

## **Congress Makes Little Progress on New Intellectual Property Bills**

by Jonathan Band

On Thursday, February 26, 1998, the House Subcommittee on Courts and Intellectual Property held a markup on two significant bills -- one dealing with the implementation of the World Intellectual Property Organization (WIPO) Copyright Treaty, the other dealing with the issue of online service provider (OSP) liability. Although Subcommittee members acknowledged that complex issues had not yet been resolved with respect to both bills, the Subcommittee approved both measures, in essence passing the buck to the full Judiciary Committee.

### **H.R. 2281**

The WIPO treaty implementation bill, H.R. 2281, contains a provision prohibiting the manufacture or importation of products which circumvent technologies which 1) restrict unauthorized access to a copyrighted work or 2) prevent unauthorized copying of a work. Additionally, the provision prohibits the act of circumvention of an access restricting technology.

The anti-circumvention language implements a treaty requirement that signatories adopt effective measures to prevent the circumvention of copy protection technologies for the purpose of infringement. Supporters of the language, including the motion picture and recording industries, contend that the ease of copying in the digital environment necessitates the use of technological protection measures. These technological protections, however, will be vulnerable to hacking. Accordingly, the copyright industries argue that the only way to prevent rampant piracy on the Internet is to prohibit the use and manufacture of circumvention products.

Opponents of the provision include VCR and personal computer manufacturers; developers of interoperable software; and library and education associations. They assert that it could prohibit multipurpose devices such as personal computers and VCRs which could circumvent while performing other functions. Additionally, the opponents note that there are legitimate reasons for circumvention, such as making a fair use copy to which a user has lawful access. Opponents of H.R. 2281 support H.R. 3048, introduced by Congressmen Rick Boucher and Tom Campbell, which prohibits only acts of circumvention for the purpose of infringement.

The conflict over this issue has existed since September, 1995, when the Clinton Administration proposed anti-circumvention legislation. Subcommittee members have been attempting to broker a compromise ever since, with no success. The conflict, and the difficulty of resolving it, were fully evident at the February 26 markup.

Congressman Boucher proposed an amendment which added an exemption for articles with substantial non-infringing uses. Boucher stated that his bill was intended to codify the standard for contributory infringement established by the Supreme Court in *Sony v. Universal Studios (Betamax)*. He argued that Congress should not enact a blanket prohibition on technologies in advance of their development, given their potentially lawful use. Instead, as specific problematic devices come into existence, Congress can outlaw them.

Congressman Berman, speaking in opposition to the amendment, limited *Betamax* to its facts. He said that it dealt with time shifting, and had no relevance to circumvention. Boucher responded that *Betamax* established the standard for contributory infringement -- substantial non-infringing use -- and that H.R. 2281 would undermine this standard.

Congressman Frank argued that H.R. 2281 would not affect *Betamax* with respect to VCRs already on the market and in people's homes, and thus it was imprecise to say that H.R. 2281 affected current practices. Boucher replied that H.R. 2281 would prohibit circumvention for purposes of reverse engineering found lawful in *Sega v. Accolade*.

Congressman Delahunt asserted that Boucher's amendment would render the provision uncompliant with the WIPO Treaty. Congresswoman Lofgren responded that the WIPO had rejected language which banned technologies, and thus Congressman Boucher's approach complied with the Treaty. Congressman Conyers entered the fray, stating that it was impossible to police people for infringement, so it was necessary to ban devices which enabled infringement. Chairman Coble then called for a vote, and only Lofgren and Boucher voted in favor of the Boucher amendment.

Undeterred by the rejection of his amendment, Congressman Boucher introduced a second amendment which exempted the manufacture or importation of a VCR or PC "ordinarily used by a person privately in a household for noncommercial purposes," as well as "the private, noncommercial use of such a device." Congressman Frank argued that the amendment was unnecessary because H.R. 2281 did not ban devices that had a primary use other than circumvention, and PCs and VCRs obviously had a primary use other than circumvention. Boucher responded that the language was vague enough that a court may find a PC or VCR in violation.

Congressman Berman noted that a VCR might contain a component that decrypts without authorization, so he opposed the amendment. Congressman Delahunt added that Congress cannot anticipate every fear that an industry may have about what may happen in the future. He did not realize the irony of his remark; H.R. 2281 is entirely anticipatory. It seeks to ban products which do not yet exist because they might circumvent copy protection technologies which do not yet exist. Given the speculative nature of the entire exercise, it makes far more sense to impose a narrow prohibition now, which can be

broadened later, rather than impose a broad prohibition now, and carve out exemptions later. In any event, Chairman Coble called a vote, and again only Boucher and Lofgren voted for the amendment.

Congresswomen Lofgren then introduced an amendment which would have permitted liability to attach only if the product circumvented for the purpose of facilitating or engaging in an act of infringement. Lofgren explained that there were many lawful reasons for circumvention, and that these lawful activities should not be prohibited.

Boucher supported the amendment by reciting a list of lawful reasons for circumventing, including reverse engineering for purposes of achieving interoperability; encryption research and the testing of security devices; software maintenance and debugging; disabling of cookies which infringe personal privacy; and disabling of software designed to foil parental monitoring children's use of the Internet.

Congressman Berman said that Lofgren and Boucher had raised a legitimate question, but Lofgren's amendment was too broad. He suggested that he might support a narrower exemption. Congressman Frank agreed that these were reasonable examples of circumvention, but that the amendment went too far. He suggested that at full Committee, there would be a need and an opportunity to deal with specific exemptions. Chairman Coble called for a vote, and Lofgren's amendment was defeated.

Congresswoman Lofgren then proposed another amendment. She noted that Section 1201(d) provided that fair use and other defenses would remain in effect with respect to infringement, but that it did not provide a defense for the act of circumvention for a lawful purpose. She proposed amending Section 1201(d) so that defenses to copyright infringement would also constitute defenses to the prohibition on circumvention.

The debate echoed the discussion on her previous amendment. Boucher supported the amendment itself, while Frank supported the amendment's intent but found the actual language too broad. Frank added that specific exceptions for lawful circumventions could be added at full Committee. The Subcommittee then voted down the amendment.

The Subcommittee did, however, approve an amendment which would exempt non-profit institutions from criminal liability and would reduce damages if the violator showed that it was not aware and had no reason to believe that its acts constituted a violation. Further, the Subcommittee voted to permit a non-profit institution to engage in circumvention for the purpose of gaining access to a commercially available copyrighted work solely in order to make a good faith determination whether to acquire a copy of such work....

This amendment provides little relief to libraries, universities, and other

non-profit institutions. First, although it exempts the institution from criminal liability, the exemption does not apply to the institution's employees. Second, the institution could still be liable for civil damages. Third, the amendment permits a library to circumvent access control technology only for the purpose of determining whether it wants to buy the work. But in most cases the publisher would allow such browsing anyway; it wants to encourage the sale of the work. What the amendment does not permit is circumvention of a copy protection technology for the purpose of making a fair use -- something a publisher might seek to prevent. Fourth, the amendment does not permit the manufacture of a circumvention product which would enable the library to engage in the permitted circumvention. Thus, as a practical matter the library could never exercise its privilege under the exemption.

### **H.R. 3209**

In recent years, content providers have sued bulletin board service (BBS) providers and online service providers (OSPs) for the copyright infringements of their subscribers. The extent of the liability of the BBSs or OSPs for direct, vicarious, or contributory infringement has turned largely on the involvement of the service provider in the activities of the subscriber. Where the service provider actively encouraged the infringement or clearly knew of its occurrence, courts have found liability.

In the face of these decisions, many of the large service providers have sought a specific statutory exemption from liability. They contend that with the enormous volume of traffic on the Internet, it is economically infeasible for them to monitor the activities of their subscribers. Moreover, such monitoring raises serious privacy concerns.

The content providers, conversely, believe that the OSPs are much better placed than they to prevent piracy. Further, given that the OSPs benefit financially from the Internet, they should bear some responsibility for policing it. Accordingly, they oppose any statutory exemption, and feel that the case law in this area is evolving in a rational manner.

The OSPs have succeeded in linking politically WIPO Treaty implementation with OSP liability. It is understood on the Hill that one issue will not proceed without the other. This linkage has forced the content providers to negotiate with the OSPs concerning a statutory exemption. The negotiations have produced general agreement that acting as a *mere conduit* will not subject an OSP to direct infringement liability, and that complying with a *notice and takedown procedure* will shield an OSP from contributory infringement liability.

The parties have failed, however, to agree on language implementing these principles. Last fall Chairman Coble introduced H.R. 2180, which the OSPs rejected. In the Senate, John Ashcroft introduced S. 1146, which the content

providers rejected. In an effort to break the stalemate, Chairman Coble in early February introduced H.R. 3209, which he described as a codification of *Religious Technology Center v. Netcom*, widely viewed as the leading case in this area.

It is debatable whether H.R. 3209 faithfully implements *Netcom*. At the markup, though, the Subcommittee did not probe this issue. Instead, they raised a number of concerns regarding the bill from both directions; some Congressmen felt it favored the OSPs, while others felt it favored the content providers. Several Congressmen indicated that they had amendments in mind, but decided to reserve them until the bill was before the full Committee. Congresswoman Lofgren, for example, said that the bill failed to address complex issues such as the liability arising from caching and operating search engines. Congressman McCollum, on the other hand, asserted that the damages provisions were too lenient. After airing these concerns, the Subcommittee passed the measure unanimously.

## **CONCLUSION**

Two years of negotiations and deliberations concerning both circumvention and OSP liability have failed to yield a resolution. The bills passed by the Subcommittee do not represent finished products. Subcommittee members indicated that serious issues still must be addressed at the full Committee level.

It is unclear why the Subcommittee members feel that the full Committee will have any better luck settling the controversies than they did. Possibly, the Subcommittee members felt that by moving the bills they would place more pressure on the opposing parties to make concessions. Another interpretation is that by taking action on the bills, Subcommittee members can tell powerful constituencies that they have done what they can to address these constituencies' concerns -- even if the bills ultimately die before the full Committee.