Reply Comment in Response to the Copyright Office Request for Comments on Sections 109 and 117 of the Copyright Act (June 5, 2000)

Federal Register: June 5, 2000 (Volume 65, Number 108)
Notices - Page 35673-35675

LIBRARY OF CONGRESS
The United States Copyright Office

DEPARTMENT OF COMMERCE
National Telecommunications and Information Administration

This comment is filed by Bryan W. Taylor, an American citizen, as a private individual.

I would like to express my gratitude to the Copyright Office for affording the public the opportunity to provide input.

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General Reply Comments

There seems to be much unease in the words of several comments regarding the interaction of the DMCA with so-called "shrinkwrap" or "clickwrap" contracts. It should be noted that most courts who have considered such contracts have found them to be unenforceable, and nothing in the DMCA should change this.

Only one Federal judge (Easterbrook of the 7th Circuit) has really held otherwise, and his opinion has been severely criticized by many authors. See Nimmer et. al Metamorphosis of Contract Into Expand 87 Calif. L. Rev. 17 Jan. 1999 for a masterful rejection of Easterbrook's preemption analysis from the foremost authority on copyright. Easterbrook's bizarre reasoning "money now, terms later" has not been followed by other courts. I prefer to call this "attack by offer", since as other courts have noted, you must expend resources to reject the offer, which equates acceptance to certain activities with your own property.

To every individual and organization, I hearby publicly notice this 'use-wrap' contract offer: "By using or benefiting from any open source technology including but not limited to those that create the internet (sendmail, apache, bind, perl) you accept this contract: Notwithstanding licence restrictions stating otherwise, you provide overriding universal authorization to all third parties for all activities that would otherwise be allowed by fair use and/or first sale, including 'authorization' to decrypt works protected with access controls; as consideration I will make a donation to the Electronic Frontier Foundation sometime in the next year."

Besides the above reduction to the absurd, there are three lines of reasoning the force the rejection of clickwrap licenses: (1) the law of adhesion contract formation, (2) the supremacy of federal law over state contract law, and (3) misuse of copyright.

The following caselaw support these conclusions:

Vault Corp. v. Quaid Software Ltd., 847 F.2d 255 (5th Cir. 1988)
Step-Saver Data Sys., Inc. v. Wyse Tech., 939 F.2d 91 (3d Cir. 1991)
Arizona Retail Systems v. The Software Link, Inc., 831 F. supp. 759 (D. AZ 1993)
Novell v. Network Trade Center 25 F. Supp. 2d 1218 (C.D. Utah 1997)
Expeditors v. Official Creditors 166 F.3d 1012 (9th Cir 1999)
Lasercomb America, INC. V. Reynolds, 911 F.2d 970 (4th Cir. 1990)
DSC Communications. Corp. V. DGI Techs., 81 F.3d 597 (5th Cir. 1996)
Bobbs-Merrill Co v. Straus, 210 U.S. 339 (S. Ct. 1908)
Bauer & Cie. v. O'Donnell, 229 U.S. 1 (1913)
Motion Picture Patents Co. v. Universal Film Mfg. Co. 243 U.S. 502 (1917)

It should be noted that Vault v. Quaid rejected a shrinkwrap no reverse engineering

clause in spite of explicit support by a Louisiana statue similar to the UCITA bill which most states are now tabling. (UCITA has passed only two states and Iowa passed a bill protecting it's citizens from other states enforcement of UCITA).

Judge Green put it best in Novell v. Network Trade Center:

> Most courts that have addressed the validity of the shrinkwrap license have found them to be invalid, characterizing them as contracts of adhesion, unconscionable, and/or unacceptable pursuant to the U.C.C. Step-Saver, 939 F.2d 91; Vault Corp. v. Quaid Software Ltd., 847 F.2d 255 (5th Cir. 1988); Rich, Mass Market Software and the Shrinkwrap License, 23 Colo. Law. 1321.17 A minority of courts have determined that the shrinkwrap license is valid and enforceable. See, ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1453 (7th Cir. 1996); Microsoft v. Harmony Computers, 846 F. Supp. 208, 212 (E.D.N.Y. 1994).
>
> This Court holds that transactions making up the distribution chain from Novell through NTC to the end-user are "sales" governed by the U.C.C. Therefore, the first sale doctrine applies. It follows that the purchaser is an "owner" by way of sale and is entitled to the use and enjoyment of the software with the same rights as exist in the purchase of any other good.

We can now add judge Kaplan and Universal v. Reimerdes to the list of "minority of courts". He called such notions of First Sale "sophistry", without giving any citation at all and without acknowledging the existence of section 117 or of 109 of the copyright act. It is especially interesting that Kaplan does not even mention 17 USC 109(c) which states precisely that First Sale communicates the right to display to those present where the physical copy is. Nor does he cite the opinions of his peers like the one above. Sophistry indeed!

The idea that first sale does not apply to software because it is "licensed" is resoundingly refuted by Nimmer in Metamorphosis who traces it's etymology in footnote 84:

> It is instructive to undertake some archaeological excavation into the myth that a separate "licensing" paradigm exists. One student commentator maintains that "if the software is only licensed, then the software developer may prevent the user from transferring ownership in a copy to a third party." Ira V. Heffen, Note, Copyleft: Licensing Collaborative Works in the Digital Age, 49 Stan. L. Rev. 1487, 1499 (1997). As support, the Note cites the current case of Microsoft v. Harmony and traces its genealogy back to a handbook published by the Practicing Law Institute. See id. at 1494 n.37 (citing William H. Neukom & Robert W. Gomulkiewicz, Licensing Rights to Computer Software, in Technology Licensing and Litigation 1993, at 778 (PLI Patents, Copyrights, Trademarks & Literary Property Course Handbook Series No. G4-3897, 1993), available in WESTLAW, 354 PLI/Pat 775). The authors of that PLI handbook serve as Senior Vice President for Law and Corporate

> Affairs and Senior Corporate Attorney, respectively, with Microsoft Corporation. They explain "that software publishers license rather than sell software in order to negate the doctrine of first sale...." Id. One must congratulate their employer on realizing, in Microsoft v. Harmony, its goal - conceded with admirable candor - of voiding copyright's first-sale doctrine. Nonetheless, for the reasons set forth in the text, the statute itself does not permit that result, to the extent that the underlying essence of the transaction results in a user obtaining ownership of the physical product containing the copyrightable expression.

However, one should note that, true to form, Microsoft did not innovate, but rather embraced and extended the idea of using a "license" to eradicate first sale rights. Nearly a century ago Supreme Court dicta taught us "to call the sale a license to use is a mere play upon words" Bauer & Cie. v. O'Donnell, 229 U.S. 1 (1913). Microsoft has merely rehashed a tired and sorely refuted idea.

Reply Comment to Ken Wasch of SIIA

Ken Wasch of the SIIA writes:

<quote>

With regard to section 117, our only general comment relates to the public perception and interpretation of the section 117 exception. All to often, we have become aware of persons engaged in software and content piracy who are using section 117 as the justification for their actions. For instance, we have come across numerous people who attempt to auction off their so-called back-up copies of their computer software or who make pirate software available on websites, ftp sites or chat rooms under the guise of the section 117 back-up copy exception.

One need look no further than the testimony of Robin Gross of the Electronic Frontier Foundation during the 1201(a)(1) rulemaking as evidence of the misunderstanding of the scope and effect of section 117. In her testimony, she claimed to have the right to make a back-up copy of a DVD for personal use, but when asked for the legal basis for her claim, she stated that she was unfamiliar with section 117.

MR. CARSON: What other fair uses of a DVD can't engage in under the current regime?
MS. GROSS: If I want to make a back-up copy for my own personal use.
MR. CARSON: Okay. Let's stop with that. What case law tells you that you have a fair use right to make a back-up copy of the DVD for your own personal use?
MS. GROSS: I think that Sony v. Universal Cities says that.
MR. CARSON: Really? That's an interesting proposition.
MR. MARKS: I don't think Sony says that.

MS. GROSS: Software law specifically allows you to do that, and DVDs certainly fall under software.
MR. CARSON: DVDs fall within Section 117, is that what you're saying?
MS. GROSS: DVDs are software.
MR. CARSON: Okay. Are you saying that they're covered by Section 117?
MS. GROSS: I'm not really sure what 117 is.
MR. CARSON: Okay. You might want to take a look at it, and let us know in your post-hearing comments.

</quote>

Reply:

First, the statue:

117 Limitations on exclusive rights: Computer programs

(a) Making of Additional Copy or Adaptation by Owner of Copy. - Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or

(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

Mr. Wasch makes a reasonable comment about care being required for interpretation of the section 117 exception. We can all believe that piracy is sometimes committed under the smoke screen of these sections. Nothing in 117 authorizes trading of archival copies, and in fact archival copies must be "destroyed" if the possession ceases to be rightful, and such copies can be "for archival purposes only".

Next, however, Mr. Wasch proceeds to attack Ms. Gross of the EFF on a completely unrelated matter. The transition is a non sequitur. Ms. Gross is not advocating claiming 117 protection to trade works. While 117 does not support piracy, neither does Ms. Gross, and her comments are in fact technically correct. Even if she was unfamiliar with section 117, it clearly supports her point.

Moreover, she refers to "software law" and cites Sony v. Universal Studios. Both references do lend support the assertion that a consumer has a "fair use right to

make a back-up copy of the DVD". Moreover, 117(a)(2) explicitly supports this. It is a shame that Ms. Gross did not simply answer "Yes" when asked if DVD's are covered by section 117. Mr. Wasch does not even argue the point that she was wrong, but seems to merely revel in the fact that Ms. Gross, when put on the spot, was unable to recall the specifics of the statue that does in fact support her position.

First of all, the holding in Sony states "Any individual may reproduce a copyrighted work for a 'fair use'; the copyright owner does not possess the exclusive right to such a use." It continues that the test for a device capable of creating copies is 'commercially significant noninfringing uses'. Citing Sony, the district Court in Vault v. Quaid, 655 F. Supp. 750 (E.D. LA 1987) denied a claim of copyright infringement against copy-protecton defeating software. "The Court concludes that Quaid has met its burden of bringing itself within the § 117 archival exception. CopyWrite is capable of 'commercially significant noninfringing uses.'" It appears that Judge Heebe disagrees with Mr. Marks assertions, and does believe that 'Sony says that'. Thus 'software law' and Sony do support archival copies of DVD's if a DVD is software, as Ms. Gross asserts.

Of note, a separate issue in this case found a contractual reverse engineering prohibition preempted under Copyright law, despite Louisiana's adoption of a predecessor to UCITA. This finding was appealed and affirmed by the 5th Circuit 847 F.2d 255 (5th Cir. 1988), and clearly provides part of the foundation for the reverse engineering exception embodied by Congress in 1201(f). This is closely related to the concept of misuse of intellectual property.

Mr. Wasch started out with the desire for greater education with regard to section 117. He cites public misunderstanding with regard to what you are allowed to do with computer programs under the statute. Ironically, he falls into a common misunderstanding on the interpretation of this very section with regard to what constitutes a computer program. While Mr. Wasch chastises Ms. Gross for not being studied on 117, he himself seems to overlook the very broad definition of computer program that has been adopted by Congress as the last sentence of 101. It seems that smoke screens are used by both sides to avoid correct 117 analysis. A DVD is clearly a "computer program" under the definition set forth in the Copyright Act (17 USC 101):

> A "computer program" is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.

There is a common public misconception that a DVD is no different than a VCR tape. Some people mistakenly believe that a DVD merely contains the digitized pictures of the movie. This is demonstrably false. In fact, there are at least three different types of software instructions used on DVD's that qualify it for

117 exemption status.

First, the menu structure and navigation commands are present on the DVD. These commands are there to "mark-up" the video and synchronize the sound. These are exactly analogous to HTML, the programming language for web-page markup, see Actonet v. Allou Health & Beauty, 99-1855, (8th Cir. 8/1/00). These commands must be created with specialized DVD "authoring" programs such as DVDMotion. For example, see http://store.yahoo.com/dvd4u/dvdmotionpage.html . The command language is so rich that the video game "Dragon's Lair" has been successfully created in it, using the same commands available to any DVD movie, see http://www.yanman.com/HomeTheater/Reviews/DragonslairReview.htm for a review. Note that this game is played on an ordinary DVD player, and controlled using nothing but "using the DVD player remote".

Second, the technological protection measures on DVD's are clearly computer programs. These implement the encryption, and keys management, in a three tiered structure of player keys, disk keys, and title keys. The disk and title keys stored on the DVD, and are clearly part of the computer programs intended to 'bring about [the] result' that access to the specific movie occurs with the authority of the copyright holder (ie after First Sale). While much of this functionality lies off the DVD in the player program, not all of it does. The part on the DVD qualifies it for 117 protection, and also allows the reverse engineering for interoperability of DVD's under 1201(f).

Finally, compression technologies are used to reduce the storage space the movie requires. For DVD's, video is compressed in the MPEG-2 standard, while sound uses AC-3. Compression consists of software instructions that describe how to recreate the picture or sound instead of providing the picture directly. The compression instructions are used to guide the computer through the reconstruction of a "lossy" copy of the 'as recorded' digital movie.

So, indeed, a DVD clearly contains computer programs that qualify for the archival exception under section 117(a)(2), just as Ms. Gross asserted.