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# FAIR USE: CONSIDERATIONS IN THE EMERGING WORLD OF E-BOOKS

ANN COALE

## INTRODUCTION

The United States Constitution, through Article I, Section 8, gives Congress the power to “Promote the Progress of Science and Useful Arts.”<sup>1</sup> Congress promotes science and art by granting authors and inventors exclusive rights in their works for a limited time.<sup>2</sup> The primary goal of granting exclusive rights is not to secure a fair return for creators’ labor, but rather to stimulate creativity that benefits the public good.<sup>3</sup> Nevertheless, the rights

<sup>1</sup> U.S. CONST. art. I, § 8 (stating “Congress shall have power. . .to promote progress of science and art, by securing for limited times to authors and inventors exclusive right to their respective writings and discoveries”); see also Marci A. Hamilton, *Farewell Madison Avenue*, 16 CONST. COMMENT. 529, 529-30 (1999) (discussing modern beneficiaries of Supreme Court’s turn-of-century decision regarding commercial work vis-a-vis “Copyright Clause”); Edward C. Walterscheid, *To Promote the Progress of Science and Useful Arts: The Background and Origin of the Intellectual Property Clause of the United States Constitution*, 2 J. INTELL. PROP. L. 1, 1 n.1 (1994) (explaining clause is referred to as Patent Clause, Copyright Clause or Intellectual Property Clause).

<sup>2</sup> See U.S. CONST. art. I, § 8 (noting creator’s rights are granted for “limited times”); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 431-32 (1984) (arguing private motivation is to be encouraged by “special reward” for ultimate good of making available vast amounts of literature, music, and other creative works). See generally *Holmes v. Hurst*, 174 U.S. 82, 85 (1899) (noting right’s of authors use their work exclusively is determined by federal copyright statute, which supersedes common law); Gary Knapp, Annotation, *Supreme Court’s View as to When Books or Other Written or Printed Materials Are Copyrightable under Federal Law*, 113 L. ED. 2D 771, § 2 (1999) (explaining pursuant to art. 1, § 8, Congress enacted first copyright legislation in 1790 and most recently enacted revision, Copyright Act of 1976, which is codified at 17 U.S.C.S. §§ 101 et seq.).

<sup>3</sup> See *Sony*, 464 U.S. at 432 (finding reward of copyright holder is second to public’s interest); *Mazer v. Stein*, 347 U.S. 201, 219 (1954) (stating copyright law makes rewards to owners secondary consideration). See generally *Feist Publ’ns, Inc. v. Rural Tel. Serv.*

of creators, must still be recognized, and copyright law must balance the competing interests.<sup>4</sup> Congress has amended the copyright statute on several occasions to instill harmony between creators and the public.<sup>5</sup> Presently, the Internet and its infinite uses has caused some commotion within copyright law, especially in relation to the doctrine of fair use.<sup>6</sup> Some educational institutions, students, policy makers, and operating system developers call for freedom in copying protected works on the Internet.<sup>7</sup> Unprotected copyright, however, is potentially harmful because some creators refuse to produce product when they are uncompensated.<sup>8</sup> The literary world is particularly vulnerable to

Co., Inc., 499 U.S. 340, 346-353 (1991) (noting premise for copyright protection is originality, such requirement ensures that no entitlement flows under "sweat of brow" doctrine for mere compilation of facts).

<sup>4</sup> See Harper & Row, Publishers, Inc. v. Nation Enter., 471 U.S. 539, 580 (1985) (quoting *Sony*, 464 U.S. at 429 and recognizing challenge of copyright is to balance "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"); Wendy M. Pollack, Note, *Tuning in: The Future of Copyright Protection for Online Music in the Digital Millennium*, 68 FORDHAM L. REV. 2445, 2445 (2000) (finding objectives to disseminate creative works to public and provide incentives to creators has forced Congress to continuously balance law); Rosalind C. Truitt, *Fair Use Again and Again*, PRESSTIME, Sept. 2000, at 24 (stating scholars have always found challenge in copyright law was achieving proper balance).

<sup>5</sup> See *Sony*, 464 U.S. at 429, 430 (stating invention of printing press caused need for copyright protection and that as new developments occurred Congress made rules in response to advances in technology); Michael J. Meurer, *Price Discrimination, Personal Use, and Piracy: Copyright Protection of Digital Works*, 45 BUFF. L. REV. 845, 846 (1997) (noting invention of VCRs, photocopiers, and digital audio tapes have caused individuals in industries to push for copyright expansion and finding that at times, they were awarded protection). But see Symposium, *Should Cyberspace Be a Free Speech Zone?: Filters, "Family Friendly," and the First Amendment*, 15 N.Y.L. SCH. J. HUM. RTS. 1, 56-57 (1998) (commenting on threat to free speech and civil liberties by recent copyright bills targeting Internet that would eliminate fair use and public domain).

<sup>6</sup> See Peter Brown and Richard Raysman, *Recent "Fair Use" Copyright Cases on the Internet*, N.Y.L.J., June 13, 2000, at 3 (stating fair use doctrine continues long history as troublesome); see also Meurer, *supra* note 5, at 846 (finding new media technology, such as Internet, has threatened survival of publishers); Pollack, *supra* note 4, at 2445 (finding legal battle between copyright law and technology has been taking place for long time); Edward Helmore, *Online: P2P - Is It Pirate to Pirate?*, GUARDIAN, Oct. 19, 2000, at 2 (asserting P2P file sharing has made Internet huge copying machine).

<sup>7</sup> See Robert J. Bernstein and David Goldberg, *Balancing the Public Interest*, N.Y.L.J., Sept. 18, 1998, at 3 (stating copying and dissemination of works without permission has become easier with Internet and this ease has caused "freedom" attitude to grow); Pollack, *supra* note 4, at 2445 (claiming some feel that era of copyright protection should end and that digital age calls for this once protected material to be free); see also Stephen Manes, *Surfing and Stealing: An Author's Perspective the 1999 Horace S. Manges Lecture*, 23 COLUM. - VLA J.L. & ARTS 127, 135 (1999) (asserting laudable model of creating for sheer love of it).

<sup>8</sup> See Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/pirac/epub/faqs.asp> (last visited Sept. 16, 2000) (stating if value placed on intellectual property is removed, then creators will no longer produce materials); see also Manes, *supra* note 7, at 135 (noting without copyright protections

the life of copyright and is, therefore, paying close attention to the way in which courts are construing the fair use doctrine.<sup>9</sup>

This note explores copyright protection and the doctrine of fair use and their relation to electronic books or e-books. Part I discusses historical aspects and economical elements of copyright protection and gives a basic summation of the fair use doctrine. Part II of the note analyzes the “purpose and character of the use” factor of the fair use doctrine.<sup>10</sup> Currently, courts have not specifically addressed the issue of copyright infringement of e-books; however, the United States Supreme Court’s opinion in *Sony v. Universal*<sup>11</sup> and the California District Court’s opinion in *Kelley v. Arriba Soft Corp.*<sup>12</sup> are analogized to e-books in an effort to predict how courts might weigh the “purpose and character” factor. Part III discusses general considerations given to the “effect of the use upon the potential market for or value of copyrighted works” factor.<sup>13</sup> Two District Court’s opinions, *Los Angeles Times v. Free Republic*<sup>14</sup> and *UMG Recordings, Inc. v. MP3.com, Inc.*,<sup>15</sup> are discussed in an attempt to predict how courts might weigh this factor in various e-book situations. These two factors alone do not determine how courts will hold in copyright infringement cases, but they are useful in understanding infringement of e-books.<sup>16</sup> Finally, Part IV

“intellectual currency becomes debased”); eBook, *Copyright Protection*, at <http://www.ebook-gemstar.com/publishers/copyright.asp> (last visited Oct. 16, 2000) (noting \$1.5 billion was lost in publishing industry due to e-book piracy).

<sup>9</sup> See Benny Evangelista, *Book Publishers Learn from Napster*, S.F. CHRON., Aug. 28, 2000, at B1 (finding publishers want to avoid problems that music industry faced with digital music); see also Helmore, *supra* note 6, at 2 (stating if distribution of e-books became as easy as it was for MP3 files, then traditional “fee-based content publishing could collapse” threatening progress and prosperity). See, e.g., *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1029 (9th Cir. 2001) (noting that case involves “commercial recording, distribution, and sale of copyrighted musical compositions and sound recordings”).

<sup>10</sup> See 17 U.S.C.S. § 107 (1) (stating “purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes”).

<sup>11</sup> See 464 U.S. 417 (1984).

<sup>12</sup> See 77 F. Supp. 2d 1116 (C.D. Cal. 1999), *rev’d in part, aff’d in part*, 280 F.3d 934 (9th Cir. 2002).

<sup>13</sup> See 17 U.S.C.S. § 107 (4) (stating fourth factor of fair use defense); see, e.g., *Harper & Row Publ’n, Inc. v. Nation Enter.*, 471 U.S. 539, 566-69 (1984) (denying fair use defense for prepublication of President Gerald Ford’s manuscript due to supplantation of copyholder’s valuable commercial right of first publication).

<sup>14</sup> See 2000 U.S. Dist. Lexis 5669 (C.D. Cal. Apr. 5, 2000).

<sup>15</sup> See 92 F. Supp. 2d 349 (S.D.N.Y. 2000).

<sup>16</sup> See *Sony*, 464 U.S. at 448 (recognizing “equitable rule of reason” is determined on particular facts of case); see also 17 U.S.C.S. § 107 (2000) (listing factors in determining fair use); *Norse v. Henry Holt & Co.*, 991 F.2d 563, 566 (9th Cir. 1993) (noting factors

summarizes the issues presented in this note in light of the goal of copyright.<sup>17</sup>

## HISTORICAL & ECONOMIC ASPECTS OF COPYRIGHT PROTECTION AND THE FAIR USE DOCTRINE

### *Historical Aspects*

In early fifteenth century Europe, copyright protection was unnecessary because book production was cumbersome and expensive.<sup>18</sup> After the development of the printing press, however, books became more widely accessible, and the need for copyright protection became evident.<sup>19</sup> The royal government of England granted a publishing monopoly to a guild called the Stationers' Company.<sup>20</sup> The guild members established an early form of copyright through a private covenant, which prevented them from competing with another member that obtained rights to publish a particular book.<sup>21</sup> In 1710, the Statute of Anne,

including amount and substantiality used).

<sup>17</sup> See *Sony*, 464 U.S. at 429 (commenting limited grant of rights to authors serves important public purpose); Rochelle Cooper Dreyfuss, Note, *The Creative Employee and the Copyright Act of 1976*, 54 U. CHI. L. REV. 590, 615 (1987) (noting writers hope others can benefit from work published); DanThu Thi Phan, Note, *Will Fair Use Function on the Internet?*, 98 COLUM. L. REV. 169, 213 (1998) (stating works are published for use and general benefit of public).

<sup>18</sup> See Symposium, *Emerging Media Technology and the First Amendment*, 104 YALE L.J. 1681, 1691 (1995) (noting publishing in that era was extremely controlled, not standardized, and highly inaccessible); Encarta, *Copyright*, at <http://encarta.msn.com/index/conciseindex/4A/04A06000.htm> (last visited Nov. 17, 2000) (stating few people could read and producing books was costly but after development of printing press, some type of protection was needed); see also Jayashri Srikantiah, Note, *The Response of Copyright to the Enforcement Strain of Inexpensive Copying Technology*, 71 N.Y.U. L. REV. 1634, 1639 (1996) (noting necessity of copyright law after printing press).

<sup>19</sup> See Geeta Sharma-Jensen, *Technology Opening New Chapter*, MILWAUKEE J. SENTINEL, May 14, 2000, at 1E (finding invention of Gutenberg's movable type fundamentally changed book production); see also Douglas J. Masson, *Fixation on Fixation: Why Imposing Old Copyright Law on New Technology Will Not Work*, 71 IND. L.J. 1049, 1052 (1996) (noting that before existence of printing press, copying was extremely difficult and there was no mass production); Srikantiah, *supra* note 18, at 1639 (explaining need for copyright laws after birth of printing press).

<sup>20</sup> Encarta, *Copyright*, at <http://encarta.msn.com/index/conciseindex/4A/04A06000.htm> (last visited Nov. 17, 2000) (asserting English government granted such monopoly to prevent publication of politically adverse materials); see also Masson, *supra* note 19, at 1052 (noting guild was economic institution used to censor heresy as result of printing press); Srikantiah, *supra* note 18, at 1639 (noting Queen imposed licensing system regulated by government).

<sup>21</sup> See Encarta, *Copyright*, at <http://encarta.msn.com/index/conciseindex/4A/04A06000.htm> (last visited Nov. 17, 2000)

which “grant[ed] authors the exclusive right to authorize the printing or reprinting of books for a limited number of years,” replaced the Stationers’ Company.<sup>22</sup>

The Framers of the Constitution, in keeping with the spirit of the Statute of Anne, decided that the progress of science was best achieved by granting exclusive rights to authors for a limited time.<sup>23</sup> The exclusive rights granted to creators benefited society by boosting knowledge, not inhibiting it.<sup>24</sup> Congress enacted the first American copyright act in 1790 under Article I, Section 8 of the Constitution.<sup>25</sup> While the act was amended several times, the most significant amendments were made in 1909 and 1976, which in total expanded the act to reach contemporary methods of artistic production and to control new uses of protected works.<sup>26</sup> The House Report of the 1909 Copyright Act stated that copyright legislation was not based on a natural right, but rather on a utilitarian foundation, which served the public good by promoting the advancement of science and art.<sup>27</sup> Utilitarianism

(noting covenant among members allowed holder of rights exclusive privilege); *see also* Masson, *supra* note 19, at 1052 (noting these licensing laws served to regulate trade regulation in field); Srikantiah, *supra* note 18, at 1639 (explaining effect of monopolies limited distribution of creative works).

<sup>22</sup> Encarta, *Copyright*, at <http://encarta.msn.com/index/conciseindex/4A/04A06000.htm> (last visited Nov. 17, 2000) (asserting in consideration of today’s law, Statute of Anne was “first real copyright law”); *see also* Masson, *supra* note 19, at 1052 (indicating that this limited right became better tool for authors than government); Srikantiah, *supra* note 18, at 1639 (noting that Statute of Anne was to enhance public welfare by disseminating knowledge).

<sup>23</sup> *See* Bernstein and Goldberg, *supra* note 7, at 3 (recognizing constitutional basis for protection of authors writings); Encarta, *Copyright*, at <http://encarta.msn.com/index/conciseindex/4A/04A06000.htm> (last visited Nov. 17, 2000) (claiming Framers took in consideration Statute of Anne when designing art. I, § 8 of Constitution); *see also* Srikantiah, *supra* note 18, at 1639 (citing United States Constitution which enabled authors to get exclusive rights for limited time).

<sup>24</sup> *See* Bernstein and Goldberg, *supra* note 7, at 3 (asserting creation of incentive for authors would better society by encouraging creation of original works); *see also* William C. Walker, Jr., *Fair Use: The Adjustable Tool for Maintaining Copyright Equilibrium*, 43 LA. L. REV. 735, 736 (1983) (noting granting of rights dates back to common law in Great Britain); Srikantiah, *supra* note 18, at 1639 (noting purpose of author rights is to encourage creativity and publishing knowledge).

<sup>25</sup> *See* COPYRIGHT § 1.13 (Aspen Publishers 2d ed. 2000) (asserting Congress used its power granted under Constitution); Masson, *supra* note 19, at 1052 (noting Constitution gives Congress power to enact more copyright laws); Srikantiah, *supra* note 18, at 1639 (indicating power of Congress under Constitution).

<sup>26</sup> *See* COPYRIGHT, *supra* note 25, at § 1.13 (reflecting on evolution of legislative response to technologies); Masson, *supra* note 19, at 1052 (explaining current application of Copyright Act of 1976); *see also* Srikantiah, *supra* note 18, at 1639 (noting practices under current copyright law).

<sup>27</sup> *See* COPYRIGHT, *supra* note 25, at § 1.13.2.3 (rejecting idea that natural rights was foundation for law); *see also* Sony v. Universal, 464 U.S. 417, 429 (1984) (noting that legislation is not based upon natural right, but rather one serving public welfare); Julien

forced Congress to identify and balance the costs and benefits of enlarging copyright, where as a natural right automatically extended copyright.<sup>28</sup> The 1909 House Report emphasized public welfare, but it recognized that copyright owners were permitted to receive “the full value” that society placed upon their works and not just a marginal return.<sup>29</sup> A full return serves to encourage the furtherance of creativity.<sup>30</sup>

Today, the Copyright Act protects literary and musical works, motion pictures, sound recordings, and much more, including computer programs.<sup>31</sup> Works are protected under the statute when they are “ ‘original works of authorship’ that are fixed in a tangible form of expression.”<sup>32</sup> It is a common misunderstanding that works receive protection only if they are published or registered with the Copyright Office; statutory protection begins when works are “created.”<sup>33</sup> At the moment the creation becomes

H. Collins III, *When in Doubt, Do without: Licensing Public Performances by Non Profit Camping or Volunteer Service Organizations under Federal Copyright Law*, 75 WASH. U. L. Q. 1277, 1281 (1997) (commenting that Congress had always promoted science and arts).

<sup>28</sup> See COPYRIGHT, *supra* note 25, at § 1.13.2.3 (contrasting this with natural rights, which always extends protection); see also *Sony*, 464 U.S. at 429 (noting there is difficult balance between competing interests which Congress must weigh); Collins, *supra* note 27, at 1281 (examining history of copyright in United States including all of U.S. copyright laws and acts).

<sup>29</sup> See COPYRIGHT, *supra* note 25, at § 1.13.2.3 (claiming evidence of principle stems from Congress’s handling of subject matter, rights, and remedies); see also Collins, *supra* note 27, at 1286 (noting Act limited owners right to “for profit” performances); Donna K. Hintz, *Battling Gray Market Goods with Copyright Law*, 57 ALB. L. REV. 1187, 1203 (1994) (noting seller must realize full value of work).

<sup>30</sup> See Bernstein and Goldberg, *supra* note 7, at 3 (reflecting framers judgment that it is this “exclusive right and incentive to authors that encourages them to create,” which ultimately benefits society); see also Collins, *supra* note 27, at 1280 (reasoning that copyright laws “motivate creativity” among authors and inventors); Hintz, *supra* note 29, at 1203 (noting that gray market goods prevent owner from realizing full value which could deter owners from producing).

<sup>31</sup> See U.S. Copyright Office, *Copyright Basics*, at <http://www.loc.gov/copyright/circs/circ1.html> (last visited Feb. 9, 2002) (stating other protected works include “dramatic works, pantomimes, and choreographic works, pictorial, graphic, and sculptural works, and architectural works and that computer programs and most ‘compilations’ are recognized as ‘literary works’”); see also 17 U.S.C.S. § 102(a) (2001) (identifying exactly what copyright law protects); Scott L. Bach, *Music Recording, Publishing, and Compulsory Licenses: Toward a Consistent Copyright Law*, 14 HOFSTRA L. REV. 379, 401 (1986) (noting works that Copyright Act of 1976 encompasses).

<sup>32</sup> See 17 U.S.C.S. § 102 (2001) (expressing elements necessary for works to be given copyright protection); U.S. Copyright Office, *Copyright Basics*, at <http://www.loc.gov/copyright/circs/circ1.html> (last visited Feb. 9, 2002) (noting requirements for copyright protection and stating “fixation need not be directly perceptible so long as it may be communicated with aid of machine or device”); see also *Sony Computer Ent., Inc. v. Connectix Corp.*, 203 F.3d 596, 603 (9th Cir. 2000) (claiming Copyright Act only protects “expression, not ideas”).

<sup>33</sup> See Pollack, *supra* note 4, at 2453 (observing registration is not necessary in order

fixed, the work becomes the property of the author.<sup>34</sup> It is illegal to violate authors' rights granted through copyright law; however, there are certain exceptions to this general rule, such as fair use and compulsory licenses.<sup>35</sup>

Copyright law governs the uses of e-books on the Internet.<sup>36</sup> Many are under the misconception that anything posted on the Internet automatically belongs to the public.<sup>37</sup> A public domain belief regarding e-books is inaccurate because once books are placed into an electronic medium, the creation is fixed, and copyright is set.<sup>38</sup> Authors who post on the Internet impliedly

to receive protection but it does allow owner to obtain additional safeguards); U.S. Copyright Office, *Copyright Basics*, at <http://www.loc.gov/copyright/circs/circ1.html> (last visited Nov. 7, 2000) (recognizing there are definite advantages to having works properly registered and works are created when they are fixed in copies or phonorecords for first time); see also *Feist Publ'ns v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991) (stating originality is key to copyright protection and original "means only that the work was independently created by the author . . . and that it possesses at least some degree of creativity").

<sup>34</sup> See U.S. Copyright Office, *Copyright Basics*, at <http://www.loc.gov/copyright/circs/circ1.html> (last visited Feb. 9, 2002) (understanding "only author or those deriving their rights through author can rightfully claim copyright" and noting in "works made for hire, employer is recognized as author"); see also 17 U.S.C.S. § 107 (2001) (codifying common law and setting forth factors generally considered in analyzing "fair use"). But see *Harper & Row, Publishers, Inc. v. Nation Enter.*, 471 U.S. 539, 551 (1984) (quoting *Am. Tobacco Co. v. Werckmeister*, 207 U.S. 284, 299 (1907) and stating that "under common-law copyright, 'the property of the author . . . in his intellectual creation [was] absolute until he voluntarily [parted] with the same'").

<sup>35</sup> See U.S. Copyright Office, *Copyright Basics*, at <http://www.loc.gov/copyright/circs/circ1.html> (last visited Feb. 9, 2002) (asserting illegality involved in violating rights and explaining "limitations" are found in 1976 Copyright Act, 17 U.S.C.S. §§ 107 - 121); see also *Quality King Distrib. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135, 151 (1998) (noting "importance of fair use doctrine to publishers of scholarly works"); Pollack, *supra* note 4, at 2455 (realizing remedies of copyright infringement for owners are monetary or injunctive relief).

<sup>36</sup> See Utsystem, *Using Material from the Internet*, at <http://www.utsystem.edu/OGC/IntellectualProperty/useofnet.htm> (last visited Nov. 7, 2000) (claiming same copyright law that governs books or film in analog world also reign over Internet). See generally 17 U.S.C.S. § 512 (2000) (adapting copyright protection to information age); 17 U.S.C.S. § 107 (2000) (codifying common law and setting forth factors to generally considered in analysis of fair use).

<sup>37</sup> See Utsystem, *Using Material from the Internet*, at <http://www.utsystem.edu/OGC/IntellectualProperty/useofnet.htm> (last visited Feb. 9, 2002) (understanding "public domain" belief with Internet may be partly due to changes in law that at one time only protected works properly displaying copyright notice); see also *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1011 (9th Cir. 2001) (affirming District Court's injunction of Napster's file sharing website because of contributory copyright infringement). See generally Encarta, *Copyright*, at <http://www.encarta.msn.com/find/Concise.asp?z=1&pg=2&ti=761570404> (last visited Feb. 9, 2002) (finding work belonging to public domain once statutory protection has expired).

<sup>38</sup> See Encarta, *Copyright*, at <http://www.encarta.msn.com/find/Concise.asp?z=1&pg=2&ti=761570404> (last visited Feb. 9, 2002) (protecting copyright when work is fixed regardless of whether published or not); Utsystem, *Using Material from the Internet*, at <http://www.utsystem.edu/OGC/IntellectualProperty/useofnet.htm> (last visited Feb. 9,



grant limited licenses to users, which entitles the users to read, download, or print out the authors' works.<sup>39</sup> Authors, however, do not intend to consent to commercial uses of their work.<sup>40</sup> It is unlikely that users will be held liable for infringing copyrights if they just browse the authors' posted works, even works that were posted without the authors' permission.<sup>41</sup> Liability is likely to follow if users go beyond the implied limited licenses by downloading and republishing for commercial purposes.<sup>42</sup>

2002) (committing expression to tangible medium instantly creates copyright protection and recognizing computer media is considered tangible). See generally 17 U.S.C.S. §102 (2001) (providing literary works' copyright protection as soon as "original work is fixed in any tangible medium of expression"); Transwestern Pub. Co., LP v. Multimedia Mktg. Assocs., 133 F.3d 773, 782 (10th Cir. 1998) (explaining "regardless of whether one places a copyright notice on his or her work, the work is fully and automatically protected under the Copyright Act from the moment it is fixed in some tangible form").

<sup>39</sup> See Utsystem, *Using Material from the Internet*, at <http://www.utsystem.edu/OGC/IntellectualProperty/useofnet.htm>, (last visited Feb. 13, 2002) (explaining authors should reasonable expect their works will be used on limited basis and making analogy to individuals who send letters to editor of newspaper, usually not giving express statements permitting editor to reprint letters, but naturally expecting it to be published ); see also Kai Burmeister, *Jurisdiction, Choice of Law, Copyright, and the Internet: Protection against Framing in an International Setting*, 9 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 625, 696 (1999) (stating that "a person posting his work on the Internet grants an implied license to download and to view it or, in other words, to browse it"); Michael J. Meurer, *Price Discrimination, Personal Use and Piracy: Copyright Protection of Digital Works*, 45 BUFF. L. REV. 845, 847 (1997) (stating users of digital mediums expect to be able to share works with friends and family).

<sup>40</sup> See Utsystem, *Using Material from the Internet*, at <http://www.utsystem.edu/OGC/IntellectualProperty/useofnet.htm>, (last visited Nov. 7, 2000) (noting commercial use without requesting permission is not part of implied license). See generally Robert C. Berring, *Legal Information and the Search for Cognitive Authority*, 88 CALIF. L. REV. 1673, 1702 (2000) (explaining inexpensive publishing systems on internet allows for many small publishers to enter market); Symposium, *Why Should the Internet Be Any Different?*, 19 PACE L. REV. 41, 42 (1998) (analyzing internet and interaction between existing laws and emerging technologies).

<sup>41</sup> See Utsystem, *Using Material from the Internet*, at <http://www.utsystem.edu/OGC/IntellectualProperty/useofnet.htm> (last visited Nov. 7, 2000) (possessing copy of infringed material by party who was unaware of infringement is not actionable); see also April M. Major, *Copyright Law Tackles yet Another Challenge: The Electronic Frontier of the World Wide Web*, COMPUTER & TECH. L.J. 75, 88 (1998) (discussing "whether electronic publishing on the Web creates an implied license, or whether a fair use exception applies to certain activities"); Pollack, *supra* note 4, at 2456 (reasoning copyright owners will probably not pursue single offender).

<sup>42</sup> See Utsystem, *Using Material from the Internet*, at <http://www.utsystem.edu/OGC/IntellectualProperty/useofnet.htm> (last visited Feb. 13, 2002) (finding going beyond scope of limited license creates individual liability for works found online); see also A&M Records v. Napster, 239 F.3d 1004, 1029 (9th Cir. 2001) (affirming District Court's injunction of Napster's file sharing website because of contributory copyright infringement). But see Susan Israel & Jeffrey D. Neuberger, *Examining Licensing Issues on the Internet*, 14 No. 2 ENT. L. & FIN. 1 (1998) (describing plan by major copyright holders that would allow 30 second downloads from Internet music sites without liability).

### *Economical Aspects*

In order to encourage the public good, authors and inventors must be given sufficient incentives.<sup>43</sup> Proper rewards need to be secured, otherwise, creators will not invest resources that not only educate and enlighten the public, but also serve as important sources for creators that follow.<sup>44</sup> Conversely, consumers will not pay the demanded compensation if the price is too high or if obtaining use is too difficult.<sup>45</sup> The Copyright Act of 1976 explicitly accounted for a “judge-made rule of reason,” the fair use doctrine, which aids in balancing creators’ and the public’s competing interests.<sup>46</sup>

Copyrighted materials are *assets* known as intellectual property.<sup>47</sup> These assets are of significant economic value because

<sup>43</sup> See COPYRIGHT, *supra* note 25, at § 1.14 (achieving “widest possible production and dissemination of . . . works” is accomplished partly by substantially rewarding authors); see also U.S. CONST. art. I, §8, cl. 8 (empowering Congress to pass laws “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.”); *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 526-27 (1994) (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 155, 156 (1975) and stating that “the immediate effect of our copyright law is to secure a fair return for an author’s creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.”).

<sup>44</sup> See COPYRIGHT, *supra* note 25, at § 1.14 (asserting property rights allow creators to profit and control their work once distributed). See generally U.S. CONST. art. I, §8, cl. 8 (empowering Congress to pass laws “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.”); Kenneth D. Crews, *Fair Use of Unpublished Works: Burdens of Proof and the Integrity of Copyright*, 31 ARIZ. ST. L.J. 1, 33 (1999) (discussing impact of copyrighted material on economics of publishing).

<sup>45</sup> See COPYRIGHT, *supra* note 25, at § 1.14 (stating balancing is “compromise between two equally valid and ultimately irreconcilable, absolutes”). But see Jon M. Garon, *Media & Monopoly in the Information Age: Slowing the Convergence at the Marketplace of Ideas*, 17 CARDOZO ARTS & ENT. L.J. 491, 601 (1999) (explaining “people will not break the law if they both know the law and respect it.”); Andrew Hartman, *Don’t Worry, Be Happy! Music Performance and Distribution on the Internet Is Protected after the Digital Performance Rights in Sound Recordings Act of 1995*, 7 J. ART & ENT. LAW 37, 39 (1996) (discussing increasing use of free on-line music websites).

<sup>46</sup> See 17 U.S.C.S. § 107 (2000) (codifying common law and setting forth factors to generally consider in analysis of fair use); See also *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994) (noting fair use doctrine “is not to be simplified with bright line rules. . . [but rather] call[ing] for case by case analysis.”); DAVID NIMMER AND MELVILLE B. NIMMER, *Nimmer on Copyright* 13-149 -50 (2000) (recognizing codification was only to reiterate current judicial doctrine, not broaden scope).

<sup>47</sup> See Encarta, *Copyright*, at <http://encarta.msn.com/index/conciseindex/4A/04A06000.htm> (last visited Feb. 13, 2002) (emphasis added) (recognizing copyright law, patent law and trademark law, as being part of field known as intellectual property); Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/piracy/epub/faqs.asp> (last visited Feb. 13, 2002) (understanding copyright is intellectual property, which is asset that can be bought and sold like other property); see also Warren E. Agin & Marjorie Chertok, *Restart.com: Identifying, Securing and Maximizing the Liquidation Value of Cyber-Assets in*

they account for a substantial amount of business activity in the United States, such as book publishing, film and music production, and computer software development.<sup>48</sup> Traditionally, copyrighted material was expressed through something tangible, such as a hardbound book.<sup>49</sup> There is a presumption that e-books and other electronic material should be cheap or free because the material cannot be physically held in the user's hands like a traditional book.<sup>50</sup> Nonetheless, electronic books belong to one of the "fastest-growing segments of [the] economy and [the] most precious commodity in the global marketplace."<sup>51</sup> If the value of

*Bankruptcy Proceedings*, 8 AM. BANKR. INST. L. REV. 255, 283 (2000) (protecting intellectual property done by copyright, patent and trade secret law); Joseph G. Arsenault, *Software without Source Code: Can Software Produced by a Computer Aided Software Engineering Tool Be Protected?*, 5 ALB. L.J. SCI. & TECH. 131, 134 (1994) (noting umbrella of intellectual property includes copyright).

<sup>48</sup> See Encarta, Copyright, at <http://encarta.msn.com/index/conciseindex/4A/04A06000.htm> (last visited Nov. 17, 2000) (finding importance of copyright law for United States economy). See generally Robin Peek, *The Digital Rights Management Dilemma: Copyright on the Internet*, INFO TODAY, Nov. 1, 2000, at 50 (estimating e-books will cause publishing industry to lose up to \$1.5 billion by 2005). But see *Worldwide Pirate Video Seizures up by Half*, ONE TO ONE, May 1997, at 20 (reporting \$2.5 billion in lost revenue to U.S. motion picture industry).

<sup>49</sup> See Encarta, Copyright, at <http://encarta.msn.com/index/conciseindex/4A/04A06000.htm> (last visited Feb. 13, 2002) (discussing history of copyright and acknowledging that books were instruments in which materials were published); see also Himanshu S. Amin, *The Lack of Protection Afforded Software under the Current Intellectual Property Laws*, 43 CLEV. ST. L. REV. 19, 40 (1995) (noting inability of intellectual property laws to adequately protect computer software industry); Dan L. Burk, *Muddy Rules for Cyberspace*, 21 CARDOZO L. REV. 121, 121 (1999) (noting digital communication media, such as Internet, pose difficult challenge to traditional forms of intellectual property). See generally Marshall A. Leaffer, *Protecting United States Intellectual Property Abroad: Toward a New Multilateralism*, 76 IOWA L. REV. 273, 290 (1991) (noting traditional forms intellectual property protection proven inadequate).

<sup>50</sup> See Manes, *supra* note 7, at 129 (indicating history has shown there is presumption software, encompassing everything from computer programs to Stephen King's novel, should be inexpensive or free because it is intangible); see also Sheldon W. Halpern, *Copyright Law in the Digital Age: Malum in Se and Malum Prohibitum*, 4 MARQ. INTELL. PROP. L. REV. 1, 4 (2000) (noting growing ease in copying and infringing and lax public attitude towards it); John Blackford, *The Paperless Office, Take Six - Sure, You've Heard It before. But the Successor to Paper Just Might Be Lurking in a Downloaded e-book; Industry or Event?*, COMPUTER SHOPPER, Nov. 1, 2000, at 76 (stating happened to music with Napster could happen to e-books); Linton Weeks, *Pat Shroeder's New Chapter; The Former Congresswoman Is Battling for America's Publishers*, WASH. POST, Feb. 7, 2001, at C1 (indicating technology makes copying of e-books easy).

<sup>51</sup> Donald T. Hawkins, *Electronic Books: A major Publishing Revolution*, ONLINE, Sept. 1, 2000, at 19 (discussing e-books and their growth in market); see also Penguin Putnam, *Lighting Source from Digital Alliance*, INFO TODAY, Oct. 1, 2000, at 69 (discussing Penguin Putnam, Inc.'s deal with Lighting Source to expand e-book division). But see Judith Rosen, *Notes from the Retail Front*, PUBLISHER'S WKLY., Oct. 2, 2000, at 14 (stating some booksellers are not worried about growth in e-books). See generally Microsoft, *Association of American Publishers, Microsoft to Join on New E-Book Anti-Piracy Initiative*, at <http://www.microsoft.com/presspass/press/2000/Aug00/ePublishingPiracyPr.asp> (last

e-books is diminished, and a sufficient system for compensating creativity is not implemented, then the quality of work stemming from authors will be far from brilliant.<sup>52</sup> The public, in turn, will suffer from deficient material and a stagnant economy.<sup>53</sup>

### THE DOCTRINE OF FAIR USE

The doctrine of fair use, under the United States copyright law, enables individuals to use copyrighted works without first obtaining authorization or paying royalties.<sup>54</sup> It is considered one of the most material and instilled limitations on copyright holders' exclusive rights.<sup>55</sup> Fair use, an equitable rule, allows courts to apply the doctrine to the particular facts of individual

visited Sept. 16, 2000) (noting when intellectual property is protected, jobs and creativity are protected as well).

<sup>52</sup> See Jeremy Waldron, *From Authors to Copiers: Individual Rights and Social Values in Intellectual Property*, 68 CHI.-KENT L. REV. 842, 854 (1993) (recognizing economic argument people only produce when it is profitable); see also Robert J. Barrio, *Attention Consumers: Creativity Never Comes Cheap*, BUS. WK., Oct. 2, 2000, at 36 (recognizing threat to intellectual property rights); 'Sharing' or 'Stealing,' *Music Is Still Property*, WIS. STATE J., July 28, 2000, at 9A (noting reason intellectual property law exists to create financial incentive for creative people).

<sup>53</sup> See Bernstein and Goldberg, *supra* note 7, at 3 (narrowing or eliminating copyright protection may harm America by diminishing wealth of creative works and money realized from foreign trade); Waldron, *supra* note 52, at 854 (noting economic argument society loses out on new products when benefits to making them are outweighed by cost); see also Michael L. Doane, *Trips and International Intellectual Property Protection in an Age of Advancing Technology*, 9 AM. U. J. INT'L L. & POLY 465, 470 (1994) (noting purpose of intellectual property law is to provide innovators and investors with incentive to participate in creative activity); Keith M. Stolte, *If It Walks Like a Duck: A Proposal to Unify U.S. Customs' Treatment of Infringing Imports*, 29 J. MARSHALL L. REV. 711, 716 (1996) (discussing economic impact of inadequate intellectual property protection in context of developing countries and noting enormous harm).

<sup>54</sup> See *ABC's of Fair Use*; N.Y.L.J., Nov. 8, 1999, at 3 (asserting what fair use entitles user); Truitt, *supra* note 4, at 26 (defining fair use); see also *Sony v. Universal*, 464 U.S. 417, 433 (1984) (reproducing works can, at times, be considered part of public domain and not within authors' exclusive rights); COPYRIGHT, *supra* note 25, at § 10.2.1 (defining scope of fair use "situations in which social, political, and cultural benefits of use will outweigh any consequent losses to copyright proprietor, and in which time and expense of negotiations. . . will often foreclose negotiated transaction").

<sup>55</sup> See H. JUDICIARY COMM., REP. NO. 94-1476, at 15 (2000) (noting established limitation is "given express recognition for. . . first time in § 107"); Mary L. Mills, *New Technology and the Limitations of Copyright Law: An Argument for Finding Alternatives to Copyright Legislation in an Era of Rapid Technological Change*, 65 CHI.-KENT L. REV. 307, 315 (1989) (stating fair use doctrine is greatest limitation on exclusive ownership rights); see also Allan M. Soobert, *Legitimizing Decompilation of Computer Software under Copyright Law: A Square Peg in Search of a Square Hole*, 28 J. MARSHALL L. REV., 105, 113 (1994) (noting author's exclusive ownership rights in copyrighted work is qualified by fair use). See generally Marlin H. Smith, *The Limits of Copyright: Property, Parody and the Public Domain*, 42 DUKE L.J. 1233, 1247 (1993) (noting fair use is equitable rule of reason allowing judges flexibility in application).

cases.<sup>56</sup> Some courts have asserted that the doctrine is not as helpful as was originally intended,<sup>57</sup> however, the Supreme Court continues to address the issue.<sup>58</sup> Generally, during a fair use analysis, courts examine four factors:

1. "the purpose and character of the use,"<sup>59</sup>
2. the nature of the copyrighted work,<sup>60</sup>
3. the amount and substantiality of the portion used in relation to the copyrighted work as a whole<sup>61</sup>,
4. the effect of the use upon the potential market for or value

<sup>54</sup> See *Stewart v. Abend*, 495 U.S. 207, 236 (1990) (finding law calls for flexibility in applying fair use doctrine because it does not want to stifle creativity that law was designed to foster); Garon, *supra* note 45, at 557 (noting fair use doctrine is highly fact-specific); see also *ABC's of 'Fair Use'*, *supra* note 54, at 3 (claiming there is no "bright line" test, so evaluations are based on particular facts); Smith, *supra* note 55, at 1247 (discussing flexibility of fair use doctrine).

<sup>57</sup> See NIMMER AND NIMMER, *supra* note 46, at 13-150 (quoting cases that find doctrine "most troublesome in all copyright" and "so flexible as virtually to defy definition"); *ABC's of 'Fair Use'*, *supra* note 54, at 3 (stating "application of fair use has been unpredictable"); see also Stephana I. Colbert & Oren R. Griffin, *The Impact of "Fair Use" in the Higher Education Community: A Necessary Exception?*, 62 ALB. L. REV. 437, 443 (1998) (noting doctrine of fair use is unclear and subject to multiple interpretations); Jonathan Evan Goldberg, *Now that the Future Has Arrived, Maybe the Law Should Take a Look: Multimedia Technology and its Interaction with the Fair Use Doctrine*, 44 AM. U. L. REV., 919, 942 (1995) (noting fair use doctrine is often problematic).

<sup>58</sup> See NIMMER AND NIMMER, *supra* note 46, at 13-150 (finding Court to make landmark decisions involving fair use in 1984, 1985, and 1994); see also *Quality King Distrib., Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135, 151 (1998) (addressing fair use doctrine); *Campbell v. Acuff-Rose Music Inc.*, 510 U.S. 569, 574-583 (1994) (discussing fair use doctrine). See generally Pollack, *supra* note 4, at 2459 (affirming that *Sony v. Universal*, 464 U.S. 417 (1984) was seminal case for fair use).

<sup>59</sup> 17 U.S.C.S. § 107 (1) (2000) (stating first factor generally discussed in fair use analysis); see also Colbert & Griffin, *supra* note 57, at 444-57 (discussing each of four prongs and application of test); Gregory K. Jung, *I Intellectual Property: A Copyright: 4. Fair Use: a) Satire: Dr. Seuss Enterprises v. Penguin Books*, 13 BERKELEY TECH. L.J. 119, 127-31 (1998) (discussing Ninth Circuit's application of four prongs in *Dr. Seuss Enterprises v. Penguin Books*); Laura G. Lape, *Transforming Fair Use: The Productive Use Factor in Fair Use Doctrine*, 58 ALB. L. REV. 677, 678 (1995) (noting four factors are minimum factors considered).

<sup>60</sup> 17 U.S.C.S. § 107 (2) (2000) (stating second factor traditionally used in balancing fair use doctrine); see also Colbert & Griffin, *supra* note 57, at 444-57 (discussing each of four prongs and application of test); Jung, *supra* note 59, at 127-31 (discussing Ninth Circuit's application of four prongs in *Dr. Seuss Enterprises v. Penguin Books*); Lape, *supra* note 57, at 678 (noting four factor are minimum factors considered).

<sup>61</sup> 17 U.S.C.S. § 107 (3) (2000) (stating third factor normally used in balancing fair use doctrine); see also Colbert & Griffin, *supra* note 57, at 444-57 (discussing each of four prongs and application of test); Jung, *supra* note 59, at 127-31 (discussing Ninth Circuit's application of four prongs in *Dr. Seuss Enterprises v. Penguin Books*); Lape, *supra* note 57, at 678 (noting four factor are minimum factors considered).

of the copyrighted work.”<sup>62</sup>

This list is not intended to be exclusive, nor is any one factor determinative, but rather they are guidelines.<sup>63</sup> The particular circumstances of individual situations are considered in light of the fair use doctrine, making it clear to see how difficult it is in predicting just how courts will hold.<sup>64</sup>

The emergence of the Internet and the new uses of copyrighted works make the application of the fair use doctrine even cloudier.<sup>65</sup> Infringing copyright on the Internet seems effortless because materials are more accessible, and they are easily copied.<sup>66</sup> The rapid growth of electronic books and the attitude of “free access” make copyright protection a natural concern.<sup>67</sup> The

<sup>62</sup> 17 U.S.C.S. § 107 (4) (2000) (stating traditional fourth factor discussed in considering fair use doctrine); see also Colbert & Griffin, *supra* note 57, at 444-57 (discussing each of the four prongs and application of test); Jung, *supra* note 59, at 127-31 (discussing Ninth Circuit’s application of four prongs in *Dr. Seuss Enterprises v. Penguin Books*); Lape, *supra* note 57, at 678 (noting four factor are minimum factors considered).

<sup>63</sup> See Harper & Row, Publishers, Inc. v. Nation Enter. 471 U.S. 539, 560 (1985) (noting listed factors are not exhaustive in deciding if use is fair); COPYRIGHT, *supra* note 25, at § 10.2.1 (presuming Congress meant to establish substantive threshold to use of factors); NIMMER & NIMMER, *supra* note 46, at 13-152-53 (asserting list is of examples and is not automatically applied); see also Pollack, *supra* note 4, at 2459 (supporting idea that factors are guideline only since no single definition of doctrine exists).

<sup>64</sup> See NIMMER & NIMMER, *supra* note 46, at 13-154 (finding there is no concrete guide telling when use should be considered fair); see also Ruth Okediji, *Toward an International Fair Use Doctrine*, 39 COLUM. J. TRANSNAT’L L. 75, 131 (2000) (indicating fair use doctrine is applied on case by case basis and results differ from court to court); Niels B. Schaumann, *An Artist’s Privilege*, 15 CARDOZO ARTS & ENT. L.J. 249, 266 (1997) (stating weight given to each factor varies with nature of use); Pollack, *supra* note 4, at 2459 (noting “defense applies on case-by-case basis. . .”).

<sup>65</sup> See Raysman & Brown, *supra* note 6, at 3 (claiming new technology has made determination of fair use even more difficult); see also Stephanie Brauner, *Preparing Your Music Client for Web Distribution*, 22 HASTINGS COMM. & ENT. L.J. 1, 11 (1999) (discussing unpredictability of applying fair use doctrine to Internet); Jonathan Dowell, *Bytes and Pieces: Fragmented Copies, Licensing, and Fair Use in a Digital World*, 86 CALIF. L. REV. 843, 844 (1998) (indicating ability to rely on fair use doctrine is less clear since advent of Internet); Thi Phan, *supra* note 17, at 193 (indicating common belief that applying fair use doctrine to Internet is uncertain).

<sup>66</sup> See Cary Griffith, *Fair Use and Free Speech on the Web*, INFO. TODAY, July 17, 1998, at 18 (describing how Internet has changed issues of fair use); see also Needham J. Boddie, II et al., *A Review of Copyright and the Internet*, 20 CAMPBELL L. REV. 193, 221 (1998) (stating it is common to take material from Internet when preparing presentations); Carl W. Chamberlin, *To the Millennium: Emerging Issues for the Year 2000 and Cyberspace*, 13 NOTRE DAME J.L. ETHICS & PUB. POL’Y 131, 132 (1999) (noting difficulty in enforcing copyright law due to ease of copying material via Internet); Karen Bevill, Note, *Copyright Infringement and Access: Has the Access Requirement Lost Its Probative Value?*, 52 RUTGERS L. REV. 311, 330-31 (1999) (discussing ease of accessing information over Internet).

<sup>67</sup> See Jojo Moyes, *It Began as Vanity Publishing, But E-Books Are the New Bestsellers*, INDEP. (LONDON), Apr. 25, 2000, at 5 (articulating there will be demand for nearly half million e-books by year end); see also Alfred C. Yen, *Internet Service Provider Liability for Subscriber Copyright Infringement, Enterprise Liability, and the First*

“purpose and character of the use” and “the effect of the use upon the potential market for or value of copyrighted works” are just two factors that are helpful in trying to predict the future of the fair use doctrine and its application to e-books.<sup>68</sup>

## PURPOSE AND CHARACTER OF THE USE

### *Background*

When considering “the purpose and character of the use” factor, it is important to consider whether the use is of a commercial nature or for non-profit.<sup>69</sup> The House Judiciary Committee when explaining the 1976 Copyright Act, stated that the commercial or non-profit nature was not to be considered conclusive in whether a use was fair or not, but rather it was to be given proper attention along with all of the other factors of the

*Amendment*, 88 GEO. L.J. 1833, 1852 (2000) (stating popular demand for Internet is due to free access to copyrighted materials). See generally Daniel Grant, *Computer Copies Dilute Artists' Rights; Copyright: Electronic Infringement on an Artist's Right to Control Use of His Images is Reaching Epidemic Proportions. Some Say the Law Has to Change*, BALT. SUN, Aug. 25, 1996, at 1J (presenting views of advocates of free access); Lisa Guernsey, *Bookbag of the Future; Dental Schools Stuff 4 Years' Worth of Manuals and Books into 1 DVD*, N.Y. TIMES, Mar. 2, 2000, at G 1 (discussing future use of electronic books).

<sup>68</sup> See generally *Nunez v. Caribbean Int'l News Corp.*, 235 F.3d 18, 20 (1st Cir. 2000) (finding in favor of fair use and noting that photo copied was especially newsworthy); *Worldwide Church of God v. Philadelphia Church of God, Inc.*, 227 F.3d 1110, 1121 (9th Cir. 2000) (recognizing fair use was not valid defense and granting permanent injunction against reproduction and distribution of the work); *Sony Computer Entm't, Inc. v. Connectix Corp.*, 203 F.3d 596, 609 (9th Cir. 2000) (asserting reverse engineering involving use of Sony PlayStation constituted fair use); *Penguin Books USA, Inc. v. New Christian Church of Full Endeavor, Ltd.*, U.S. Dist. LEXIS 10394, at \*56-57 (S.D.N.Y. 2000) (determining that finding all four factors against fair use renders affirmative defense inapplicable).

<sup>69</sup> See *Sony v. Universal*, 464 U.S. 417, 450 (1984) (noting Senate Committee Report stated commercial or non-profit character was not conclusive but should be balanced with other fair use factors); see also COPYRIGHT, *supra* note 25, at § 10.2.2.1 (stating first factor of doctrine requires two considerations: commercial-noncommercial distinction and “education or other socially valuable purpose of use). See generally Tammi A. Gauthier, *Fun & Profit: When Commercial Parodies Constitute Copyright or Trademark Infringement*, 21 PEPP. L. REV. 165, 166-67 (1994) (stating first factor considers whether use is for commercial or non-profit purposes); Maria E. Sous, *The SAT Is No Laughing Matter for Seinfeld: Issues of Copyright Infringement and Fair Use in Castle Rock Entertainment, Inc. v. Carol Publishing Group, Inc.*, 6 VILL. SPORTS & ENT. L.J. 405, 421 (1999) (stating subset of first factor is whether use is of commercial or non-profit nature); Robin Feingold, Note, *When “Fair is Foul”: A Narrow Reading of the Fair Use Doctrine in Harper & Row, Publishers, Inc. v. Nation Enterprises*, 72 CORNELL L. REV. 218, 224-25 (1986) (stating under first factor courts consider purpose and commercial nature of activity as not conclusive).

doctrine.<sup>70</sup> Often, the courts have found infringement when the use was for a commercial purpose.<sup>71</sup> There are instances, however, in which the courts have ruled otherwise regarding commercialism.<sup>72</sup> Transformative uses are instances where the court might hold in favor of fair use, even though the use is for a commercial purpose.<sup>73</sup> Transformative uses are favored because they add “something new with a further purpose of character.”<sup>74</sup> Adding new meaning or new expression to a work promotes the furtherance of science and art.<sup>75</sup> The purpose and character

<sup>70</sup> See H. JUDICIARY COMM. REP. NO. 94-1476, at 16 (2000) (defining how to interpret commercial or non-profit nature in light of other factors); see also Nels Jacobson, Note, *Faith, Hope & Parody: Campbell v. Acuff-Rose, “Oh, Pretty Woman,” and Parodists’ Rights*, 31 HOUS. L. REV. 955, 998 (1994) (stating four factors set forth by Congress are not intended to be determinative); Jay Lee, Note, *Campbell v. Acuff-Rose Music: The Sword of the Parodist Is Mightier than the Shield of the Copyright Holder*, 20 U.S.F. L. REV. 279, 299 (1994) (stating factors outlined in 1976 Copyright Act should be weighed together); Phan, *supra* note 17, at 185 (discussing difficulty of setting forth “bright line” rules using these factors).

<sup>71</sup> See, e.g., *United Feature Syndicate, Inc. v. Koons*, 817 F. Supp. 370, 379 (S.D.N.Y. 1993) (finding no fair use because copying of dog was for profit); *Budish v. Gordon*, 784 F. Supp. 1320, 1335 (N.D. Ohio 1992) (indicating commercial purpose weighs against fair use defense); *Ass’n of Am. Med. Colls. v. Mikaelian*, 571 F. Supp. 144, 152-53 (E.D. Pa. 1983) (copying of MCAT questions in order to help students take exam is not fair use due to commercial nature).

<sup>72</sup> See *Campbell v. Acuff-Rose*, 510 U.S. 569, 579 (1994) (noting that commercial nature carries less weight when use is transformative); see also COPYRIGHT, *supra* note 25, at § 10.2.2.1 (disavowing “hard evidentiary presumption” that commercial use presumes unfair use). See generally NIMMER AND NIMMER, *supra* note 46, at 13.05 (indicating analysis should not end at determination of commercial purpose).

<sup>73</sup> See COPYRIGHT, *supra* note 25, at § 10.2.2.1 (noting that use of this nature lies “at heart of . . . fair use doctrine’s guarantee of breathing space within . . . confines of copyright”); see also Hon. Pierre N. Leval, *Nimmer Lecture: Fair Use Rescued*, 44 U.C.L.A. L. REV. 1449, 1464-65 (1997) (indicating commercialism would be less significant if use were more transformative); Jill I. Prater, *When Museums Act Like Gift Shops: The Discordant Derivative Works Exception to the Termination Clause*, 17 LOY. L.A. ENT. L.J. 97, 111-12 (1996) (stating presumption of unfairness is less likely where use is transformative); Rebecca Morris, Note, *When Is a CD Factory Not Like a Dance Hall?: The Difficulty of Establishing Third-Party Liability for Infringing Digital Music Samples*, 18 CARDOZO ARTS & ENT. L.J. 257, 276 (2000) (stating even though transformative use is not required, fair use will more likely be recognized in such case because less significance will be placed on other factors, such as commercialism, which might have otherwise precluded finding of fair use).

<sup>74</sup> *Kelly v. Arriba Soft. Corp.*, 77 F. Supp. 2d 1116, 1118-19 (C.D. Cal. 1999), *rev’d in part, aff’d in part*, 280 F.3d 934 (9th Cir. 2002) (asserting transformative use is most significant factor favoring Defendant’s use); see also *Campbell*, 510 U.S. at 579 (stating new work is transformative if it “adds something new”); Garon, *supra* note 45, at 556 (stating transformative use adds something new to material).

<sup>75</sup> See COPYRIGHT, *supra* note 25, at § 10.2.2.1 (finding that if work “adds something new” it usually will be found to be transformative and although transformative nature is not necessary for fair use to be found, it does further goal of copyright); see also Fred H. Cate, *The Technological Transformation of Copyright Law*, 81 IOWA L. REV. 1395, 1427 (1996) (indicating promotion of science and arts is furthered by transformative works); Garon, *supra* note 45, at 556 (stating goal of copyright is furthered by transformative use); Michael S. Oberman & Trebor Lloyd, *Copyright Protection for Photographs in the*



analysis is not solely determinative of whether a use is fair or not; the particular facts, in light of the goal of copyright, are what ultimately seem to conclude the use.<sup>76</sup>

### *Sony v. Universal*

Petitioners Sony Corporation manufactured and sold home video tape recorders, and Respondents Universal City Corporations held copyright in television programs that were broadcast over public airwaves.<sup>77</sup> Members of the public used Sony's video tape recorders, Betamax, to copy Universal's, as well as other's, broadcast programs.<sup>78</sup> Universal did not bring a claim against individual users, but instead contended that Sony was liable for contributory copyright infringement because individuals used Sony's video tape recorders to copy Universal's commercially sponsored television programs.<sup>79</sup>

The Supreme Court held that Sony was not liable for contributory copyright infringement for selling a video copying machine to the public.<sup>80</sup> The Court stated that it was unnecessary to explore all of the possible uses of Betamax since "private, noncommercial time-shifting in the home" was not considered to be an infringement under the Act.<sup>81</sup> Time-shifting

*Age of New Technologies*, 2 B.U. J. SCI. & TECH. L. 10, 15 (1996) (stating transformative work furthers goals of copyright).

<sup>76</sup> See *Campbell*, 510 U.S. at 577 (avoiding rigid application of statute in order to prevent inhibition of creativity which statute was designed to encourage); see also Princeton Univ. Press v. Mich. Document Serv., 99 F.3d 1381, 1400 (6th Cir. 1996) (stating first factor should be examined as to whether use would advance copyright goals); *Rubin v. Brooks/Cole Publ'g Co.*, 836 F. Supp. 909, 916 (D. Mass. 1993) (noting factors are not determinative and should be considered "in light of purpose of fair use doctrine"); *Penelope v. Brown*, 792 F. Supp. 132, 136 (D. Mass. 1992) (stating not one factor is determinative).

<sup>77</sup> See *Sony v. Universal*, 464 U.S. 417, 419 (1984) (establishing parties to case); see also Edward A. Cavazos and Coe F. Miles, *Copyright on the WWW: Linking and Liability*, 4 RICH. J.L. & TECH. 3 (1997) (summarizing facts in *Sony*); Barbara D. Griff, *A New Use for an Old License: Who Owns the Right?*, 17 CARDOZO L. REV. 53, 69 (1995) (presenting parties in *Sony*).

<sup>78</sup> See *Sony*, 464 U.S. at 420 (noting sale of machine enables copying of Universal's copyrighted broadcasts raises issue of whether Copyright Act has been violated).

<sup>79</sup> See *Sony*, 464 U.S. at 420 (noting Universal "sought money damages, equitable accounting of profits, . . . and injunction against manufacture and marketing" of machines).

<sup>80</sup> See *Sony*, 464 U.S. at 456 (applying statute as currently written to facts of case entitled Court to hold for defendant).

<sup>81</sup> See *Sony*, 464 U.S. at 442 (noting issue was whether machine was capable of "commercially significant non-infringing uses" and based on findings of fact by District Court, significant amount of uses were non-infringing); see also Rebecca J. Hill, Comment, *Pirates of the 21<sup>st</sup> Century: The Threat and Promise of Digital Audio*

enabled viewers, who did not watch the program when it was originally aired, to view it at a later time.<sup>82</sup> The Court further concluded that, “even if it were deemed that home-use recording of copyrighted material constituted infringement, Betamax could still legally be used to record material that was not awarded copyright protection or material whose owners consented to the copying.”<sup>83</sup> Additionally, Universal maintained a large inventory of copyrighted material, but their combined market of television programming was below ten percent, leaving a large portion of the market share who was not a party to the suit affected by the decision.<sup>84</sup>

Technology enables the development of electronic reading devices that present issues analogous to *Sony's* time-shifting.<sup>85</sup> Microsoft, among others, introduced a Pocket PC containing a software application, called Microsoft Reader.<sup>86</sup> The Pocket PC or

*Technology on the Internet*, 16 COMPUTER & HIGH TECH. L.J. 311, 324-25 (2000) (discussing findings of non-infringement in *Sony*); Pollack, *supra* note 4, at 2460 (finding “time-shifting” issue was primary focus of *Sony* case).

<sup>82</sup> See *Sony*, 464 U.S. at 421 (reasoning time-shifting allows large number of television programming to be viewed without objection from copyright owners of programs); see also Hill *supra* note 81, at 324 (describing time-shifting); Sara Beth A. Reyburn, Note, *Fair Use, Digital Technology, and Music on the Internet*, 61 U. PITT. L. REV. 991-92 (2000) (basing argument on similarities between time-shifting in *Sony* and noncommercial recording of copyrighted musical works).

<sup>83</sup> *Sony*, 464 U.S. at 444-46 (relying on District Court's findings and testimony that injunction depriving public of machine “capable of some non-infringing use would be an extremely harsh remedy” especially when significant number of programming, such as sports and religious, is authorized and stating unlicensed use is not infringing if it does not conflict with one of exclusive rights expressed in copyright statute); see also Pollack, *supra* note 4, at 2460 (claiming *Sony* Court would not expand copyright protection because it believed Congress should address issue); Reyburn, *supra* note 82, at 992 (stating those who have permission of owner to use copyrighted work will not be liable for infringement).

<sup>84</sup> See *Sony* 464 U.S. at 443-44 (claiming if infringement was found, then it would have “significant impact on both producers and viewers of remaining ninety percent of programming in Nation”); Vincent J. Rocca, Note, *What's Fair is (Not Always) on the Internet*, 29 RUTGERS L.J. 155, 175-76 (1997) (discussing public interests involved in application of fair use doctrine).

<sup>85</sup> See eBook, *Copyright Protection*, at <http://www.ebook-gemstar.com/about/index.asp> (last visited Oct. 16, 2000) (discussing Gamester's entry into electronic reading device through acquisition of NuvoMedia, maker of Rocket eBook, and SoftBook Press, Inc., maker of Softbook Reader); Microsoft, *Microsoft Reader with ClearType*, at <http://www.microsoft.com/reader/news/faq.htm> (last visited Oct. 16, 2000) (asserting Pocket PC, portable device, will enable users to download few or hundreds of their favorite books). See generally Reyburn, *supra* note 82, at 1012-18 (asserting MP3 digital recording technology should be afforded fair use defense).

<sup>86</sup> See Microsoft, *Microsoft Reader with ClearType*, at <http://www.microsoft.com/reader/news/faq.htm> (last visited Oct. 16, 2000) (stating software enables user to experience on-line reading comparable to traditional book); see also eBook, *About eBook*, at <http://www.ebook-gemstar.com/about/index.asp> (last visited Oct. 16, 2000) (claiming along with being able to have traditional reading experience, user

Pocket Personal Computer enables what could be considered "private, noncommercial" space-shifting, namely being able to access the material at a different location.<sup>87</sup> Even though there might be situations in which Pocket PCs infringe copyright, courts, like *Sony*, may find it unnecessary to explore all possible uses of the device, and simply recognize that Pocket PCs are capable of "private noncommercial" space-shifting.<sup>88</sup> Although some authors or publishers do not wish for their works to be copied at all, there are copyright holders who consent to their e-books being reproduced.<sup>89</sup> The amount of published e-books is quite extensive,<sup>90</sup> so disavowing the use of devices that might cause some infringement substantially effects a large portion of authors and publishers that consent to copying.<sup>91</sup>

can also take notes and conduct searches). See generally Steve Ranger, *Comms & Client; BT to Back Microsoft OS with PDA Phone*, COMPUTING, Oct. 11, 2001, at 35 (noting "BT is building a PDA based on Microsoft's Pocket PC 2002 operating system").

<sup>87</sup> See Microsoft, *Mobile Devices*, at <http://www.microsoft.com/mobile/pocketpc/features/articles/topten.asp> (last visited Oct. 16, 2000) (noting all conveniences users can get with handheld device, wherever they are located). See generally *Wagamama Restaurant Chain Selects Geac's New Wireless POS Solution*, BUS. WIRE, Oct. 15, 2001 (discussing hand held device will improve customer service and server productivity).

<sup>88</sup> See generally Ilana Mercer, *How Things Would Work in a Copyright-Free Universe*, NAT'L POST, Jan. 26, 2001, at C19 (finding TVT Records dropped its lawsuit against Napster and that other record companies still pursuing case have to overcome defense of space shifting); Lisa T. Oratz and Matt Wagner, *Copyright and the Internet*, E-COMMERCE LAW REPORT, June 1, 2001, at 2 (noting Ninth Circuit found Rio was not infringing copyright; it was only space-shifting). But see Marc E. Brown, *New Digital Technologies Clash with Copyright Law; Industry Trend or Event*, ELEC. BUS., Jan. 1, 2001, at 22 (claiming defense of space shifting asserted by MP3.com was rejected by District Court of New York).

<sup>89</sup> See David D. Kirkpatrick, *Evil Plant's Online Profit May Frighten Publishers*, INT'L HERALD TRIB., Aug. 2, 2000, at 14 (stating Stephen King would stop writing chapters of novel he is publishing on Internet if he did not receive voluntary payment from 75% downloading readers). See generally Kevin Davis, Comment, *Fair Use on the Internet: A Fine Line between Fair and Foul*, 34 U.S.F. L. REV. 129, 144-45 (1999) (noting some authors grant permission for web sites so first chapter of books may be available to readers); *Ruling on Freelancers Unlikely to Impact E-book Dispute*, NAT'L J. TECH. DAILY, July 19, 2001 (asserting authors need to expressly contract to grant publishers right to reproduce electronically).

<sup>90</sup> See *Compiled from Wire Service Reports*, NEWSDAY, Oct. 19, 2001, at A58 (finding Barnes & Noble has taken steps to become leader in Internet bookselling for hand held devices by publishing about 15 electronic books month); Steve Ditlea, *The Real E-books; Industry Trend or Event*, TECH. REV., July 10, 2000, at 70 (searching Web resulted in over "150 e-book-only publishers, e-only bookstores, e-book trade publications. . .). But see Jennifer Beauprez, *NetLibrary Seeks Cash to Stay Alive Pioneer in Publishing E-Books Now Struggles, Loses Key Investor*, DENV. POST, Oct. 17, 2001, at C-01 (asserting economic conditions caused major investor to pull funds, which may force on-line publisher out to business).

<sup>91</sup> See generally Carol Ebbinghouse, *Tasini Case Final Decision: Authors Win*, INFO TODAY, Sept. 1, 2001, at 26 (noting Court held freelance authors' rights were infringed by both print and electronic publishers); Pollack, *supra* note 4, at 2448 (asserting owners of

A difference between the above scenario and the scenario in *Sony*, is that technology developers of today recognize the value of copyright to authors, and being ever mindful of such infringement problems, have taken steps to protect e-books.<sup>92</sup> Gemstar eBook Group developed a process that protects storage and transmission through encryption and compression.<sup>93</sup> The security system does not include a mechanism to send or forward a file, and during the storage and transmission process “only a small amount of content. . . [can] [be] decrypted at any one time,” therefore, the full decrypted text is never stored.<sup>94</sup> Advancement in storage and transmission security enables technology developers to avoid the infringement issues of *Sony* and to send a strong message that assurance of copyright protection is needed for authors to continue to bestow their creations upon the public.<sup>95</sup>

copyright in music industry may upload their material onto Internet in effort to seek exposure or promote forthcoming works).

<sup>92</sup> See eBook, *Copyright Protection*, at <http://www.ebook-gemstar.com/about/index.asp> (last visited Oct. 16, 2000) (noting software developers convinced publishing industry that copyright could be protected in electronic reading device); see also *Electronic Publishers, Paper Power Vie at Frankfurt Book Fair*, BUSINESSWORLD, Oct. 16, 2001, at 23 (stating book fair had stands in electronic media section which were promoting piracy prevention).

<sup>93</sup> See eBook, *Copyright Protection*, at <http://www.ebook-gemstar.com/about/index.asp> (last visited Oct. 16, 2000) (stating actions Gemstar has taken to secure copyright); Cf. Reyburn, *supra* note 82, at 1018 (discussing password protection, encryption, firewalls, and digital watermarking protection methods for music to preserve recording ability); see also *Electronic Publishers, Paper Power Vie at Frankfurt Book Fair*, *supra* note 92, at 23 (acknowledging encryption technology was given e-book award).

<sup>94</sup> See eBook, *Copyright Protection*, at <http://www.ebook-gemstar.com/about/index.asp> (last visited Oct. 16, 2000) (explaining content as well as encryption key are encrypted, are stored in secure database when delivered to customer's bookshelf area, and are downloaded along with document); see also Manes, *supra* note 7, at 132 (pointing out main advantage of encryption devices is plain text of document never appears on Internet); David McClure, *First Amendment Freedoms and the Encryption Export Battle: Deciphering the Importance of Bernstein v. United States Department of Justice 176 F.3d 1132 (9th Cir. 1999)*, 79 NEB. L. REV. 465, 467 (2000) (describing modern digital encryption as lockbox placed around sender's message that can only be opened by receiver with appropriate key).

<sup>95</sup> See Kurt M. Saunders, *The Regulation of Internet Encryption Technologies: Separating the Wheat from the Chaff*, 7 J. MARSHALL J. COMPUTER & INFO. L. 945, 946 (1999) (pointing out increased personal and industrial use has moved business to seek more robust encryption technologies); Reciprocal, *Reciprocal and Microsoft Forge Alliance to Offer Fully Out-Sourced Digital Rights Management Solution*, at [http://www.reciprocal.com/prn\\_ref11019200.asp](http://www.reciprocal.com/prn_ref11019200.asp) (last visited Feb.10, 2000) (noting integration between Reciprocal and Microsoft will provide protection for Microsoft's ebooks which is demanded by publishers and distributors for Microsoft Reader format). But see, John T. Soma & Charles P. Henderson, *Encryption, Key Recovery, and Commercial Trade of Secret Assets: A Proposed Legislative Model*, 25 RUTGERS COMPUTER & TECH. L.J. 97, 100 (1999) (pointing out dilemma of unfettered development of stronger encryption technology, while creating increased security for transactions, also increasing its use by criminal and terrorist elements).

*Kelley v. Arriba Soft Corp.*

Defendant Ditto operated a 'visual search engine' on the Internet, which like other search engines, allowed a user to conduct a search and retrieve a list for related web content.<sup>96</sup> Unlike other search engines, however, Ditto's business retrieved images as opposed to descriptive text; it did so with a "list of 'thumbnail' pictures related to the user's query."<sup>97</sup> When the user clicked on the thumbprint, a full size image, a description, and the original website address of the image appeared on the screen.<sup>98</sup> Plaintiff Kelley, a photographer, maintains two websites, one of which promotes books that contain his photographs.<sup>99</sup> Approximately thirty-five of Kelley's photos were placed in Ditto's database and were converted into thumbprint form.<sup>100</sup> Ditto attempted to remove the images from its database after Kelley complained, but due to technical problems, a few of the images resurfaced.<sup>101</sup> The District Court, after balancing all the factors, found in favor of fair use, and noted that the facts of this particular case made the "purpose and character of the use" the most important determinative factor.<sup>102</sup>

The District Court found that although Ditto's use was clearly commercial, the use was not a substantial element of that trade, but was rather by chance and therefore less abusive than a typical commercial use.<sup>103</sup> Additionally, the transformative

<sup>96</sup> See *Kelley v. Arriba Soft Corp.*, 77 F. Supp. 2d 1116, 1117 (C.D. Cal. 1999), *rev'd in part, aff'd in part*, 280 F.3d 934 (9th Cir. 2002) (describing defendant Ditto's, formerly known as Arriba, business and how it was similar to others in industry).

<sup>97</sup> *Id.* at 1117 (defining what makes this search engine unique and what eventually raises issue for copyright infringement).

<sup>98</sup> See *id.* (describing process of Defendant's computer program that searches Web for images that can be changed to thumbnail size and noting that this process has enabled Defendant to index approximately two million images in its database).

<sup>99</sup> See *id.* (noting Kelley's photos are mainly of California gold rush country and that one Web site along with promoting books, gives "virtual tour" of such country).

<sup>100</sup> See *id.* (finding once images were in this form, they were available to users of Ditto's search engine).

<sup>101</sup> See *id.* (notifying Ditto of its infringement and requesting that it remove images).

<sup>102</sup> See *id.* at 1121 (reasoning Defendant never claimed Plaintiff's work to be its own and Defendant was use in order to find more efficient way to access images on Internet).

<sup>103</sup> See *Kelley*, 77 F. Supp. 2d at 1121 (asserting images were reproduced using defendant's miscellaneous gathering method which was designed to collect large number of images from numerous sources without obtaining authorization). See generally Kristine J. Hoffman, *Fair Use or Fair Game? The Internet, MP3 and Copyright Law*, 11 ALB. L.J. SCI. & TECH. 153, 165 (2000) (stating copying for commercial use is presumptive against finding of fair use); Jed Michael Silversmith & Jack Achiezer Guggenheim, *Between Heaven and Earth: The Interrelationship between Intellectual Property Rights and the*

nature of Ditto's use was the most convincing element in deciding in favor of fair use.<sup>104</sup> Ditto's use was practical, not esthetic like Kelley's, and was totally different from Kelley's primary purpose of creation.<sup>105</sup> Although the Ninth Circuit later reversed and found that exploring full-size images and possibly downloading them on Ditto's attributes page without viewing the rest of Kelley's Web page was not a fair use, the District court noted that when "a new use and new technology are evolving," the wide transformative purposes of the use are given greater consideration than unavoidable imperfections in early development.<sup>106</sup>

Encryption cannot prevent copyright infringement on every occasion, and at times the publishing industry is thankful for this inadequacy.<sup>107</sup> Software, such as Microsoft Reader, enables users

*Religion Clauses of the First Amendment*, 52 ALA. L. REV. 467, 483 (2001) (asserting commercial status of publication tends to weigh against fair use finding).

<sup>104</sup> See *Kelley*, 77 F.Supp. 2d at 1121 (stating while plaintiff's use was for illustrative purposes, defendant's use was for cataloging and improving access to images on Internet). See generally Niva Elkin-Koren, *Cyberlaw And Social Change: A Democratic Approach to Copyright Law in Cyberspace*, 14 CARDOZO ARTS & ENT. L.J. 215, 282 (1996) (explaining transformative use of works was most important fair use factor to court in *Campbell v. Acuff-Rose*, 510 U.S. 569 (1994)); Geri J. Yonover, *Artistic Parody: The Precarious Balance: Moral Rights, Parody and Fair Use*, 14 CARDOZO ARTS & ENT. L.J. 79, 108 (1996) (affirming transformative uses of copyrighted works further goal of copyright).

<sup>105</sup> See generally Jason R. Boyarski, *The Heist of Feist: Protection for Collections of Information and the Possible Federalization of "Hot News"*, 21 CARDOZO L. REV. 871, 920-921 (1999) (defining use as transformative if subsequent work creates new and distinct form of communicative expression); Brian D. Wassom, *Copyright Implications of "Unconventional Linking" on the World Wide Web: Framing, Deep Linking and Inlining*, 49 CASE W. RES. L. REV. 181, 225 (1998) (concluding Supreme Court defined transformative use as one that "alters the original with new expression, meaning or message").

<sup>106</sup> See *Kelley*, 77 F. Supp. 2d at 1121, *aff'd in part, rev'd in part*, 280 F.3d 934 (9th Cir. 2002) (outlining rationale on why purpose and character of use was considered "significantly transformative" overall). See generally Douglas J. Ellis, *The Right of Publicity and the First Amendment: A Comment on Why Celebrity Parodies Are Fair Game for Fair Use*, 64 U. CIN. L. REV. 575, 601 (1996) (asserting transformative use requirement evolved from concept that fair use must be productive use); Thi Phan, *supra* note 17, at 215 (noting transformative uses of copyrighted material are of very type that fair use doctrine attempts to protect for enrichment of public interest).

<sup>107</sup> See Christine McGeever, *E-Book Piracy Doesn't Frighten Publishers*, COMPUTERWORLD, Apr. 10, 2000, at 40 (asserting some piracy may be effective marketing and that electronic publisher will not suffer much financial damage from piracy because publishing cost is in printing and shipping which electronic distribution eliminates); see also Tom W. Bell, *Escape from Copyright: Market Success vs. Statutory Failure in the Protection of Expressive Works*, 69 U. CIN. L. REV. 741, n.19 (2001) (highlighting e-book publishers foresee unauthorized copying and lost sales because secure copy protection system is impractical and probably unusable); Ditlea, *supra* note 90, at 70 (finding even after author's password for e-book was stolen, resulting in 1000 printed downloads, she still received "150 paid orders for e-books and 500 orders for photocopies"); eBook, *Copyright Protection*, at <http://www.ebook-gemstar.com/publishers/copyright.asp> (last visited Oct. 16, 2000) (noting security systems can be fallible) (on file with author).

to place bookmarks, conduct searches, highlight, draw, and take notes in the margins of e-books.<sup>108</sup> Software of this nature is intended to enable the user to have a useful and magical reading experience similar to that of a traditional book.<sup>109</sup> A user might create a transformative work by drawing extensively and taking notes.<sup>110</sup> Transforming e-books and passing them on to others might not be regarded as scholarly endeavors but that does not necessarily mean that the use was improper.<sup>111</sup> In determining whether a use was proper, a court always considers whether the use promotes science and art.<sup>112</sup>

<sup>108</sup> See Paul Hilts, *Microsoft, B & N.com Bid to Expand E-Book Audience*, PUBLISHERS WKLY., Aug. 14, 2000, at 193 (discussing how Microsoft Reader is very comparable to paper, even though it has not yet reached its potential); Microsoft, *Microsoft Reader with ClearType*, at <http://www.microsoft.com/reader/pc/product/features.htm> (last visited Oct. 16, 2000) (describing features of software enabling reader to have active experience unfounded in electronic books) (on file with author). See generally Stephen P. Heymann, *Legislating Computer Crime*, 34 HARV. J. ON LEGIS. 373, 382 (1997) (stressing current U.S. copyright law requires copyright infringement be for commercial advantage or private financial gain before criminal statutes and penalties apply); Microsoft, *Microsoft Reader with ClearType*, at <http://www.microsoft.com/reader/default.asp> (last visited Feb. 11, 2002) (describing new features of Microsoft Reader 2.0 and developing technology of electronic books).

<sup>109</sup> See Microsoft, *Microsoft Reader with ClearType*, at <http://www.microsoft.com/reader/news/faq.htm> (last visited Oct. 16, 2000) (indicating purpose of software application and describing how technology has allowed for improvement in resolution to screen) (on file with author); see also, *Toshiba Pocket PC E570: New PDA with Enterprise-Level Functionality*, FED. COMPUTER MARKET REP., Oct. 8, 2001, at 8 (finding Toshiba's Pocket PC allows user to enjoy listening to MP3 files and viewing video files). See generally Henry Norr, *Powerful Pocket PCs; Pocket PCs Offer Power for a Price*, S.F. CHRON., Oct. 9, 2001, at D1 (discussing other PC appealing features to users, such as sleek design, size, and digital music capability). But see Erik Sherman, *Read This?: Though e-Books Have Fallen to Curiosity Status, the Final Chapter of the Story Remains Unwritten*, COMMVERGE, July 1, 2001, at 34 (noting apparent bust of many e-books due to poor screen quality).

<sup>110</sup> See Symposium, *Washington Area Lawyers for the Arts Announces Arts and Entertainment Law*, METRO. CORP. COUNCIL, Nov. 2000, at 58 (asserting conclusive definition of term "transformative use" still remains problematic for courts). But see Boyarski, *supra* note 105, at 920-21 (defining use as transformative if subsequent work creates new and distinct form of communicative expression); Brian D. Wassom, *Copyright Implications of "Unconventional Linking" on the World Wide Web: Framing, Deep Linking and Inlining*, 49 CASE W. RES. L. REV. 181, 225 (1998) (concluding Supreme Court defined transformative use as "alter[ing] the original with new expression, meaning or message").

<sup>111</sup> See *Sony v. Universal*, 464 U.S. 417, 455 n.40 (1984) (asserting difference between productive use, such as scholar endeavor, and nonproductive use, such as single, personal use, is helpful in weighing interests but not wholly conclusive). See generally Lucia Ann Silecchia, *Of Painters, Sculptors, Quill Pens, and Microchips: Teaching Legal Writers in the Electronic Age*, 75 NEB. L. REV. 802, 810 (1996) (describing possible future use of e-books in legal education); Peg Tarbox, *Public Library Conference - Technology and Books!! Public Library Association 2000 Conference; Industry Trend or Event*, SEARCHER, June 1, 2000 (asking if electronic books are next big thing).

<sup>112</sup> See U.S. CONST. art I, § 8 (declaring Congressional goal of copyright protection as promotion of arts and sciences); *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 (1994) (discerning four statutory factors of fair use are not treated in isolation but

These particular alterations advanced on e-books, however, might not be substantial enough to be considered transformative.<sup>113</sup> They may “merely supersede the objects of the original,” not really adding anything new.<sup>114</sup> Making notes, drawing, and placing bookmarks throughout the digital text may not be considered a “further purpose” or altered enough to express a new “meaning or message.”<sup>115</sup> Reader programs generally do not intend for users to alter e-books and then share them with others, but the courts may rule as in *Kelley*, that flaws, unfortunate as they may be, are inevitable in developing technology.<sup>116</sup> No one factor of the fair use doctrine is determinative, however, it is important to recognize the role that “the purpose and character of the use” factor plays in analyzing e-book scenarios.<sup>117</sup>

explored and weighed together in light of purposes of copyright); see also Silversmith & Guggenheim, *supra* note 103, at 482 (claiming four fair use factors are not exclusive and each case is fact specific).

<sup>113</sup> See generally *Campbell v. Acuff-Rose*, 510 U.S. at 585 (noting publication's commercial status as opposed to nonprofit status tends to weigh against fair use finding); *Penguin Books USA, Inc. v. New Christian Church of Full Endeavor, Ltd.*, 2000 U.S. Dist. LEXIS 10394, at \*54 (9th Cir. 2000) (noting if second work does not “alter first with new meaning or message,” then it is not considered transformative); Lape, *supra* note 59, at 700 (highlighting section 107 requirement for court to look into purpose and character of use, including for noncommercial education).

<sup>114</sup> See *Kelley v. Arriba Soft. Corp.*, 77 F. Supp. 2d 1116, 1118 (C.D. Cal. 1999), *rev'd in part, aff'd in part*, 280 F.3d 934 (9th Cir. 2002) (quoting description in *Campbell* which described considerations for determining if work is transformative); see also *A&M Records v. Napster, Inc.*, 239 F.3d 1004, 1015 (9th Cir. 2001) (declaring courts have been reluctant to find fair use when original work is merely retransmitted in different medium); Lape, *supra* note 59, at 721 (asserting Second Circuit has excluded “mere translation to a different medium” as transformative work).

<sup>115</sup> See *Kelley*, 77 F. Supp. 2d at 1118 (quoting considerations from *Campbell* used to aid court in determining to what extent that work is transformative). See generally Lape, *supra* note 59, at 707 (highlighting need for new use to add something new or further purpose of work to be transformative); Doris Small Helfer, *Internet Librarian International 2000: A Conference with All the Right Elements; Industry Trend or Event*, SEARCHER, July 1, 2000, at 68 (discussing emerging technologies and associated difficulties with on-line libraries).

<sup>116</sup> See *Sony*, 464 U.S. at 448-49 (asserting commercial or non-profit nature of activity must be considered in any fair use decision); *Kelley*, 77 F. Supp. 2d at 1119-21 (noting in purpose and character of use analysis, early flaws in development are not as troublesome in light of transformative purpose); see also *Campbell*, 510 U.S. at 585 (claiming status of publication as commercial and not non-profit is separate factor tends to weigh against finding of fair use).

<sup>117</sup> See NIMMER AND NIMMER, *supra* note 46, at 13-154 (finding there is no set guideline in determining if use is fair or not); see also *Campbell*, 510 U.S. at 586 (noting extent of permissible copying varies with purpose and character of use).



## THE EFFECT OF THE USE UPON THE POTENTIAL MARKET FOR OR VALUE OF COPYRIGHTED WORKS

### *Background*

Some courts have stated, “the effect of the use upon the potential market for or value of copyrighted works” factor can be viewed as the most significant element.<sup>118</sup> Generally, market harm is really a matter of extent, and it must be balanced accordingly with the other factors.<sup>119</sup> Under this factor, the courts not only consider the amount of market harm caused by the alleged infringement, but also whether unlimited and rampant behavior of the particular defendant would produce a “substantially adverse impact on the potential market.”<sup>120</sup> It is not only harm to the market of the original work that is considered, but also damage to the market of secondary works.<sup>121</sup>

### *Los Angeles Times v. Free Republic*

Defendant, Free Republic, operated a “bulletin board” website in which its members posted remarks or commentary on new articles, and occasionally its members placed entire verbatim copies of Plaintiff’s articles, the Los Angeles Times, on the website.<sup>122</sup> The Los Angeles Times’s website contained current versions of its newspaper, obtainable free-of-charge, as well as archived articles, viewable at a charge from \$1 to \$3.<sup>123</sup> Free Republic had thousands of registered members and

<sup>118</sup> See *Stewart v. Abend*, 495 U.S. 207, 238 (1990) (finding this factor “most important, and indeed, central fair use factor”); *Harper & Row Publishers, Inc. v. Nation Enter.*, 471 U.S. 539, 566 (1985) (stating this is “single most important element of fair use”).

<sup>119</sup> See *Sony*, 464 U.S. at 455 n.40 (asserting Congress’s intention of fair use and explaining that social productivity is not sole consideration of analysis); see also *Campbell*, 510 U.S. at 585 (noting fact that “publication [is] commercial as opposed to nonprofit is a separate factor that tends to weigh against finding of fair use”).

<sup>120</sup> See *Campbell*, 510 U.S. at 590 (stating what is required for court to consider in fourth factor of fair use).

<sup>121</sup> See *Harper*, 471 U.S. at 568 (accounting for damage to derivative markets of authors).

<sup>122</sup> See *Los Angeles Times v. Free Republic*, U.S. Dist. LEXIS 5669, at \*1 (C.D. Cal. Mar. 31, 2000) (alleging this unauthorized action constituted copyright infringement).

<sup>123</sup> See *L.A. Times*, 2000 U.S. Dist. LEXIS 5669, at \*4 (noting Times charges \$1.50 per archived article and Post’s prices ranges from \$1.50 to \$2.95 depending on time of day article is requested).

approximately 100,000 hits per day on its website.<sup>124</sup> The District Court, after considering the particular circumstances, granted summary judgment for the Los Angeles Times.<sup>125</sup>

The court found that articles on Free Republic were substitutes for the Los Angeles Times's original pieces, allowing users to read full articles without paying the Los Angeles Times's archived article fee.<sup>126</sup> The court considered whether Free Republic's widespread use would "diminish potential sales, interfere with marketability, or usurp the market," and concluded that Free Republic's use did so by having more than a minimal effect on the market.<sup>127</sup> Copyright holders have the "right to control" access to their material, therefore, it was irrelevant that Free Republic's site was small and only detracted an insubstantial amount of business away from the Los Angeles Times.<sup>128</sup>

Some publishers and buyers believe that e-books will never

<sup>124</sup> See *L.A. Times*, 2000 U.S. Dist. LEXIS 5669, at \*6 (asserting "20,000 registered participants" and "between 25 and 50 million page views each month").

<sup>125</sup> See *L.A. Times*, 2000 U.S. Dist. LEXIS 5669, at \*75 (finding first, third and fourth factors weigh in favor of Plaintiffs and second factor tends to favor Defendants, although overall, scale leans towards Plaintiffs). See generally 17 U.S.C.S. § 107 (2000) (listing four elements of fair use defense); *Am. Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 924, 926 (2d Cir. 1993) (stating lack of transformative nature of defendant's work and excessive copying severely undermines benefits of defendant's product and shifts first and third factor in favor of plaintiff); *Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148, 1156 (9th Cir. 1986) (stating fourth factor would weigh in favor of plaintiff if defendant's product realized demand for original work and decreased potential revenue for plaintiff); *Television Digest, Inc. v. U.S. Telephone Ass'n*, 841 F. Supp. 5, 9-10 (D. D.C. 1993) (noting second factor tended toward finding of fair use where defendant copied newsletter contents of plaintiff's product).

<sup>126</sup> See *L.A. Times*, 2000 U.S. Dist. LEXIS 5669, at \*63 (rejecting defendants' claim its site has "only *de minimus* effect on plaintiff's ability to control market for copyrighted works"). See generally *Infinity Broad. Corp. v. Kirkwood*, 150 F.3d 104, 111 (2d Cir. 1998) (rejecting *de minimus* defense when coupled with exploitation of plaintiff's market by defendant); *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1559 (M.D. Fla. 1993) (rejecting *de minimus* defense when accompanied by "detrimental market effects" and "commercial-use presumption").

<sup>127</sup> See *L.A. Times*, 2000 U.S. Dist. LEXIS 5669, at \*61 (reasoning consideration must be given to markets originator would naturally develop or license others to actualize); see also *Campbell v. Acuff-Rose*, 510 U.S. 569 592 (1994) (stating "[t]he market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop"); *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 568 (1985) (stating inquiry as to whether defendant's product would adversely affect potential market for copyrighted work must take into account not only extent of harm to original but also extent of harm to market for derivative works).

<sup>128</sup> See *L.A. Times*, 2000 U.S. Dist. LEXIS 5669, at \*67 n.57 (noting here, exploitation via websites is not to be considered too insignificant or theoretical whereas in *Sony*, potential market was exploited through Betmax machine; thus, exploitation was less severe).

fully develop, never replace traditional books.<sup>129</sup> There are concerns over the cost of the reading devices, the proper pricing and royalty schemes, the unresolved security issues, and the general lack of excitement about e-books.<sup>130</sup> Agents and publishers understand that the Internet offers potential benefits, but they are not encouraging their clients to invest in this area, yet.<sup>131</sup> Piracy appears to be rampant and practically unstoppable, making it a tragedy for authors who have invested so much time and effort only to have their products stolen and their copyright infringed.<sup>132</sup>

Many others in the publishing field argue the opposite and predict that it is only a matter of time before the market fully explodes.<sup>133</sup> E-book formats of textbooks and scientific and

<sup>129</sup> See Ditlea, *supra* note 90, at 70 (asserting perception is that e-books do not live up to experience of traditional book reading); see also Allan Hoffman, *Repent, Photo Traditionalists, for the End Is Near*, STAR-LEDGER, Feb. 5, 2001, at 37 (stating e-books merely complement traditional media); Michael J. Ybarra, *Endangered Species*, UPSIDE MAGAZINE, Jan. 1, 2001 (quoting analyst's argument that e-books will not be substantial source of revenue for traditional publishers). *But see* Becky Aikman, *A Novel Idea / after Centuries of Paper and Ink, Publishers Delve into Electronic Books Sidebar: Embracing the Technology*, NEWSDAY, Dec. 24, 2000, at F6 (stating projections of Andersen Consulting indicate sales of e-books could reach \$2.3 billion over next five years).

<sup>130</sup> See Sharma-Jensen, *supra* note 19, at 1E (noting e-readers can price anywhere from \$200 to \$399, Stephen King's e-book did not cause upsurge in e-book sales, and hardcover books generally sell in thousands compared to only hundreds of e-book sales); see also Calvin Reid, *BN.com Launches E-Book Imprint*, PUBLISHERS WKLY., Jan. 8, 2001, at 9 (stating B&N announced plans to price e-books at significantly cheaper rate than their print editions). *But see* Paul Hilts, *Ready for the Revolution*, PUBLISHERS WKLY., Jan. 1, 2001, at 58 (quoting S & P DRI report as projecting that "[e]-books will become an increasing threat to traditional books as e-book devices improve and decline in price.").

<sup>131</sup> See Diane Brady, *Story of E*, BUS. WK., July 24, 2000, at EB47 (finding literary agent hesitant in advising client, who has spent two years on book, to allow book to be e-published without encryption software); see also D.C. Denison, *Steal this E-Book (Go Ahead, Try) Publishing Industry Aims to Establish Web Presence without Getting 'Blindsided'*, BOSTON GLOBE, Feb. 11, 2001, at D1 (stating there exists substantial danger of e-book piracy); John C. Dvorak, *Inside Track*, PC MAG. FROM ZDWIRE, Nov. 6, 2000 (noting e-book vendors grow increasingly apprehensive of "Napster-like piracy"); Clive Thompson, *State of the Art: E-Books*, WASH. POST, Jan. 7, 2001, at T3 (stating encryption of e-books is becoming increasingly more sophisticated).

<sup>132</sup> See Brady, *supra* note 131, at EB47 (finding dangers in allowing authors who publish through traditional methods to publish without protection); see also Denison, *supra* note 131, at D1 (stating minimally encrypted Stephen King's e-book was cracked by hackers within hours after its release in 1999); Charles Mandel, *Push to Prevent Piracy Headed for Failure, Forcing Shake-Up of Sales Approach*, GLOBE & MAIL, Nov. 30, 2000, at T3 (projecting by 2005 record companies and book publishers will lose \$4.6 billion due to Internet piracy); Amy Watson, *In a Word New Technology, Chapter and Verse, Is Already Here*, BIRMINGHAM POST, Oct. 17, 2000, at 21 (stating publishing industry is becoming aware of reality that e-book success depends on thwarting dangers of internet piracy).

<sup>133</sup> See *E-Publishers Are the Latest to Forecast Death of Traditional Books*, PLAIN DEALER, Apr. 29, 2000, at 5E (claiming number of believers who feel Internet will end life of paperbacks is growing); see also Ditlea, *supra* note 90, at 70 (recognizing search on Web

medical journals are especially advantageous to the academic community.<sup>134</sup> Also, electronic books create significant savings in publishing, and compatible software allows for enhanced reading experiences.<sup>135</sup> Writers who are rejected by traditional publishing companies are particularly attracted to this forum.<sup>136</sup> Established writers, such as Stephen King, benefit from this forum as well, by capturing a new audience and avoiding problems associated with conventional publishers.<sup>137</sup> More

finds "more than 150 e-book-only publishers, e-only bookstores, e-book trade publications online, even e-book best-seller lists"); Sharma-Jensen, *supra* note 19, at 1E (claiming Stephen King sold 400,000 to 500,000 copies of his book on first day it was offered). *But see* Bill Duryea, *Reinventing the Reader*, ST. PETERSBURG TIMES, Dec. 12, 2000, at 1D (arguing e-book industry will flourish only if public will be willing "to accept innovation in activity that has remained essentially unchanged for centuries").

<sup>134</sup> See Valerie Block, *Textbooks, Scholarly Presses Writing Book on Profits in E-Publishing*, CRAIN'S N.Y. BUS., July 31, 2000, at 1 (finding "students, professors and medical professionals are trying out, and even demanding new ways to access information held in textbooks and scientific and medical journals"); *see also* Brady, *supra* note 131, at EB47 (asserting popularity of e-books because people use educational books for quick reference); Andrew Park, *Future of E-publishing? Look It up, Reference and Educational*, AUSTIN AM.-STATESMAN, Oct. 16, 2000, at D7 (betting reference books will be one of first to be snapped up by digital publishers); Matthew Rose, *Random House Fires a Shot in E-Book Feud*, WALL ST. J., Nov. 1, 2000, at B1 (stating projections of Andersen Consulting reveal that while in consumer publishing, e-book sales are not expected to reach even 10% by 2005, electronic versions of technical and scientific titles are competing with their in-print counterparts). *But see* Alan J. Hartnick, *E-Book Rights v. Traditional Publishing: Q&A with the Authors Guild*, N.Y.L.J., Oct. 20, 2000, at 3 (quoting general counsel of Author Guild as stating that e-books are not likely to sway sales of textbooks as well as scientific, technical, and medical literature).

<sup>135</sup> See *E-Publishers Are Latest to Forecast Death of Traditional Books*, *supra* note 133, at 5E (reasoning there will not be cost of "printing, binding, and shipping" and newly developed reading devices help reduce eyestrain); *see also* Rick Broida, *Not Off the Presses*, COMPUTER SHOPPER, Feb. 12, 2001 (stating digital publishing permits consumers to read on portable and desktop computers while reducing publishers' need for "paper, printing, and distribution"); Hiltz, *supra* note 108, at 193 (noting Microsoft Reader is currently downloadable for free with Windows 95 or newer Windows version); Aileen Jacobson, *The Book on e-Books/ It's a Whole New Way of Reading and It's Here*, NEWSDAY, Dec. 18, 2000, at B6 (quoting former chairman of Random House as stating "digital publishing eliminates the need to store books, distribute them and, most wastefully, take returns and destroy about 40 percent of all books printed").

<sup>136</sup> See Ditlea, *supra* note 90, at 70 (discussing how author launched her first novel over Internet because book publishers felt that it was "too steamy for chain bookstores"); Moyes, *supra* note 67, at 5 (noticing children's author grew tired of rejection letters from publishers); *see also* Ros Dodd, *Perspective: E is for the Event that May Change the Way We Read Will Frederick Forsyth's Exercise in E-Publishing Spell the End Forreading?*, BIRMINGHAM POST, Sept. 27, 2000, at 11 (stating arrival of e-books will give previously rejected authors opportunity to sidestep publishers and retailers); Laura Miller, *Stephen Dreams of King Nightmare for Major Publishers*, SUNDAY HERALD, July 30, 2000, at 10 (arguing e-publishing furnishes even most inferior and previously rejected writers with opportunity to present their work to reading audiences).

<sup>137</sup> See David D. Kirkpatrick, *Stephen King Sows Dread in Publishers with His Latest E-Tale*, N.Y. TIMES, July 24, 2000, at C1 (stating Stephen King "will become the first major author to self-publish on the Internet"); *see also* Thomas Sutcliffe, *Pure E-vil*, INDEP., July 25, 2000, at 1 (describing Mr. King's plan of having customers pay per downloaded chapter, killing book if not enough readers respond); Ybarra, *supra* note 122

importantly, the public obtains access to materials that would never be distributed through the traditional publishing channels.<sup>138</sup>

If e-book publishing becomes popular, then copyright infringement of e-books will diminish sales in the Internet market, as well as damage the traditional market for that particular book.<sup>139</sup> Small revenue generating websites offering free access to copyrighted e-books are infringing on the publishing industry because copyright holders have a "right to control" access to their work.<sup>140</sup> A major problem with the Internet and the "effect it has upon the potential market or value of the copyrighted work" factor is that there is global access almost instantaneously,<sup>141</sup> which could make the extent of damage caused by infringement quite compelling.<sup>142</sup> Regardless

(quoting Stephen King proclaiming "[m]y friends, we have the chance to become Big Publishing's worst nightmare.").

<sup>138</sup> See Block, *supra* note 134, at 1 (finding e-books were able to be updated frequently, allowed users to search for specific information, and enabled content to be delivered in more efficient way); Thomas Pack, *EPublishing Revolution or Virtual Vanity Press?*, ECONTENT, Apr. 1, 2000, at 52 (describing advantages and disadvantages of e-publishing process); see also Moyes, *supra* note 67, at 5 (observing with e-publishing there are "no such things as foreign rights – you automatically go up international").

<sup>139</sup> See Block, *supra* note 134, at 1 (observing that company's Web Site activities have, along with on-line book sales, accounted for ten percent of its revenues, estimating increase to 30% in three years); see also Moyes, *supra* note 67, at 5 (predicting by year end that there will be available more than half million e-books and that "average book shop may carry between 50,000 and 70,000 titles"); Gary M. Stern, *Plot Thickens as Electronic Books Move More into the Mainstream*, INVESTOR'S BUS. DAILY, Nov. 17, 2000, at A9 (citing Anderson Consulting report predicting more than 28 million e-book readers will be purchased by 2005).

<sup>140</sup> See *Los Angeles Times v. Free Republic*, 2000 U.S. Dist. 5669 at \*67 n.57 (C.D. Cal. Mar. 31, 2000) (noting court distinguished between websites and Betamax machines and found that exploitation via websites was more damaging); see also 17 U.S.C.S. § 106 (2000) (copyright holder has exclusive right to authorize certain uses); *Twin Peaks Prods. v. Publ'ns Int'l.*, 996 F.2d 1366, 1377 (2d Cir. 1993) (stating copyright holders, "as a class, wish to continue to sell the copyrighted work and may also wish to prepare or license . . . derivative works").

<sup>141</sup> *Glassbook Takes Aggressive Steps to Stem E-book Piracy*, PR NEWSWIRE, Mar. 30, 2000 (recognizing global reach by asserting that world-wide policing effort is needed for copyright laws to be enforced); see also Patti Hartigan, *Web Pirates Plunder King's New E-Book*, BOSTON GLOBE, Apr. 1, 2000, at F7 (reporting just two weeks after release of King's e-book, "Riding the Bullet," copies of it were pirated and widely disseminated on Web). But see Peter Benesh, *Publishers Scramble for E-Presence but Internet Is No Threat- So Far Costly Equipment, Limited Use Are Two Hurdles. But Some Publishers Are Covering Their Paper Bets*, INVESTOR'S BUS. DAILY, Aug. 1, 2000, at A10 (stating consumer demand for e-books is high enough to outweigh risk of piracy).

<sup>142</sup> See Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/piracy/epub/faqs.asp> (last visited Feb. 16, 2001) (asserting billions of dollars are lost to Internet piracy and about \$8 billion was lost to American publishers for printed material); see also Margaret Quan, *Conference Call: Don't Delay E-Book Standards*, ELEC. ENG'G TIMES, Oct. 2, 2000 (citing need for applicable standards to

of how popular e-books may become, infringement will damage that secondary market.<sup>143</sup>

*UMG Recordings, Inc. v. MP3.com, Inc.*

Defendant MP3.com utilized technology which enabled fast and effective “conversion of compact disc recordings (“CDs”) to computer files easily accessed over the Internet.”<sup>144</sup> MP3.com’s service, “My.MP3.com,” stated that its subscribers could, among other functions, listen to the recordings held on their CDs from any location that they could obtain access to an Internet connection.<sup>145</sup> In order to provide this service, MP3.com bought thousands of CDs, some of which Plaintiff UMG Recordings owned the copyrights, and made unauthorized copies on its computer server, which ultimately allowed subscribers to replay the recordings.<sup>146</sup> Before replaying the CD, however, subscribers had to first prove that they owned the CD that they were requesting.<sup>147</sup> MP3.com did not actually replay subscribers’ CDs,

prevent widespread pirating). See generally Linton Weeks, *Pat Schroeder’s New Chapter*, WASH. POST, Feb. 7, 2001, at C1 (describing appointment of former congresswoman Patricia Schroeder as president of Association of American Publishers and her warnings on dangers of e-book piracy).

<sup>143</sup> See Evangelista, *supra* note 9, at B1 (recognizing some treasure books so much that e-books will never replace traditional ones, but noting of new generation so attached to Internet that they may not have strong connection to traditional form); Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/piracy/epub/faqs.asp> (last visited Feb. 16, 2001) (finding billions of dollars are lost each year due to Internet piracy); see also Brady, *supra* note 131, at EB47 (predicting “e-publishing market for consumer books could reach \$3.5 billion by 2005”).

<sup>144</sup> See *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349, 350 (S.D.N.Y. 2000) (describing technology Defendant used to allow for copying of CDs over Internet); Pollack, *supra* note 4, at 2449 (describing compression process of MP3 files, which allows such files to be “transferred across Internet and downloaded on to personal computer”). See generally Dickerson M. Downing, *What a Year! MP3.com, Napster, DeCSS; Assessing 2000’s Three High Profile Legal Actions to Protect Copyright on the Internet*, N.Y.L.J., Jan. 16 2001, at S6 (discussing impact of three cases on major issues of copyright protection in digital media).

<sup>145</sup> See *UMG Recordings*, 92 F. Supp. 2d at 350 (noting subscribers could also store and customize recordings held on CDs); see also Robert J. Bernstein & Robert W. Clarida, *New Rulings Protect Music on the Web*, N.Y.L.J., May 19, 2000, at 3 (describing how My.MP3.com subscribers got music and analyzing impact of ruling). See generally *MP3.com Liable for Copyright Infringement, Court Rules*, INTELL. PROP. LITIG. REP., June 7, 2000, at 5 (describing decision and analyzing key points of law).

<sup>146</sup> See *UMG Recordings*, 92 F. Supp. 2d at 350 (claiming this is from where infringement stems); see also Bernstein & Clarida, *supra* note 145, at 3 (describing how MP3.com subscribers could download copied music files); Weeks, *supra* note 142, at C1 (describing Schroeder’s desire to avoid “Napster situation” in e-publishing world).

<sup>147</sup> See *UMG Recordings*, 92 F. Supp. 2d at 350 (listing proof of owning requested CD as “Beam-it Service” in which subscriber’s CD is placed into computer CD-Rom drive for short time period or “Instant Listening Service” in which subscriber purchases CD from

but rather replayed the unauthorized converted versions they previously copied.<sup>148</sup>

In considering the “effect upon the potential market factor for or value of the copyrighted works,” the court stated that it did not matter that MP3.com’s service could possibly increase UMG’s prior market sales because MP3.com has no right to take away an additional market that is directly derived from copying UMG’s protected works.<sup>149</sup> MP3.com did not have the right to copy UMG’s works even if UMG had not yet entered into this new market because the copyright holders’ exclusive rights are within broad limits, allowing them to refuse to license a protected work or to license it only upon certain conditions.<sup>150</sup>

Even if e-books do not materialize into a highly profitable market, it appears that copyright holders’ exclusive rights to enter a derivative market, the Internet, will not be taken away from them.<sup>151</sup> The exclusive rights of authors granted by the Constitution and the Copyright Act enable them to publish their copyrighted books electronically, through an e-publisher, or through their own website.<sup>152</sup> Liberal exclusive rights granted to

online retailer); *see also* Bernstein & Clarida, *supra* note 145, at 3 (describing Judge Rakoff’s finding, despite requests for proof of ownership, defendant’s unauthorized duplication and transmission was presumptively infringement).

<sup>148</sup> *See UMG Recordings*, 92 F. Supp. 2d at 350 (noting this constitutes presumptive claim for infringement); *see also* Quan, *supra* note 142, at 31 (quoting Jonathan Hahn, director of Internet technology at Versaware Inc., regarding threat of piracy to e-book industry: “. . . we’re way ahead of the MP3 environment”).

<sup>149</sup> *See UMG Recordings*, 92 F. Supp. 2d at 352 (relying on *Infinity Broad. v. Kirkwood*, 150 F.3d 104, 111 (2d Cir. 1998)); *see also* *Twin Peaks Prods. v. Publ’n Int’l.*, 996 F.2d 1366, 1377 (2d Cir. 1993) (finding potential benefit to original through sale of derivative work is not dispositive and may result in removal of potential market); *Downing*, *supra* note 144, at S6 (discussing dangers associated with exploitation of new copyrighted material in new digital medium).

<sup>150</sup> *See UMG Recordings*, 92 F. Supp. 2d at 352 (relying on *Castle Rock Entm’t, Inc. v. Carol Publ’g Group, Inc.*, 150 F.3d 132, 145-46 (2d Cir. 1998) and finding exclusive rights stem from Constitution and Copyright Act); *see also* *Downing*, *supra* note 144, at S6 (discussing Judge Rakoff’s rejection of MP3.com’s fair use defense based on transformative “space-shift” theory).

<sup>151</sup> *See Castle Rock*, 150 F.3d at 145-46 (stating copyright law has to “respect creative and economic choice” of copyright holders not exploiting another market). *But see* Melanie S. Goddard, *New Decision Increases Need for Care to Protect Copyrights in Derivative Works*, LEGAL INTELLIGENCER, Oct. 4, 2001, at 5 (discussing 6th Circuit Court of Appeals recently found that “copyright owner must formally register a derivative work with the Copyright Office as a prerequisite to filing a suit for copyright infringement, even where the copyright owner registered the pre-existing work upon which the derivative work is based”).

<sup>152</sup> *See* U.S. CONST. art. I, § 8 (granting rights within certain limitations); 17 U.S.C.S. § 106 (2000) (codifying rights in statute); *see also* Brady, *supra* note 131, at EB47 (stating Mr. King e-published “Riding the Bullet” through Amazon.com and other web sites); Kirkpatrick, *supra* note 137, at C1 (noting Mr. King was “first major author to self

copyright holders prevent others from making unauthorized uses on the Internet, even when copyright holders decide not to publish electronically at all.<sup>153</sup> The literary world is not quite sure of the best way to effectively develop this market, but it has taken steps to embrace e-books, and the future they hold.<sup>154</sup> The publishing industry is hesitant because of piracy and the unauthorized uses deprive creators of the incentive granted to them through the Constitution.<sup>155</sup> If these concerns are placed under some kind of control, then e-books will have a better opportunity to develop.<sup>156</sup>

publish on Internet" with his book "The Plant").

<sup>153</sup> See 17 U.S.C.S. § 106 (2000) (stating exclusive rights retained by copyright owner such as right to reproduce copies and prepare derivative works based on copyrighted work); *Castle Rock*, 150 F.3d at 145-46 (stating copyright law must respect owner's creative and economic choice not to exploit derivative market); *UMG Recordings*, 92 F. Supp. 2d at 352 (relying on *Castle Rock*, 150 F.3d at 145-46 and finding that exclusive rights stem from Constitution and Copyright Act). *But see Twin Peaks Prods.*, 996 F.2d at 1377 (stating cases where court has found in favor of defendant for fourth factor of fair use doctrine where defendant's work filled market niche copyright owner simply had no interest in occupying).

<sup>154</sup> See Sutcliffe, *supra* note 137, at 1 (indicating publishers are changing their minds about e-publishing and noting Barnes and Noble invested \$20 million into site that enables authors to publish electronically). See generally Doreen Carvajal, *Deal to Buy 2 Electronic Bookmakers*, N.Y. TIMES, Jan. 20, 2000, at C10 (describing attempts to develop e-book market and wariness of publishers and authors to post large volume of titles in new e-book format); Jeanette Clinkunbroomer, *E-Publishers Ride the Bullet" as Web Commerce Advances*, PRINTING NEWS, May 29, 2000, at 14 (reviewing success of Mr. King's e-published books and describing challenges faced by e-publishers); *IDC Reports on the Future of the E-Book Industry*, INFO. TODAY, Feb. 1, 2001, at 29 (briefing new report from consulting firm IDC which forecasts e-book revenues jumping from \$9 million in 2000 to \$414 million in 2004); Jennifer Libbin, *E-Bucks Slow Road to Adoption, but E-Textbooks May Not Be Far*, DSN RETAILING TODAY, Feb. 5, 2001, at 21 (stating price to consumer of e-books will be considerably less than print copies); *Seybold San Francisco 2000 Host Comprehensive E-Book Event; Major Vendors, Special Interest Day, Conference Programs, Keynote Presentation and Industry Survey Devoted to the Emerging Market of Digital Tome*, PR NEWSWIRE, July 12, 2000 (stating publishing conference will focus on emerging market of electronic books).

<sup>155</sup> See Brady, *supra* note 131, at EB47 (finding individuals in industry are hesitant to advise clients to pursue publishing on Internet). *But see* Libbin, *supra* note 154, at 21 (stating Barnes & Noble Digital is enticing authors to publish electronically with incentives such as royalty rates of 35%); Ted Needleman, *Chapter, Verse for E-Books: Cheaper and Easier to Print*, INVESTOR'S BUS. DAILY, Feb. 15, 2001, at A7 (describing why it may be economical for fledgling authors to publish electronically without publisher middleman).

<sup>156</sup> See generally Pollack, *supra* note 4, at 2479 (finding if digital piracy problem in music industry could be controlled by new focus on balancing interests involved, then fear of copyright protection ending would be subsided); Denison, *supra* note 131, at D1 (describing new systems used to prevent unauthorized copying); *Macrovision to License SAFECAST to Phocis for Digital Rights Management*, BUS. WIRE, Jan. 31, 2001 (describing new technology that provides publishers with digital publishing solution).



## SOLVING THE PROBLEMS

*Association of American Publishers and Microsoft*

The Association of American Publishers ("AAP") and Microsoft have joined forces in an effort to secure copyright for e-books.<sup>157</sup> They enable protection through the three Es: education,<sup>158</sup> encryption,<sup>159</sup> and enforcement.<sup>160</sup> These protections help to support the life of e-commerce by raising public awareness, identifying copyright violators, and informing the copyright holders and the appropriate legal authorities of the violations.<sup>161</sup>

<sup>157</sup> See Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/piracy/epub> (last visited Sept. 16, 2000) (realizing possibilities for authors in e-publishing and understanding that protecting digital copyright is critical issue); see also AAP, *Microsoft Teaming up to Confront Digital Rights Piracy Issues*, BOOK PUBL'G REP., Aug. 14, 2000 (stating Microsoft is contributing funding for joint committee and lending its automated search engine technology to detect online copyright infringement and help it find pirated content on the Web); AAP, *Microsoft to Work Together on Digital Rights Piracy Issues*, EDUC. MARKETER, Sept. 11, 2000 (stating AAP and Microsoft will form committee to educate consumers about piracy issues, improve enforcement of copyright laws and develop encryption standards).

<sup>158</sup> See Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/piracy/epub/education.asp> (last visited Sept. 16, 2000) (stating Microsoft will make substantial effort to educate public on value of protecting e-books and on significance of copyright protection); see also Pollack, *supra* note 4, at 2470 (noting Recording Industry Association of America, RIAA, has attempted to educate public on copyright protection). See generally *Artists Against Piracy Launches Next Phase of Public Awareness Crusade with Print Ads, New Web Site and College Campaign*, BUS. WIRE, Sept. 29, 2000 (stating one of Artists Against Piracy's goals is to educate both artistic community and public about intellectual property and copyright issues as these issues pertain to music on Internet); Hilts, *supra* note 108, at 193 (stating AAP and Microsoft initiative has launched Web site at <http://www.microsoft.com/piracy/epub/> with general information, interview with Schroeder, and FAQ section on digital copyright that will eventually become part of AAP Web site at <http://www.publishers.org>).

<sup>159</sup> See Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/piracy/epub/encryption.asp> (last visited Sept. 16, 2000) (featuring digital rights management technology, which prevents use without authorized access, and noting even if access is obtained without authorization, this security method prevents content from being open, viewed, or used); See generally *Electronic Publishers, Paper Power Vie at Frankfurt Book Fair*, *supra* note 92, at 23 (finding many publishers are afraid to go forward without proper e-book protection); Jane Black, *Brass-Knuckle Marketing vs. the Pirates*, BUS. WK. ONLINE, Aug. 13, 2001 (noting large protest over arrest of Russian programmer accused selling code that was able to break copyright protected e-books).

<sup>160</sup> See Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/piracy/epub/enforcement.asp> (last visited at Sept. 16, 2000) (focusing on monitoring and responding to unauthorized reproduction and distribution of e-books and unauthorized distribution of programs used to break security codes); See generally Black, *supra* note 159 (noticing software pirates can be fined up to \$150,000).

<sup>161</sup> See Microsoft, *Association of American Publishers, Microsoft to Join E-Book Anti-Piracy Initiative*, at <http://www.microsoft.com/presspass/press/2000/Aug00/ePublishingPiracyPr.asp> (last visited Sept. 16, 2000) (claiming efforts to protect intellectual property are benefiting not

In 1999, it was estimated that copyright piracy of printed material cost American publishers \$8 billion.<sup>162</sup> The AAP and Microsoft assert that protecting copyright is absolutely necessary for authors to continue to create valuable material and “innovative expression.”<sup>163</sup> Copyright is an asset that “can be bought, sold, licensed, exchanged or given away like any other form of property.”<sup>164</sup> By not obtaining authorization or not compensating copyright holders for their assets, the integrity of the content is weakened, the economic opportunities are diminished, and the public is placed at risk.<sup>165</sup> Piracy is virtually unavoidable, but the AAP and Microsoft are attempting to reduce the threat at every phase by implementing a comprehensive

only publishers and authors but also American jobs and creativity); *see also* Pollack, *supra* note 4, at 2470 (recognizing soundbyting.com is part of RIAA’s campaign to educate about copyright protection and website provides information pertaining to laws and consequences of such violations).

<sup>162</sup> *See* Microsoft, *Protecting against Piracy*, at <http://www.microsoft.com/piracy/epub/faqs.asp> (last visited Sept. 16, 2000) (stating American publishers lost approximately \$8 billion in 1999 due to copyright piracy of printed material, according to AAP). *See generally* *The McGraw-Hill Companies Chairman and CEO Commends Senate Vote Granting Permanent Normal Trading Relations —PNTR—Status to China*, BUS. WIRE, Sept. 19, 2000 (stating international book piracy alone cost publishers \$128 million in 1999); *Singapore: 1999 Trade Act Report*, INT’L MKT. INSIGHTS REP., Feb. 7, 2000 (stating American Association of Publishers estimates publishers lost one million dollars to piracy of printed work in 1997, and lost two million dollars in 1998).

<sup>163</sup> *See* Microsoft, *Protection against Software Piracy*, at <http://www.microsoft.com/piracy/epub/faqs.asp> (last visited Sept. 16, 2000) (opining removing value from content will cause authors to refuse to create material). *See generally* *Sony v. Universal*, 464 U.S. 417, 429 (1984) (stating copyright laws are intended to “motivate the creative activity of authors and inventors by the provisions 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”); *Am. Geophysical Union v. Texaco, Inc.*, 802 F. Supp. 1, 80 (S.D.N.Y. 1992), *aff’d*, 60 F.3d 913 (2d Cir. 1995) (stating copyright law celebrates profit motive, recognizing incentive to profit from exploitation of copyright will redound to public benefit by resulting in proliferation of knowledge); GORMAN & JANE C. GINSBURG, *COPYRIGHT 12-14* (Lexis Law Publ’g. 5th ed. 1999) (stating primary purpose of copyright law is to foster creation and dissemination of intellectual works for public welfare and to reward authors for their contribution to society).

<sup>164</sup> *See* 17 U.S.C.S. § 201(d) (2000) (stating ownership of copyright may be transferred in whole or in part by any of exclusive rights possessed by copyright holder); GORMAN & GINSBURG, *supra* note 163, at 12 (stating copyright is generally regarded as form of property, but unique in sense that it is intangible); Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/piracy/epub/faqs.asp> (last visited Sept. 16, 2000) (realizing owners of intellectual property can also prevent its use or sale).

<sup>165</sup> *See* Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/piracy/epub/faqs.asp> (last visited Sept. 16, 2000) (asserting there is harm done from occasionally obtaining free book); *see also* Pollack, *supra* note 4, at 2469 (claiming digital music market is harmed by net piracy). *See generally* GORMAN & GINSBURG, *supra* note 163, at 19 (stating argument made by book publishers is that copyright produces profit incentive, thereby aiding creation of works that make worthwhile contributions to society’s fund of knowledge, culture, and entertainment).

strategy.<sup>166</sup>

### *Online Libraries*

NetLibrary is a company that sells "electronic versions of published books to libraries."<sup>167</sup> By storing the books on the libraries' servers, patrons can "check out" an e-book either online or through downloading.<sup>168</sup> Users, who properly check out an e-book, are authorized to copy and paste small excerpts from the books into letters or briefs, which allows them a fair use but still protects authors' work from broad, indiscriminate copying.<sup>169</sup> This system is especially beneficial for lawyers and schools because of their frequent use of textbooks and professional journals.<sup>170</sup>

<sup>166</sup> See AAP, *Microsoft Teaming up to Confront Digital Rights Piracy Issues*, BP REPORT, Aug. 14, 2000 (stating AAP's new committee will be established within next year and will follow three-pronged approach, focusing on education, encryption, enforcement); AAP, *Microsoft to Work Together on Digital Rights Piracy Issues*, *supra* note 157 (stating AAP will use Microsoft's automated search engine to help find pirated content on Internet); Microsoft, *Association of American Publishers, Microsoft to Join on New E-Book Anti-Piracy Initiative*, at <http://www.microsoft.com.presspass.press/2000/Aug00/ePublishingPiracyPr.asp> (last visited Sept. 16, 2000) (stating "piracy is not question of 'if' but rather 'when'" and with Microsoft's years of experience, it knows that multifaceted strategy is best to combat issue).

<sup>167</sup> See Barry D. Bayer, *Libraries Online: Borrowing E-Books a New Option*, LEGAL INTELLIGENCER, Oct. 25, 2000, at 7 (noting netLibrary sells electronic versions of published books to large corporations as well); *Ebooks Online at the Library of Michigan*, PR NEWSWIRE, Feb. 20, 2001 (stating netLibrary is Colorado Internet company that digitizes and distributes ebooks to libraries, and includes about 3,000 titles and more than 3,000 public domain items). See generally netLibrary, *Using netLibrary*, at <http://www.netlibrary.com/help/UsingNetLibrary.asp> (last visited Feb. 14, 2001) (explaining how to use netLibrary).

<sup>168</sup> See David J. Loundy, *Revising the Copyright Law for Electronic Publishing*, 14 J. MARSHALL J. COMPUTER & INFO. L. 1, 5 (1995) (stating today people are interested in checking out electronic texts from on-line libraries rather than geographically-fixed repositories); see also Bayer, *supra* note 167, at 7 (finding once book is "checked out" it is unavailable for others until it is checked back in or until borrowing period ends, which automatically terminates online or downloaded access to book); *Buying and Borrowing E-Books*, LAW OFFICE TECH. REV., Nov. 29, 2000 (noting library patrons "check out" books either online or by downloading, making books unavailable to others until checked back in or until borrowing period expires).

<sup>169</sup> See Bayer, *supra* note 167, at 7 (describing what users are entitled to properly copy); see also Jenevra Georgini, Note, *Through Seamless Webs and Forking Paths: Safeguarding Authors' Rights in Hypertext*, 60 BROOK. L. REV. 1175, 1212 (1994) (stating in computer context that copyright holder needs to make limited grants of rights so that licensee, such as electronic book distributor, can use product as intended); Weeks, *supra* note 50, at C1 (noting library-goers should be able to duplicate limited amounts of information for educational purposes under fair-use provision of copyright law, such as copying journal articles, quoting sections of books or using lines from poems).

<sup>170</sup> See Bayer, *supra* note 167, at 7 (noting system is helpful to community colleges and law firms); see also Pamela Samuelson, *Some New Kinds of Authorship Made*

*Peanut Press*

Peanut Press has implemented a copy-protection software program that attempts to prevent wholesale copying of protected e-books.<sup>171</sup> When individuals purchase an e-book, they are required to give their name and credit card number used in the sale.<sup>172</sup> Thereafter, purchasers can distribute the e-book file up to five hundred people, however, file senders must also send along their credit card number to each person receiving the file.<sup>173</sup> In turn, these receivers may send out the e-book to another five hundred individuals, but they will need to send along the original purchaser's name and credit card number so that the file can be opened.<sup>174</sup> This method balances the public's interest and the copyright holders' interests by allowing users to freely disseminate, but forcing them to carefully consider the consequences of their decisions.<sup>175</sup>

*Possible by Computers and Some Intellectual Property Questions They Raise*, 53 U. PITT. L. REV. 685, 693 (1992) (stating one reason for interest in making books available in electronic form is ability to conduct automated full text searches for specific terms); *Buying and Borrowing E-Books*, *supra* note 168 (suggesting large law firms and law departments might find it useful to become netlibrary members enabling them to purchase e-books for their employees).

<sup>171</sup> See Bayer, *supra* note 167, at 7 (stating Peanut Press publishes electronic versions of established books by gaining digital rights, converting books into proper format and selling downloads); see also Samuelson, *supra* note 170, at 699 (discussing Compton's electronic encyclopedia's built-in "fair use" monitor); Weeks, *supra* note 50, at C1 (noting American publishers want to avoid Napster controversy, technology that makes copying and distribution of e-books so easy).

<sup>172</sup> See Bayer, *supra* note 167, at 7 (allowing limitless ability to copy and install files in Peanut Reader as long as two conditions are met); *Buying and Borrowing E-Books*, *supra* note 168 (discussing Peanut Press' software copy protection scheme which assures copyright owners that purchasers will not be wholesale copiers of downloads). See generally Elizabeth Weise, *Sounding the Cyber-Rights Alarm Pamela Samuelson Prepares the Public to Repel Tinseltown Lawyers' Assaults*, USA TODAY, Dec. 28, 2000, at 1D (noting users may need to log on to publisher's central database and transfer digital rights for fee in order to sell or give away copies of electronic books).

<sup>173</sup> See Bayer, *supra* note 167, at 7 (authorizing types of sharing among friends); *Buying and Borrowing E-Books*, *supra* note 168 (discussing process of dissemination includes up to 500 persons and requires credit card number to be disclosed to each person); Weise, *supra* note 172, at 1D (fearing that traditional idea of "fair use", right to share copies of works owned, is being erased in digital world).

<sup>174</sup> See Bayer, *supra* note 167, at 7 (insuring discretion by original purchasers to whom they give this personal information); *Buying and Borrowing E-Books*, *supra* note 168 (concluding most people will not be willing to take risk of disseminating credit card numbers to infinite numbers of unknown people). See generally *Effect of Digital Millennium Copyright Act on Sharing Information in the Digital Age*, NAT'L PUB. RADIO, Nov. 18, 2000 (predicting libraries would be devastated by access controls that would limit access of e-books to only small numbers of patrons).

<sup>175</sup> See Bayer, *supra* note 167, at 7 (understanding how many would choose against such danger as sharing their e-book file); Weeks, *supra* note 50, at C1 (noting publishers and librarians battle over how electronic books and journals are lent out from libraries

## Volunteers

Members of Science Fiction Writers of America ("SFWA") have volunteered their time to help monitor Internet book piracy for their organization.<sup>176</sup> The volunteers notify copyright holders when their unauthorized works are accessible as downloads on the Web.<sup>177</sup> Monitoring the Internet can be time consuming and frustrating, but it sends a message that copyright holders demand protection.<sup>178</sup> Furthermore, monitoring revealed unauthorized users' motivations and beliefs, which were not truly valid public interests, but rather resentments based on economic standing.<sup>179</sup> Results from this approach currently appear minimal, but SFWA believes that unauthorized use must be stopped now before the idea of "free downloading of books" becomes ingrained in society.<sup>180</sup>

and over what constitutes fair use of written material). *But see* David Streitfeld, *Chasing Hollywood Pirates; Suits a Test for Digital Copyright, Free Speech*, WASH. POST, Aug. 9, 2000, at A1 (suggesting erection of digital fence around intellectual property abolishes public's idea of 'fair use').

<sup>176</sup> See Steve Terrell, *Catching a Web Pirate*, SANTA FE N. MEXICAN, Oct. 29, 2000, at E1 (concerning SFWA when e-version of collections of Nebula Award winners, in which SFWA awards prize, was placed on Internet); *see also* Ted Kemp, *When Does Copying Become Illegal Use? Napster Copyright Battle May Impact Text, Video, Software Protection at Other Content Sites*, INTERNETWEEK, Aug. 14, 2000 (suggesting technology such as e-books could benefit from encryption); *Web-based Education Commission Takes Final Testimony*, EDUC. MARKETER, Oct. 2, 2000 (noting Association of American Publishers and Microsoft teamed up to fight unlawful distribution of e-books and other digital information on Internet to help improve enforcement of copyright laws).

<sup>177</sup> See Terrell, *supra* note 176, at E1 (describing process in which volunteers try to stop illegal activity and noting that one author eventually settled for \$4000); *see also* Georgini, *supra* note 169, at 1212 (noting licensee needs licensor's explicit permission to use otherwise protected software in code library to distribute for profit without infringing licensor's rights); Mark Walter, *Spotlight-Rising Stakes in E-Books Prompt Call for DRM Standards*, SEYBOLD REP. ON INTERNET PUB., June 1, 2000 (stating lack of standards will encourage piracy of e-books).

<sup>178</sup> See Terrell, *supra* note 176, at E1 (describing process writer went through and enemies he made in confronting unauthorized users); *see also* Clinkunbroomer, *supra* note 154, at 14 (stating copyright protections built into Open ebook standard restrict transfer and exchange of content between devices so publishers can track book sales and protect their copyrights and revenues); Walter, *supra* note 177 (discussing Association of American Publishers' e-book initiative and formation of task forces).

<sup>179</sup> See U.S. CONST. art. 1, § 8 (stating purpose was "to promote progress of science and useful arts"); Terrell, *supra* note 176, at E1 (suggesting "authors find patrons to pay their expenses" and paying for books deprives "underclass from gaining knowledge that they require to escape from oppression of ruling elites"). *See generally* Walter, *supra* note 177 (noting process of buying and downloading e-books has to be smooth and hassle-free for consumer in order for superdistribution scenario to work).

<sup>180</sup> See Terrell, *supra* note 176, at E1 (claiming danger is great if efforts are not taken now because embedded idea of free downloading of books will not allow writers to earn living); *see also* Loundy, *supra* note 168, at 5 (noting creation of additional copies mandates necessary adjustments in copyright law to account for electronic libraries in order to preserve their traditional function and their right to "lend" electronic books). *See*

## Legislation

The text of the Constitution makes it clear Congress's responsibility to define the scope of authors' exclusive rights.<sup>181</sup> From this language, it seems natural to assume that Congress is really the *only institution* that should remedy the problem.<sup>182</sup> In the past, Congress has amended the Copyright Act in order to account for new technology.<sup>183</sup> It seems appropriate for Congress to amend the Copyright Act again given the vast reach of the Internet.<sup>184</sup> Some, however, feel that even a change in the law will not necessarily fix the infringement problem.<sup>185</sup> Anonymity

*generally* Walter, *supra* note 177 (noting one promise of this generation of e-books is that publishers will be able to sell through "superdistribution").

<sup>181</sup> See U.S. CONST. art. I, § 8 (stating "Congress shall have power. . ."); see also *Sony v. Universal*, 464 U.S. 417, 430 (1984) (concluding Congress is only legislative body capable of establishing remedies for copyright infringement); Amy Harmon, *Copyright Office Backs Ban on Code-Breaking Software*, N.Y. TIMES, Oct. 30, 2000, at C16 (noting 1998 Digital Millennium Copyright Act passed by Congress to update copyright laws for digital era prohibits creation or distribution of devices or programs designed to crack copy-protection security codes on electronic books).

<sup>182</sup> See *Sony v. Universal*, 464 U.S. at 431 (emphasis added) (expanding protections given to copyright without expressed legislative guidance is often met with reluctance from court and that Congress has authority and ability to fully meet competing interests); see also, *Teleprompter Corp. et al. v. Columbia Broad. System, Inc., et al.*, 415 U.S. 394, 421 (1974) (expressing how Whitehead Commission believes legislation is essential for copyrighted materials). See, e.g., *United States et al. v. Midwest Video Corp.*, 406 U.S. 649, 676 (1972) (showing CATV needs re-examination by Congress and not by Commission nor courts).

<sup>183</sup> See *Sony*, 464 U.S. at 429-30 (finding original need for protection was due to invention of printing press); see also Sharma-Jensen, *supra* note 19, at 1E (explaining invention of printing press made books more accessible and thus need for copyright). See, e.g., *White-Smith Music Publ'g Co. v. Apollo Co.*, 209 U.S. 1, 9-11 (1908) (preceding enactment of Copyright Act of 1909, development and marketing of player pianos and perforated rolls of music were not protected).

<sup>184</sup> See Manes, *supra* note 7, at 134 (requiring pressure from lawmakers when piracy goes beyond what is acceptable); see also John D. Faucher, *Let the Chips Fall Where They May: Choice of Law in Computer Bulletin Board Defamation Cases*, 26 U.C. DAVIS L. REV. 1045, 1047 (1993) (acknowledging despite all of its advantages, electronic communication has yet to discover any set legal limits). See generally W. Gregory Kent Laughlin, *Who Owns the Copyright to Faculty-Created Web Sites? The Work-for-Hire Doctrine's Applicability to Internet Resources Created for Distance Learning and Traditional Classroom Courses*, 41 B.C. L. REV. 549, 583 (2000) (proposing amending 1976 Act to set forth clearly rights and obligations of educators and educational institutions for their internet based content); Angelo P. Lopesti and Virginia R. Richard, *A Guide to Internet Legislation - Copyright and Patent Law*, METRO. CORP. COUNSEL, Feb., 2001 (explaining Digital Millennium Copyright Act ("DCMA") of 1998 represents broadest change to US copyright law since 1976).

<sup>185</sup> See Helmore, *supra* note 6, at 2 (imposing law on population will not make difference in society because they do not morally support it and they can easily gain unauthorized access to information); see also Utsystem, *Using Materials from the Internet*, at

<http://www.utsystem.edu/OGC/IntellectualProperty/uesofnet.htm> (last visited Nov. 7, 2000) (asserting some believe current copyright law is suited to today's electronic communication). See generally David A. Kessler, *Illusion of Privacy: The Use and Abuse*

on the Internet encourages society to engage in copyright infringement, and once this generation accepts such behavior, it then becomes difficult to convince them to act otherwise.<sup>186</sup> It is the anonymity associated with the Internet and the improper behavior that ensues that calls for a change in legislation.<sup>187</sup>

## CONCLUSION

The Constitution enables Congress to grant "exclusive rights" to authors, but in doing so it must consider the public welfare.<sup>188</sup> The benefit that the public receives can, at times, be obtained without compensating authors.<sup>189</sup> The fact intensive inquiry of the fair use doctrine leaves speculation about the future of e-books.<sup>190</sup> The "purpose and character of the use" and the "effect of

*of Ex Parte Impoundment in Computer Software Copyright Cases*, 7 ALB. L.J. SCI. & TECH. 269, 271 (1997) (explaining Act furnishes variety of means and remedies for private parties to redress infringement of their exclusive rights).

<sup>186</sup> See Helmore, *supra* note 6, at 2 (finding stealing on Internet has become so easy that it no longer feels like crime); see also *The Lowdown on Napster: Many Students Upset by Court Ruling on Free Recordings*, KANSAS CITY STAR, Feb. 16, 2001, at E10 (reporting one student's apathetic attitude about stealing from artist); *Musicians Have a Right to Be Paid for Their Work*, ATLANTA J. AND CONST., Feb. 14, 2001, at 16A (explaining stealing music is justified due to high cost of CD's).

<sup>187</sup> See Utsystem, *Using Material from the Internet*, at <http://www.utsystem.edu/OGC/IntellectualProperty/useofnet.htm> (last visited Nov. 7, 2000) (resulting in better outcome if changes in law are due to advancing technologies, but noting law will not immediately become easier to understand). See generally Anne W. Branscomb, *Anonymity, Autonomy, and Accountability: Challenges to the First Amendment in Cyberspaces*, 104 YALE L.J. 1639, 1645 (1995) (discussing accountability of anonymous defamatory or illegal messages and without it there is no basis for injured party to initiate tort action). But see Jay Krasovec, *Cyberspace: The Final Frontier, for Regulation?* 31 AKRON L. REV. 101, 102 (1997) (advocating for anonymity on Internet because First Amendment commands that persons be allowed to share and receive information that otherwise may be harmful or embarrassing to sender).

<sup>188</sup> See U.S. CONST. art. I, § 8 (stating Congress can promote progress by "securing for limited Times to Authors and Inventors exclusive Right to their respective Writings and Discoveries"); see also *Sony*, 464 U.S. at 429 (finding authorization by Congress is "neither unlimited nor primarily designed to provide special private benefit"). See, e.g., *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) (respecting copyright monopoly granted by Congress, "[t]he 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").

<sup>189</sup> See 17 U.S.C. § 107 (2000) (describing considerations in deciding whether user is properly entitled to make what would normal be considered infringing); see also Daniel A. Saunders, *Copyright Law's Broken Rear Window: An Appraisal of Damage and Estimate of Repair*, 80 CALIF. L. REV. 179, 204 (1992) (summarizing immediate effect of copyright law is to secure fair return for "author's" creative labor, however, ultimate aim is to promote artistic creativity for general public good). See, e.g., *Mazer v. Stein*, 347 U.S. 201, 219 (1954) (explaining economic philosophy of granting patents and copyrights to encourage individual effort by personal gain which in turn will advance public welfare through talents of authors and inventors).

<sup>190</sup> See Evangelista, *supra* note 9, at B1 (finding publishers want to avoid uncertainty problems that Napster and MP3 faced in digital music); see also Helmore, *supra* note 6, at

the use upon the potential market for or value of the copyrighted work” factors are only two of the several elements that courts consider when applying this equitable rule of reason.<sup>191</sup> In general, there seems to be e-book situations, such as space-shifting and transformative use, where the “purpose and character of the use” analysis could weigh in favor of fair use. When considering the “effect upon the potential market for or the value of the copyrighted work” factor, the global reach of the Internet, the ability to easily obtain unauthorized access to copyrighted works, and the possible high amount of dollar loss may weigh against a finding for fair use.

Technology has always been important for the growth of a nation, but lack of constraints on the growth could lead to a great expense.<sup>192</sup> Free access of material on the Internet presents potential harm not only to authors, but to the public.<sup>193</sup> E-books are assets that should be adequately compensated, unless it falls rightly within one of the exceptions.<sup>194</sup> The Constitution, the Copyright Act, and copyright jurisprudence need to adequately

2 (analogizing e-books to MP# files and the collapse it may have on industry). *See generally Who Wants Electronic Books?*, *ECONOMIST*, Oct. 07, 2000 (reporting on piracy problem as deterrence for publishers).

<sup>191</sup> *See* 17 U.S.C.S. § 107(1), (4) (stating two of four factors generally considered in deciding fair use doctrine); *see also* 17 U.S.C.S. § 107 (2000) (defining all factors taken into consideration). *See generally* *Quality King Distribution, Inc. v. Lanza Research Int'l, Inc.*, 523 U.S. 135, 151 (1998) (outlining all four factors in fair use doctrine).

<sup>192</sup> *See* Encarta, *Copyright*, at <http://encarta.msn.com/index/conciseindex/4A/04A06000.htm> (last visited Nov. 17, 2000) (establishing importance of copyright law for United States economy in area such as computer software development); *see also* *Harper & Row Publishers, Inc. v. Nation Enter.*, 471 U.S. 539, 568 (1985) (computing market harm to consist of alleged infringement and unlimited and rampant behavior of defendant); *Sony*, 464, U.S. at 455 n.40 (explaining market harm is matter of degree and must be balanced accordingly).

<sup>193</sup> *See* Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/piracy/epub/faqs.asp> (last visited Sept. 16, 2000) (finding pirated works deprives authors of payment and it harms public because they do not know what they are receiving or how content could have been altered); *see also* Brady, *supra* note 131, at EB 47 (estimating by year 2005 e-publishing market for consumer books may reach \$3.5 billion). *See, e.g.*, Moyes, *supra* note 67, at 5 (explaining possible problem of quality of work by one author's multiple rejection letters from publishers which lead to her first novel).

<sup>194</sup> *See* Microsoft, *Protecting against Software Piracy*, at <http://www.microsoft.com/piracy/epub/faqs.asp> (last visited Sept. 16, 2000) (understanding copyright is intellectual property and authors have right to prevent unauthorized uses or sale of their properties); *see also* Clinkunbroomer, *supra* note 154, at 14 (expressing publishers concerned with maintaining ownership of their intellectual property). *See generally* Utsystem, *Using Material from the Internet*, at <http://www.utsystem.edu/OGC/IntellectualProperty/useofnet.htm> (last visited Nov. 7, 2000) (arguing copyright law governs books or film in analog world also reigns over Internet).



work together to accommodate both copyright holders' and the public's interests.<sup>195</sup>

<sup>195</sup> See Bernstein and Goldberg, *supra* note 7, at 3 (noting history has proven that effort of combined elements has sufficiently accounted for interests involved); see also Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1107 (1990) (explaining copyright laws are designed to assure contributors to store of knowledge fair return for their labors). See generally *Sony*, 464 U.S. at 432 (emphasizing primary goal is to stimulate creativity that benefits public good).