty levy to copyright owners and incorporation of copying control technology into the devices.<sup>24</sup>

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97<sup>th</sup> Congress. These proposals would have exempted home taping from infringement liability with no provisions for compensation to the copyright owners. Senator DeConcini reintroduced his bill as S. 175 in the 97<sup>th</sup> Congress, and Representative Foley sponsored an identical measure (H.R. 175) in the House. Meanwhile, Senator Mathias had offered an amendment (S. Amend. 1333 to S. 1758) in the 98<sup>th</sup> Congress which would provide owners with a royalty payment from equipment makers. In the 98<sup>th</sup> Congress, Senator Mathias reintroduced a revised version (S. 31) as the Home Recording Act of 1983, which was duplicated in the House by Representative Edwards (H.R. 1030). Hearings on S. 31 and S. 175 were held in October 1983, but consideration of both bills was postponed in February 1984 following the *Sony* decision.

24. Pub. L. No. 102-563, § 2, 106 Stat. 4237 (codified as amended at 17 U.S.C. §§ 1001-1010 (2000)). The Act immunized consumers from direct copyright infringement liability for making personal copies of recorded music and device manufacturers from indirect liability for selling digital audio tape decks. 17 U.S.C. § 1008. In exchange, the Act required device manufacturers to place in their devices technologies to prevent serial copying of recorded music. *Id.* § 1002 (entitled, "Incorporation of copying controls"). The Act also imposed a royalty levy on the sale of every digital audio recording device (two percent of the "transfer price" as defined in the statute), and on any blank audio medium (three percent of the transfer price) used to make such recordings. *Id.* §§ 1003-1004. The proceeds from the levy would then be redistributed to the copyright owners by the Copyright Office. *Id.* §§ 1006-1007.

In short, the AHRA represented a significant extension of Congress's regulatory approach to copyrights, embracing a complex solution to a complex problem, which intervened in the structure of not just copyright law but also the related consumer electronics industry: (1) the AHRA's royalty provision did more than simply set up a compulsory license; (2) the AHRA's royalty provision was tied, not to direct use of the underlying copyrighted work, but to the sale of devices and products that could be used to engage in the copying of the underlying work; (3) the distribution provisions were more complex;<sup>25</sup> and (4) the AHRA imposed a technology mandate for digital recording devices—devices that did not contain this technology could not be imported, manufactured or distributed.<sup>26</sup>

### **3. Digital Performance Right in Sound Recordings Act of 1995**

With the advent of digital technology, the sound recording copyright owners voiced concerns that digital delivery of sound recordings via cable, satellite, and the internet might significantly cut into the market for sales of sound recordings. In response, three years after AHRA, Congress again intervened in the market for music copyrights, this time with the exceptionally complex Digital Performance Right in Sound Recordings Act of 1995 (DPRSRA),<sup>27</sup> granting sound recording owners the limited right to control digital public performances.<sup>28</sup>

The DPRSRA is an exceedingly complex piece of copyright legislation. As an initial matter, the DPRSRA amends the list of exclusive rights to give sound recording owners this additional right to control digital public performances.<sup>29</sup> However, the Act

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25. 17 U.S.C. § 1007.

26. *Id.* §§ 1002 and 1008.

27. Pub. L. No. 104-39, 109 Stat. 336 (codified as amended in scattered sections of 17 U.S.C.).

28. See Jane C. Ginsburg, *Copyright and Control over New Technologies of Dissemination*, 101 Colum. L. Rev. 1613, 1630 (2001).

29. 17 U.S.C. § 106(6).

then qualifies the new right with a number of extremely complex exemptions and compulsory licenses.<sup>30</sup> The statute sets forth a number of highly specific categories of transmissions subject to the compulsory licensing scheme, with extensive requirements, sub-requirements, and exceptions (covering such details as extent of performances, application of program information, duration of performances, compliance with the copy-protection technologies, etc).<sup>31</sup>

The DPRSRA thus represents perhaps the most dramatic application of the regulatory approach by Congress in resolving competing interests in a copyright context. Through DPRSRA, the Copyright Act is extensively involved in the shape and structure of a particular copyright market, namely the market for digital performances of recorded music. Rather than leaving the market to be structured according to private agreements and judicial intervention, the DPRSRA imposed an extremely detailed compulsory license structure, with extremely detailed qualifications and definitions.

#### **4. Digital Millennium Copyright Act of 1998**

The recent Digital Millennium Copyright Act of 1998 (DMCA)<sup>32</sup> provided a legislative solution to a distinct problem. Congress enacted the DMCA in an attempt to update copyright law in light of perceived challenges presented by digital technology. The DMCA contained many separate provisions, some of which dealt with copyright liability of intermediaries such as internet service providers (ISPs).<sup>33</sup> These provisions of the DMCA exempted ISPs from direct and indirect copyright infringement liability for certain activities such as system

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30. *Id.* § 114(d)(1).

31. *Id.* § 114(d)(2). The statute indicates a preference for voluntarily negotiated licensing rates and terms; in the absence of agreement, however, actual licensing rates and terms are to be set by a Copyright Arbitration Royalty Panel. *Id.* § 114(f)(1).

32. Pub. L. No. 105-304, 122 Stat. 2860 (1998) (codified as amended in scattered sections of 17 U.S.C.).

33. 17 U.S.C. § 512.

caching and temporary storage and forwarding.<sup>34</sup> The DMCA also enacted a safe harbor shielding ISPs from liability for storing subscriber content, under certain circumstances.<sup>35</sup> These provisions generally provided more specificity and guidance to ISPs, who had been concerned about potentially extensive liability under the Copyright Act.

Importantly, the DMCA also contained separate provisions supporting copyright industry's attempts to protect copyrighted works through the use of technology.<sup>36</sup> In particular, the DMCA provided a separate cause of action against acts of circumvention of technology that controlled access to copyrighted materials.<sup>37</sup> The DMCA also banned distribution of technologies with the primary purpose of facilitating circumvention.<sup>38</sup> Finally, the DMCA provided a cause of action for tampering with or removing copyright management information attached to copyrighted works.<sup>39</sup>

The DMCA once again represents a complex legislative solution that balances the rights of the copyright owners and various other competing interests, and exhibits Congress's willingness to intervene in the technology markets.<sup>40</sup> By banning certain technologies from public distribution, the DMCA again affects the market for technology.<sup>41</sup>

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34. *Id.* § 512(a) and (b).

35. *Id.* § 512(c) (setting forth the safe harbor requirements).

36. *Id.* §§ 1201-1202.

37. *Id.* § 1201(a)(1).

38. *Id.* § 1201 (a)(2).

39. *Id.* § 1202.

40. See, e.g., Benton J. Gaffney, *Copyright Statutes That Regulate Technology: A Comparative Analysis of the Audio Home Recording Act and the Digital Millennium Copyright Act*, 75 Wash. L. Rev. 611, 631 (2000).

41. Significantly, the DMCA departs from the traditional property rights view insofar as it expressly empowers the Librarian of Congress,  
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**B. Congress Has Been Extensively Engaged in Developing a Regulatory Regime That Would Cover Peer-to-Peer Software Applications**

Many recent proposals for further amending or reforming the Copyright Act have also adopted a more regulatory approach. First, at least one recent bill proposed by Senator Ernest Hollings would have intervened more extensively in the technology markets than the DMCA. The Hollings bill, proposed in 2002, would have mandated that every device capable of playing digital content contain technology to prevent unauthorized copying.<sup>42</sup> Thus, even general purpose digital devices, such as computers, would have had to implement copy protection or access control technology.

A number of academics have also advanced very detailed proposals to significantly revamp copyright law in light of the challenges presented by digital technology. Specifically, these scholars have advanced proposals for replacing the existing entitlement structure for digital media with a compulsory license or levy, similar to the levy found in the AHRA.<sup>43</sup>

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for the for the first time, not only power over the terms and conditions of compulsory licenses, but actual substantive rulemaking power. 17 U.S.C. § 1201(a)(1)(c). The DMCA delegates to the Librarian of Congress the power, after notice and comment, to exempt classes of works from the anti-circumvention provisions entirely. *Id.* In crafting such exemptions, the Librarian of Congress is directed to consider various statutory factors and any other factors that the Librarian considers appropriate. *Id.* The Library of Congress conducted the first rulemaking two years after enactment of the DMCA and, after extensive notice and comment, exempted four classes of works. *See Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies*, 68 Fed. Reg. 62,011 (October 31, 2003). Three years later, the Librarian again conducted the rulemaking and exempted four such classes. *Id.*

42. S. 2048, 107<sup>th</sup> Cong. (2002).

43. *See, e.g.,* Raymond Shih Ray Ku, *The Creative Destruction of Copyright: Napster and the New Economics of Digital Technology*, 69

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Most recently, in the 108<sup>th</sup> Congress, the Senate for months considered and held hearings on S. 2560, the “*Inducing Infringement of Copyrights Act of 2004*.” The so-called “Induce Act” was intended to amend the Copyright Act to prohibit companies such as Grokster, Streamcast and Sharman from distributing peer-to-peer application software. At least five different versions of S. 2560 were considered and no draft bill emerged from committee. No legislative solution has yet been fashioned because the issues implicated by the contemplated legislation are complex and have far-reaching (and likely unanticipated) consequences. The important, competing concerns surrounding the specific language proposed for the Induce Act can be understood by reading the testimony given on July 22, 2004 regarding S. 2560 during the Senate Judiciary Committee’s hearing on S. 2560, the “Intentional Inducement of Copyright Infringement Act of 2004.”<sup>44</sup> Technology companies, consumer electronic companies, and the public interest sector opposed the bill, while the Copyright Office and the RIAA supported it.<sup>45</sup>

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U. Chi. L. Rev. 263, 312-15 (2002); Glynn Lunney, Jr., *The Death of Copyright: Digital Technology, Private Copying, and the Digital Millennium Copyright Act*, 87 Va. L. Rev. 813, 854-58 (2001); Neil Weinstock Netanel, *Impose a Non-Commercial Use Levy to Allow Free Peer-to-Peer File Sharing*, 17 Harv. J. L. & Tech. 1, 4 (2003); Lionel S. Sobel, *DRM as an Enabler of Business Models: ISPs as Digital Retailers*, 18 Berkeley Tech. L. J. 667, 684-87 (2003).

44. All testimony from the Senate Judiciary hearing on S. 2560 on July 22, 2004 is available at <http://judiciary.senate.gov/hearing.cfm?id=1276>.

45. In fact, the current legislative debate and range of options proposed largely mirrors the disparate approaches suggested by Petitioners and their supporting *amici* who, in the aggregate, propose at least seven separate tests for extending secondary copyright liability to creators and distributors of reproduction and communications technologies.

#### **IV. Only Congressional Action Can Accommodate Issues Of International Comity And Preexisting Treaty Obligations In The Formulation Of New Copyright Law**

Last but not least, the expansion of the secondary liability law, as Petitioners strenuously advocate, effectively and unmistakably dissolves the national boundaries to enforcement of copyrights: acts of infringement that may take place wholly outside the United States would highly likely be subject to extraterritorial application of judge-made United States copyright law. Specifically, if secondary liability were imposed here, it would eviscerate not only non-infringing uses of the peer-to-peer software in the United States, but all uses of the software in every other country, with concomitant international comity issues.

Indeed, Congress's OTA 1986 study confirms that intellectual property policies in the information are increasingly entwined with international law considerations:

Presently, however, the new technologies have greatly increased the flow of information and information products and services across national boundaries, thus enhancing their value in international trade. ***Because intellectual property protection is needed to preserve this value, intellectual property policy is increasingly being brought to bear in matters involving international trade policy.*** The Trade and Tariff Act of 1984, for example, requires that the protection of U.S. intellectual property rights be one of the elements considered in the renewal of the benefits of the generalized system of preferences (GSP). Similarly, the Caribbean Basin Economic Recovery Act of 1983 withholds foreign aid from those countries who fail to honor intellectual property rights.

Congress's OTA 1986 Study, at 275 (emphasis added). Thus, "to the extent that intellectual property issues continue to

converge with those of international trade and international politics, questions arise as to whether the present organizational structure, designed to consider intellectual property from a domestic frame of reference, is adequate or whether some more formal coordination among agencies dealing with international issues may be necessary.” *Id.*

### CONCLUSION

For the foregoing reasons, it is respectfully submitted that the decision below be affirmed as a proper application of the secondary infringement principles, and that this Honorable Court defer to Congress the task of potentially broadening the scope of copyright holders’ rights which the Petitioners seek by this appeal.

Respectfully submitted,

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