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Sound Record Producers' Rights and the Problem of Sound Recording Piracy

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SOUND RECORD PRODUCERS' RIGHTS AND THE PROBLEM OF SOUND RECORDING
PIRACY

by

STANISLAVA NIKOLAEVA STAYKOVA

(Under the Direction of David Shipley)

ABSTRACT

This paper will describe some current issues and developments that are of relevance to sound recordings protection, as they are experienced and debated in industry and among customers, as well as policy making bodies. The paper's focus is on the historical development of sound recordings protection under United States Copyright law. In Part II, this paper will explore early federal and state law protections for sound recordings, including the Copyright Act of 1909, common law protections, and state statutes. This section also will trace the development of proposals for a federal statute granting express copyright protection for sound recordings. In Part III, this paper will examine the 1971 Sound Recording Amendment, particularly the scope of protection afforded for sound recordings. In Part IV, the paper will review some recent forms of sound recording piracy that occur over the Internet with the development of digital technologies, recent litigation, and alternative solutions technology can offer against piracy. Finally, in Part V it will examine the available remedies in federal law against sound recording piracy.

INDEX WORDS: Sound Recordings, Sound Recording Piracy, Copyright Protection for Sound Recordings, Sound Recordings Legislation, Digital Sound Recording Piracy, Sound Record Producers' Rights

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of the Requirements for the Degree

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DEDICATION

I dedicate this thesis to my family for their love and support.

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I wish to express my gratitude to Prof. David Shipley, Prof. Ray Patterson (in memoriam), and to my editors - Jenny Bounngaseng and Michael Winner - for their guidance, help and support throughout this project.

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I. INTRODUCTION

The development of copyright law in the United States has been marked by considerable conceptual diversity. The language of the United States Constitution does not explicitly employ the word ‘copyright,’ but as adopted in its final form on September 5, 1787, the Copyright Clause gives Congress the power “to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”¹ It was not until 1971, however, that Congress granted limited copyright protection for sound recordings² as a response to the growing need to cope with unauthorized duplication and piracy. Even with limited copyright protection afforded to sound recordings, sound recording piracy nevertheless continues to be a threat of national and international dimension to sound record producers’ rights. Courts and prosecutors indeed have described sound recording piracy as “an electronic age crime,”³ “theft,”⁴ an “outrage,”⁵ “a shabby business that offends a person’s sense of fair play,”⁶ and a “lucrative means of getting illicit funds into the underworld.”⁷

¹ U.S. CONST. art. I, § 8, cl. 8.

² The Sound Recordings Amendment Act adopted by Congress in 1971 granted for the first time federal copyright protection to sound recordings.

³ RECORDING INDUSTRY ASSOCIATION OF AMERICA, STATE LAWS AGAINST PIRACY OF SOUND RECORDINGS: A HANDBOOK FOR ENFORCEMENT AND PROSECUTION (1974) (at Introduction).

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

To understand the problem of sound recording piracy, it is necessary to first describe the process of creating sound recordings. A sound recording basically consists of the contributions of authors of the musical and literary work embodied in the record, contributions of performers (singers, musicians, and actors), and contributions of record producers (directors, sound engineers, and other personnel involved in capturing, editing, and mixing sound). In general, the production and distribution of a sound recording involves three stages. The first stage is the production of the recording itself. The production of a record constitutes the creative stage, including the selection of works and performers, proper arrangement, studio rehearsals, and finally, materialization of the recording itself in an appropriate material bearer – a matrix. The second stage involves the reproduction of the recording from the matrix into records, tapes, cassettes, compact disks, and other media. The last stage is the placement and sale of the sound recording in the market.

Piracy essentially is the unauthorized commercial duplication and sale of a reproduction of a sound recording, usually for a much lower price.⁸ Pirates generally skip directly to the second stage of producing a sound recording and concentrate their efforts on the third stage; because they avoid compensation to the author, performers, and studio team, their profits are extensive. The practice of off-the-air taping and piracy of sound recordings grew rapidly in the late 1960s in the United States.⁹ Technological advances made possible the reproduction of sound recordings at a cost much lower than that of the originally produced record. The potential for huge profits made this activity too tempting for some to resist. In order to counteract the abuses, Congress granted a limited copyright for sound recordings with the passage of the Sound Recording Amendment of 1971. Nevertheless, due to the constantly improving and now almost flawless sound recording techniques, sound recording piracy has become even more common.

⁸ See IFPI's (International Federation of the Phonographic Industry) "Music Piracy Report 2002" at <http://www.ifpi.org>. See also Black's Law Dictionary 937 (7th ed. 1999).

⁹ See generally H.R. REP. NO. 92-487, (1971).

Digital technology today enables the use and transmission of copyright protected materials in digital form over interactive networks. The process of ‘digitization ‘ allows the conversion of such materials into binary form, which can be transmitted across the Internet, and then re-distributed, copied and stored in perfect digital form at the touch of a button. As a result, the potential for damage to authors, performers, record producers, and many other individuals involved in the creative process is unquestionable.

Many of the questions related to sound recording piracy today are still unsettled and are likely to remain so for the next few years. Rather than attempting to predict what the future will hold, or prescribe what it should look like, this paper will describe some current issues and developments that are of relevance to sound recordings protection, as they are experienced and debated in industry and among customers, as well as policy making bodies. The paper’s focus is on the historical perspective of sound recordings protection under United States Copyright law. For this reason, in Part II, this paper will explore early federal and state law protections for sound recordings, including the Copyright Act of 1909, common law protections, and state statutes. This section also will trace the development of proposals for a federal statute granting express copyright protection for sound recordings. In Part III, this paper will examine the 1971 Sound Recording Amendment, particularly the scope of protection afforded for sound recordings. In Part IV, the paper will review some recent forms of sound recording piracy that occur over the Internet with the development of digital technologies, recent litigation, and alternative solutions technology can offer against piracy. Finally, in Part V it will examine the available remedies in federal law against sound recording piracy.

II. SOUND RECORDINGS PROTECTION IN HISTORICAL PERSPECTIVE

Before reviewing the first federal act to provide copyright protection for sound recordings, this paper will trace the historical development of sound recordings protection in the United States.

A. *White-Smith Music Publ'g Co. v. Apollo Co.*

A very important U.S. Supreme Court case, which had a major impact on the Copyright Act of 1909, is *White-Smith Music Publ'g Co. v. Apollo Co.*¹⁰ Decided in 1908, just one year prior to the passage of the Act, the case involved infringement of the copyrights of two musical compositions. The defendant, Apollo Company, was engaged in the sale of player pianos and accompanying perforated rolls of music.¹¹ The plaintiff, White-Smith Music Publishing Company, held the copyrights on two musical compositions embodied in the defendant's piano rolls.¹² The plaintiff argued that copyright protection should be available “to prevent the multiplication of every means of reproducing the music of the composer to the ear.”¹³ The Supreme Court held for the defendant, stating that the perforated piano roll, which represented a sound recording, was not a “copy” within the meaning of the copyright act;¹⁴ composers thereby had no right to control such recordings of their works under existing law.

¹⁰ 209 U.S. 1 (1908).

¹¹ *Id.* at 8-9.

¹² *Id.* at 9.

¹³ *Id.* at 11.

¹⁴ *Id.* at 17-18.

B. The 1909 Copyright Act

As a result of the U.S. Supreme Court decision in *White-Smith Music*, the Copyright Act of 1909 did not include sound recordings in the list of various works for which copyright registration could be obtained.¹⁵ Indeed, no provision in the statute specifically dealt with sound recordings. The Copyright Act of 1909 instead allowed a record pirate to avoid liability to a composer or producer by paying mechanical royalties.¹⁶ Even if a composer or a producer brought a copyright infringement suit based on illegal infringement of the music by a pirate who had not paid the mechanical royalties, if the pirate had filed a “notice of use”¹⁷, the damages recoverable could well be limited to those royalties.¹⁸

Section 1(e) of the 1909 Copyright Act moreover provided:

Any person entitled thereto . . . shall have the exclusive right . . . [t]o perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes [to print, reprint, publish, copy, and vend the copyrighted work], to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced: *Provided, That the provisions of this title, so far as they secure copyright controlling the parts of instruments serving to reproduce mechanically*

¹⁵ Copyright Act of 1909, § 5, 17 U.S.C. § 5 (1977) (repealed January 1, 1978).

¹⁶ Copyright Act of 1909 § 1(e).

¹⁷ *Id.*

¹⁸ *See generally* H.R. REP. NO. 92-487, (1971) (“No Federal remedy currently available to combat . . . unauthorized reproduction . . .”).

*the musical work, shall include only compositions published and copyrighted after July 1, 1909 . . .*¹⁹

At the same time, fearful of creating a monopoly within the recording industry, Congress added a compulsory licensing provision that stated:

[A]s a condition of extending the copyrighted control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof . . .²⁰

A composer thus had the right to select the licensee who would originally produce a record of the musical work, but thereafter, any other manufacturer also could record the composition upon the payment of the two-cent fee to the copyright proprietor, pursuant to the compulsory licensing provision. The provision thereby benefited the composer of the musical work, but not the record producer.

Finally, section 101(e) of the 1909 Copyright Act provided in part:

Whenever the owner of a musical copyright has used or permitted the use of the copyrighted work upon the parts of musical instruments serving to reproduce mechanically the musical work, then in case of infringement of such copyright by

¹⁹ Copyright Act of 1909 § 1(e) (emphasis added).

²⁰ Copyright Act of 1909 § 1(e).

the unauthorized manufacture, use, or sale of interchangeable parts . . . no criminal action shall be brought, but in a civil action an injunction may be granted upon such terms as the court may impose, and the plaintiff shall be entitled to recover in lieu of profits and damages a royalty as provided in section 1, subsection (e), of this title.²¹

In sum, four major characteristics describe the state of federal copyright law with respect to mechanical reproductions of recordings from 1909 until the Sound Recording Amendment of 1971. First, a composer or publisher was entitled to a composition copyright that included protection against mechanical reproductions of the musical work.²² Secondly, no copyright existed with respect to the mechanical reproductions themselves, for example, records, piano rolls, and tapes; only the compositions embodied in the mechanical reproductions were protected.²³ Thirdly, once an owner of a composition copyright allowed any person to mechanically reproduce the musical work, any other person could make a “similar use” of the composition upon the payment of two cents to the composition copyright holder.²⁴ Fourthly, no criminal action would lie with respect to infringement of a composition copyright by unauthorized mechanical reproduction.²⁵

Some authors contend that even prior to the enactment of the Sound Recordings Amendment of 1971, sound recordings arguably were “writings” within the meaning of section 4

²¹ Copyright Act of 1909 § 101(e), 35 Stat. 1075, 1081. (This is the original text of the provision at the time of passage of the act. It was later amended in 1947, 1948 and 1971).

²² Copyright Act of 1909 § 1(e).

²³ *Id.*

²⁴ *Id.*

²⁵ Copyright Act of 1909 § 101(e), 35 Stat. 1075, 1081. *See supra* note 21.

of the 1909 Copyright Act and hence could be copyrighted.²⁶ However, except for one early and startling exception,²⁷ the courts applying the 1909 Copyright Act uniformly assumed that sound recordings could not be copyrighted. The United States Copyright Office also adopted this view and consistently refused to accept sound recordings for copyright registration.²⁸

From 1909 to 1955, no court directly decided whether sound recordings could be copyrighted. Then, in *Capitol Records, Inc. v. Mercury Records Corp.*,²⁹ Judge Dimock stated that both before and after the 1909 Copyright Act, Congress “intended that one who performed a public-domain musical composition should not be able to obtain copyright protection for a phonographic record thereof”³⁰ In a dissenting opinion, Judge Learned Hand agreed that sound recordings could not have been copyrighted under the 1909 Copyright Act.³¹ On the other hand, Judge Hand argued that sound recordings were “writings” within the United States Constitution. He explained, “Now that it has become possible to capture these contributions of the individual performer upon a physical object that can be made to reproduce them, there should be no doubt that this is within the Copyright Clause of the Constitution.”³²

²⁶ See Chafee, *Reflections on the Law of Copyright*, 45 COL. L. REV. 719, 734 (1945).

²⁷ *Fonotipia Ltd. v. Bradley*, 171 F. 951 (E.D.N.Y. 1909), *overruled by* *Ricordi v. Haendler*, 194 F.2d 914 (2d Cir. 1952). The court in *Fonotipia* clearly stated, “[S]ince the 1st day of July, 1909, any form of recording or transcribing [of] a musical composition, or rendition of such composition, has been capable of registration, and the property rights therein secured under the copyright statute.” *Id.* at 963.

²⁸ See Barbara A. Ringer, *The Unauthorized Duplication of Sound Recordings*, in *STUDIES ON COPYRIGHT* 117-168 (Arthur Fisher, ed., 1963).

²⁹ 221 F.2d 657 (2d Cir. 1955).

³⁰ *Id.* at 661.

³¹ *Id.* at 664.

³² *Id.* Thus, according to the dissent in *Capitol Records*, recorded performances enjoyed copyright protection under the U.S. Constitution even though federal copyright legislation afforded no such protection.

C. Common Law Protection Against Duplication

Performers and record producers were given no copyright protection for their sound recordings under the federal copyright statute, therefore they turned to various state laws for recognition of their rights. The judge-made law differed from state to state and sometimes was contradictory. However, two major legal theories served as the basis for state law protection afforded to record producers: (i) the common law copyright and (ii) the theory of unfair competition. The common law copyright provided complete protection against unauthorized use to any unpublished work that represented an original intellectual creation or artistic contribution. The theory of unfair competition provided protection against unfair use of a work in business. The work did not have to be original or creative in order to be protected, but it must have required some expenditure or investment of money, skill, time, and effort.³³ Moreover, state law permitted simultaneous claims for infringement of rights based on both grounds – unfair competition and common law copyright.³⁴

1. Common Law Copyright

The common law protection of sound recordings remains essential as a protection for sound recordings fixed prior to February 15, 1972. Section 301(c) of the Sound Recordings Amendment of 1971 provided: “[w]ith respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2067.”³⁵

³³ Ringer *supra* note 28 at 130-132.

³⁴ *Id.*

³⁵ 17 U.S.C. § 301(c)

A prerequisite of the common law protection is the requirement that the work should not be published. Upon publication, the work is considered to enter the public domain, and the common law protection is no longer available. The determination of when a sound recording has been published thus is pivotal to the grant of protection. A court must determine whether the unrestricted sale or public distribution of a sound recording represents a publication, and if so, whether a sound recording that lacks federal statutory protection enters into the public domain upon such publication.

In *RCA Mfg. Co. v. Whiteman*,³⁶ the plaintiff record company sued the defendant radio broadcasting company for copyright infringement arising from the unlicensed broadcast of phonograph records of musical performances by a musician with whom the plaintiff had an exclusive contract. In a decision written by Judge Learned Hand, the Second Circuit held that the public sale of the phonograph records terminated the common law copyright; use of the records thereby could not be restricted.³⁷ The case was decided in 1940, and subsequently was adopted as controlling law in New York and several other jurisdictions.³⁸

In 1950, a New York trial court nevertheless reached a contrary decision in *Metro. Opera Ass'n. v. Wagner-Nichols Recorder Corp.*³⁹ The plaintiffs were an opera company, a recording company with a license from the opera company, and a broadcasting company, which brought an action against the defendants to restrain the commercial sale of unauthorized records reproduced from the opera broadcasts. Although the court primarily based its decision on the theory of

³⁶ 114 F.2d 86 (2d Cir. 1940), *cert. denied*, 311 U.S. 712 (1940). (Even though the case does not involve copying, it is cited to illustrate a finding that the public sale of a recording is equal to publication).

³⁷ *Id.* at 88-89.

³⁸ Previously, other decisions upholding the unpublished work requirement included *Waring v. Dunlea*, 26 F.Supp. 338 (E.D.N.C. 1939), and *Waring v. WDAS Broad. Station, Inc.*, 194 A. 631 (Pa. 1937). *See also, e.g.*, Comment, *Recent Developments in Performers' Literary Property Law*, 1953 U.C.L.A. INTRA. L. REV. 13 (1953).

³⁹ 101 N.Y.S.2d 483 (1950).

unfair competition, it also concluded that the opera performances were protected by the common law copyright, which had not been destroyed by the performance or broadcast.⁴⁰

In *Capitol Records*, which involved unauthorized dubbing,⁴¹ the Second Circuit Court of Appeals affirmed an injunction of the District Court against the defendant, prohibiting the manufacture and sale of records for which the plaintiff had an exclusive assignment. The court found that the plaintiff had not abrogated its rights by offering the records for public sale. It refused to apply the rule in *RCA Mfg.*, whereby “the commonlaw [sic] property in the performances of musical artists which had been recorded ended with the sale of the records and that thereafter anyone might copy them and use them as he pleased.”⁴² Instead, the Second Circuit decided the case on the basis of *Metro. Opera*, clearly stating, “[T]he inescapable result of [*Metro. Opera*] is that, where the originator, or the assignee of the originator, of records of performances by musical artists puts those records on public sale, his act does not constitute a dedication of the right to copy and sell the records.”⁴³ In *Gieseking v. Urania Records, Inc.*,⁴⁴ a New York trial court cited *Capital Records* and affirmed, “The originator or his assignee of records of performances of an artist does not, by putting such records on public sale, dedicate the right to copy or sell the record.”⁴⁵

Another issue that arises in the context of the common law copyright is the protection of the actual sound recording. The protection available to a recorded performance as an original

⁴⁰ *Id.* at 493-95.

⁴¹ “Dubbing” is a technical term that represents all means by which specific sounds contained in one record can be reproduced on another record – repressing, electrical transcription, recapturing, or any other method of duplication. *See Ringer supra* note 28 at 119.

⁴² *Capital Records*, 221 F.2d at 663.

⁴³ *Id.*

⁴⁴ 155 N.Y.S.2d 171 (1956).

⁴⁵ *Id.* at 172-73.

intellectual creation is well established.⁴⁶ On the other hand, the courts rarely have examined whether the contribution of a sound recording producer is sufficiently creative to secure common law copyright protection. Some authors even doubt that a sound record producer could secure common law protection for his sound recordings.⁴⁷

The issue was considered by the District Court in *RCA Mfg. Co. v. Whiteman*.⁴⁸ Judge Leibell stated, “One of the most controverted issues was whether or not the part played by RCA Victor Company in the recording of Whiteman’s interpretation and renditions constituted such intellectual and artistic contributions as to vest in RCA a common law property right in what went on the record. I am of the opinion that it did not.”⁴⁹

The judge continued:

⁴⁶ In *RCA Mfg. Co. v. Whiteman*, 28 F.Supp. 787, 791 (S.D.N.Y. 1939), *rev’d on other grounds* 114 F. 2d 86 (2d Cir. 1940), *cert. denied*, 311 U.S. 712 (1940), Judge Leibell stated that, even before the invention of the phonograph, a performer had a common law copyright in his rendition; he asserted that “during all this time the right was always present, yet because of the impossibility of violating it, it was not necessary to assert it.” The following cases may also be cited in support of this proposition, even though some of them do not involve rights in sound recordings of performances, but deal with analogous situations: *National Ass’n of Performing Artists v. Wm. Penn Broadcasting Co.*, 38 F. Supp. 531 (E. D. Pa. 1941); *Noble v. One Sixty Commonwealth Avenue, Inc.*, 19 F. Supp. 671 (D. Mass. 1937); *Long v. Decca Records, Inc.*, 76 N. Y. S. 2d 133 (Supp. Ct. 1947); *Capitol Records, Inc. v. Mercury Records Corporation*, 109 F. Supp. 330 (S. D. N. Y. 1952), *aff’d* 221 F. 2d 657 (2d Cir. 1955); *Autry v. Republic Productions, Inc.*, 104 F. Supp. 918 (S. D. Cal. 1952), *aff’d and modified* 213 FR. 2d 667 (9th Cir. 1954); *Giesking v. Urania records, Inc.*, 155 N. Y. S. 2d 171 (Supp. Ct. 1956).

⁴⁷ Baum, *Protection of Records, Protection of Artists and Copyright*, 5 GEITIGES EIGENTUM 1 (1939). *See also* Hirsch Ballin, *Related Rights*, 18 ARCHIV FUR FILM, FUNK AND THEATERRECHT 310 (Copyright Society Translation Service 1955, no. 4a) (1954).

⁴⁸ 28 F.Supp. 787 (S.D.N.Y. 1939).

⁴⁹ *Id.* at 792.

None of the efforts of RCA were directed towards perfecting Whiteman's artistic interpretation of the musical composition, but all were directed towards 'capturing' completely for the matrix or master record his unique interpretations. The well known manufacturers of phonograph records use the same apparatus and methods. The average person could not tell by listening to the finished record which company made the record or which musical director supervised its recording or who manipulated the dials, arranged the microphones or handled the other mechanical devices used in getting the physical recording. But many of the public can recognize Whiteman's peculiar interpretation of certain popular musical recordings.⁵⁰

Judge Leibell's decision was later reversed on appeal upon other grounds,⁵¹ but its conclusion on this point found inferential support in later cases.⁵²

Under the common law copyright, ownership of the rights for a sound recording usually is governed by the terms of the particular contract. A performer may grant all of his rights to a record producer or retain certain rights for himself. Where a contract fails to specify the allocation of rights, however, the courts have split. Some courts have held that all rights are

⁵⁰ *Id.*

⁵¹ *RCA Mfg.*, 114 F.2d 86 (1940). In the decision on appeal, Judge Learned Hand recognized that sound record producers had certain skills and art which were necessary to the production of a proper recording. *Id.* at 88.

⁵² See *Capitol Records, Inc. v. Mercury Records Corporation*, 109 F. Supp. 330 (S. D. N. Y. 1952), *aff'd* 221 F. 2d 657 (2d Cir. 1955). Both the trial and appellate courts were of the opinion that a sound record producer acquired a copyright through an assignment from the performers.

transferred to the producer of the sound recording, while other courts have granted the performer the right to enjoin particular unintended uses of the performance.⁵³

2. *Theory of Unfair Competition*

The other main basis for common law protection of sound recordings is the theory of unfair competition. An unfair competition claim arises when a company misrepresents its services, goods, or the company itself. The plaintiff and defendant often are competitors because unfair competition claims usually involve use of deceptively similar company and product names, confusion as to the source of goods, false advertising, or other misrepresentations.⁵⁴ In the case of an unauthorized duplication of sound recordings, certain elements of the unfair competition claim may be difficult to establish and even non-existent. As a result, courts frequently have broadened the concept of unfair competition when applied to the unauthorized duplication of sound recordings.

An example of the broadened theory of unfair competition is the opinion of the court in *Metro. Opera*. The court granted relief to the plaintiffs opera company, broadcaster, and record company, against the producer of unauthorized records. According to the majority, direct competition and misrepresentation were not required to establish a finding of unfair competition. The court stated:

The early cases of unfair competition in which relief was granted were cases involving ‘palming off’ – that is, the fraudulent representation of the goods of the seller as those of another. The early decisions condemning this practice were based on the two wrongs inflicted thereby: (1) The deceit and fraud on the

⁵³ See Ringer *supra* note 28 at 131-132.

⁵⁴ *Id.* at 129

public; and (2) the misappropriation to one person of the benefit of a name, reputation or business good will belonging to another.

With the passage of those simple and halcyon days when the chief business malpractice was ‘palming off’ and with the development of more complex business relationships and, unfortunately, malpractices, many courts, including the courts of this state, extended the doctrine of unfair competition beyond the cases of ‘palming off.’ The extension resulted in the granting of relief in cases where there was no fraud on the public, but only *a misappropriation* for the commercial advantage of one person of a benefit or ‘property right’ belonging to another.

The courts have used various formulae in making this extension. Many of the earlier of such decisions relied on the presence of special elements: For example, inducing breach of trust or breach of contract in misappropriating the property.⁵⁵

Some commentators and judges have criticized the broad interpretation of unfair competition,⁵⁶ but the majority of courts presently do not strictly require the fulfillment of all the elements of unfair competition – especially “palming off” and direct competition – and would make a finding of unfair competition simply on the basis of misappropriation or a “free ride.”⁵⁷

⁵⁵ *Metro. Opera*, 101 N.Y.S.2d at 489 (emphasis added, citations omitted).

⁵⁶ Chafee, *Unfair Competition*, 53 HARV. L. REV. 1289, 1319-1320 (1940). See also the opinion in *RCA Mfg.*, 114 F.2d 86, written by Judge Learned Hand, who has consistently warned on the danger of attempting to protect something under unfair competition that cannot be protected under common law or statutory copyright and thus doing violence to the constitutional purpose and the congressional intent.

⁵⁷ For a detailed discussion of the various unfair competition interpretations by courts in copyright infringement cases, see Ringer, *supra* note 28, at 135-138.

In sum, while the common law copyright does not clearly authorize the same protection for sound recordings as for recorded performances, the theory of unfair competition grants protection to both performers and record producers against duplication of sound recordings.

D. State Statutes Criminalizing Sound Recording Piracy

Sound recordings made and released prior to February 15, 1972, also are protected under criminal anti-piracy statutes adopted by almost all states.⁵⁸ In *Goldstein v. California*,⁵⁹ the U.S. Supreme Court affirmed the validity of a California statute which criminalized record and tape piracy, and held that the existence of a federal copyright act did not preempt state protection of sound recordings.⁶⁰ Essentially, the states did not relinquish all control of copyright matters to the federal government, and uniformity was not required for successful implementation of copyright laws.⁶¹ The decision thereby upheld the right of each state to criminalize and regulate the unauthorized duplication of sound recordings within its jurisdiction, when such recordings were not protected by federal law.

The court explained:

[T]he federal copyright statutes to which petitioners refer were amended by Congress while their case was pending in the state courts. In 1971, Pub.L. 92-140, 85 Stat. 391, 17 U.S.C. §§ 1(f), 5(n), 19, 20, 26, 101(e), was passed to allow federal copyright protection of recordings. However, § 3 of the amendment specifically provides that such protection is to be available only to sound

⁵⁸ RECORDING INDUSTRY ASSOCIATION OF AMERICA, *supra* note 3, at 10.

⁵⁹ 412 U.S. 546 (1973).

⁶⁰ *Id.* at 571.

⁶¹ *Id.* at 558-59.

recordings ‘fixed, published, and copyrighted’ on and after February 15, 1972, and before January 1, 1975, and that nothing in Title 17, as amended is to ‘be applied retroactively or (to) be construed as affecting in any way any rights with respect to sound recordings fixed before’ February 15, 1972. The recordings which petitioners copied were all ‘fixed’ prior to February 15, 1972. Since, according to the language of § [3] of the amendment, Congress did not intend to alter the legal relationships which govern these recordings, the amendments have no application in petitioners’ case.⁶²

In states that had not enacted criminal anti-piracy laws, a legitimate recording company may bring a civil action against pirates in state courts for unfair competition. Civil remedies rarely have been adequate, however, primarily because they are very time-consuming. It may take months for a plaintiff to successfully obtain an injunction.⁶³ Moreover, although a pirate may be enjoined from duplicating the works of that particular plaintiff, he remains free to illegally duplicate sound recordings produced by other recording companies.

Depending on the state, criminal anti-piracy statutes categorize the unauthorized duplication of legitimate sound recordings as a misdemeanor or felony. Under the statutes, it is unlawful to knowingly manufacture, distribute, or retail a recording which contains sounds that have been transferred without the owner’s consent.⁶⁴ Some state statutes also criminalize the sale or distribution of recordings that do not bear the name and address of the transferor of sounds. The penalties imposed are fines or imprisonment. The statutes of Georgia, Minnesota, Tennessee, and Pennsylvania provide particularly harsh penalties. For example, section 3 of the Georgia Code provides:

⁶² *Id.* at 552.

⁶³ RECORDING INDUSTRY ASSOCIATION OF AMERICA, *supra* note 3, at 7.

⁶⁴ *Id.* at 6.

Violation of this Code section is a felony and is punishable upon conviction by a fine of not more than \$25,000.00 or by imprisonment for not less than one year nor more than two years, or both fine and imprisonment; second or subsequent violations of this Code section shall be punishable upon conviction by a fine of not more than \$100,000.00 or by imprisonment for not less than one year nor more than three years, or both fine and imprisonment.⁶⁵

In order to sustain a charge of sound recording piracy under the state statutes, a plaintiff must show an offer for sale or purchase of a pirated product. Most state laws further provide that it is “unlawful knowingly to manufacture, distribute or retail a recording whose sounds are transferred without the owner’s consent.”⁶⁶ Courts generally have required the distributor, retailer, or their agents to admit the illegitimate nature of the sound recording piracy. In the case where such an admission cannot be secured, the court or the plaintiff may notify the distributor or retailer of the illegal nature of their activity by mail. If the distributor or retailer continues to sell or distribute the pirated material after receipt of the notice, prior knowledge is presumed and they can be convicted.⁶⁷ State statutes criminalizing sound recording piracy continue to provide protection for sound recordings fixed prior to February 15, 1972, for which no federal statutory protection is available.

⁶⁵ GA CODE ANN. § 16-8-60(d) (2003).

⁶⁶ RECORDING INDUSTRY ASSOCIATION OF AMERICA, *supra* note 3, at 6.

⁶⁷ *Id.* at 7.

E. Congressional Proposals Prior to 1971

The first bill to propose a copyright for sound recordings was introduced in Congress on January 2, 1925.⁶⁸ The Perkins Bill provided protection for “phonographic records, perforated rolls and other contrivances by means of which sounds may be mechanically reproduced.”⁶⁹ Under the Bill, the rights of a sound recording producer were conditioned on the rights of the author of the underlying work. The Bill thus recognized that a record manufacturer was entitled to a copyright for the recording; however, if a subsisting copyright existed on the underlying work, the manufacturer could only record, copy, and sell the record during the term of the subsisting copyright.⁷⁰ The term of a copyright on a sound recording generally lasted for fifty years following the date of public distribution, offer for sale, or first sale.⁷¹

Nevertheless, the Perkins Bill encountered substantial opposition. Manufacturers observed that the Bill merely provided protection against dubbing, which already was covered by the common law theory of unfair competition. Author-publisher groups argued that the compulsory licensing provisions more greatly benefited performers; under the provisions, authors received a fixed compensation of two cents per record, while performers enjoyed unlimited bargaining power.⁷² The Perkins Bill consequently proved unsuccessful.

⁶⁸ H.R. 11258, 68th Cong. (1925). For a detailed review of legislative proposals for sound recording protection from 1909 to 1951, see Ringer, *supra* note 28, at 139-155.

⁶⁹ H.R. 11258, 68th Cong. § 9 (1925).

⁷⁰ *Id.* § 7.

⁷¹ *Id.* § 23.

⁷² *Id.* § 163.

The Vestal Bill,⁷³ introduced in 1926, represented the next federal legislative proposal. The Bill utilized the same provisions as the Perkins Bill; however, it did not specify the duration of the rights provided for the sound recording producer.⁷⁴ The Vestal Bill further granted protection against any unauthorized broadcast or public performance of the sound recording.⁷⁵ Although the Bill re-introduced heated debate concerning the unequal bargaining powers given to authors and performers in the compulsory licensing provisions,⁷⁶ the grant of a copyright for sound recordings generally was uncontroversial.

Nevertheless, both the 69th and 70th Congresses failed to pass the Vestal Bill, and hearings on various versions of the Bill continued in 1928, 1929, and 1930. The version introduced in 1930 substantially changed the provision listing the classes of works that could be copyrighted. The revised provision provided protection only for recordings that had not been prepared for “public performance, exhibition or transmission”;⁷⁷ it thereby excluded protection for sound recordings prepared for broadcast or soundtracks.

The 1930 version of the Vestal Bill further stated:

Phonographic records, perforated rolls, and other similar contrivances, by means of which sounds may be mechanically recorded for purposes other than public performance, exhibition, or transmission: Provided, Anything to the contrary of this Act, notwithstanding, that the copyright in such phonographic records, rolls, or contrivances shall consist solely of the exclusive right to print, reprint, publish,

⁷³ H.R. 10434, 69th Cong. (1st Sess. 1926).

⁷⁴ The bill only stated “. . . where the author is not an individual, the term shall be fifty years from the date of completion of the creation of the work.” *Id.* § 13.

⁷⁵ *Hearings Before House Committee on Patents* on H.R. 10434, 69th Cong., 1st Sess., 233-235 (1926).

⁷⁶ *Id.* at 75.

⁷⁷ H.R. 12549, 71st Cong. § 37 (2d Sess. 1930).

copy, and vend said phonographic records, rolls and contrivances, and that any such copyright and each and every right thereunder, shall be subject to each and every right of the owner of the copyright in any existing or previously existing work, written on said records, rolls, or other contrivances, at all times, in the absence of express contract to the contrary.⁷⁸

The 1930 Vestal Bill thus further limited copyright protection for sound recordings by restricting protection to the making, copying, and sale of a sound recording. It also conditioned the rights of the record producer on the rights of the owner of the copyright in the underlying work.

During the debates in the House of Representatives, however, Representative Busby removed the provision;⁷⁹ sound recordings thereby were excluded from the list of works that could be copyrighted. Moreover, upon the proposal of Representative Stafford, the provision covering “works not specifically hereinabove enumerated” also was stricken.⁸⁰ The Senate indeed did not even discuss whether sound recordings could be copyrighted. There had been comments that the elimination of a copyright protection for sound recordings occurred due to concern that the provision was unconstitutional.⁸¹ A representative of the sound record producers, Frank D. Scott, made a final attempt to secure copyright protection for sound recordings;⁸² however, the proposal received no further discussion in the Senate.

As use of sound recordings in radio broadcastings increased in the 1930s, however, record manufacturers urged the legislature to provide a copyright for sound recordings. Many

⁷⁸ *Id.*

⁷⁹ 74 CONG. REC. 2034 (1931).

⁸⁰ *Id.*

⁸¹ *Hearings Before Senate Committee on Patents on H. R. 12549, 71st Cong., 132 (3d Sess. 1931).*

⁸² *Id.* at 128-129.

other countries indeed already had afforded copyright protection to sound recordings.⁸³ Representative Sirovich, who was also a chairman of the Committee on Patents, subsequently introduced a bill to provide copyright protection for sound recordings in March 1932.⁸⁴ The National Broadcaster's Association initially opposed the Sirovich Bill, arguing that a grant of copyright protection to sound recordings severely disadvantaged small broadcasting stations.⁸⁵ Nevertheless, during the course of the hearings, the broadcasters indicated that they would accept the Bill if the provisions were confined to dubbing, thereby excluding broadcasters from its effect.⁸⁶

Section 4 of the Sirovich Bill provided:

Translations and compilations, abridgements, adaptations, and arrangements, including sound disk records and perforated rolls, and arrangements and compilations for radio broadcasting and television or other versions of work, shall be regarded as new works and copyright shall subsist therein, notwithstanding such works are based in whole or in part upon works in the public domain and/or copyright works provided the consent of the copyright owner has been secured.⁸⁷

After opponents attacked the provision as unconstitutional,⁸⁸ Representative Sirovich revised the Bill to provide that copyright was to subsist in records as “new works,” to the extent

⁸³ *Hearings Before the House Committee on Patents on General Revision of the Copyright Law*, 72d Cong., 240 (1st Sess. 1932).

⁸⁴ H.R. 10976, 72nd Cong. (1st Sess. 1932).

⁸⁵ *Hearings Before the House Committee on Patents on H. R. 10976*, 72d Cong., 154 (1st Sess. 1932).

⁸⁶ *Id.* at 157.

⁸⁷ H. R. 10976, 72d Cong. § 4 (1932).

⁸⁸ *Hearings* (1932) *supra* note 85 at 190. *See also infra* text accompanying notes 90 and 95.

that the records were original.⁸⁹ Opponents continued to object to the unconstitutionality of the Bill, however, contending that, as mechanical devices, records could not be copyrighted.⁹⁰ Thus, despite several later amendments, the Sirovich Bill ultimately failed to pass.

Following a three-year hiatus during which attempts to initiate legislative protection for sound recordings generally had subsided, the Daly Bill,⁹¹ a comprehensive bill which granted a copyright for performances and sound recordings, was introduced in 1936. Under the Bill, works that could be copyrighted included:

The interpretations, renditions, readings, and performances of any work, when mechanically reproduced by phonograph records, disks, sound-track tapes, or any and all other substances and means, containing thereon or conveying a reproduction of such interpretations, renditions, readings, and performances.⁹²

A month later, Representative Sirovich introduced a revised version of his bill. Both the Daly and revised Sirovich Bills generated a substantial amount of debate. Performers insisted on a copyright for their performances on the basis that they were intellectual creators who could only obtain adequate protection through copyright.⁹³ In contrast, record manufacturers asserted that the recording represented the artistic creation; thus, the copyright should be granted to the recording, particularly since other countries already had granted such protection.⁹⁴ According to

⁸⁹ H.R. 11948, 72d Sess. § 4 (1932).

⁹⁰ See *Hearings Before the House Committee on Patents* on H. R. 11948, 72d Cong. (1st Sess. 1932).

⁹¹ H.R. 10632, 74th Cong. (2d Sess. 1936).

⁹² H.R. 10632 § 5.

⁹³ *Hearings Before the House Committee on Patents on Revision of the Copyright Laws*, 74th Cong., 242 (2d Sess. 1936).

⁹⁴ *Id.* at 618, 625, 632-645.

sound record producers, the rights of performers could best be secured through contracts. Opponents of the copyright in sound recordings, such as the Music Publishers Association, jukebox manufacturers, broadcasting organizations, and motion picture producers, argued that the copyright was unconstitutional on the basis that performances are intangible and thereby could not be considered writings.⁹⁵ Finally, authors feared that establishing a new right in sound recordings would infringe on their rights.⁹⁶

According to the American Bar Association Committee on Copyrights, the Daly and revised Sirovich Bills were unacceptable because of excessively loose language.⁹⁷ Even so, the Committee on Copyrights recognized that a copyright in recorded performances, which had been proposed by the Bills, was worthy of further consideration.⁹⁸ A 1939 Report of the same committee further stated:

Your committee is of the opinion that whether recorded upon a visual track for communication through the sense of sight, or recorded upon a sound track for communication through the sense of hearing, independently or in synchronization, originality of authorship may be thus expressed in a fixed, permanent, tangible, identifiable form, capable of being reader communicated intelligibly to others. Such recordations are a species of “writing” within the Constitutional limitation, whether the labors of human intelligence so captured or expressed consist of the

⁹⁵ *Id.* at 486, 560-562.

⁹⁶ *Id.* at 113-114, 651-653.

⁹⁷ SECTION ON PATENT, TRADEMARK, AND COPYRIGHT LAW, AM. BAR ASS’N, COMMITTEE REPORTS 12 (1937).

⁹⁸ SECTION ON PATENT, TRADEMARK, AND COPYRIGHT LAW, AM. BAR ASS’N, COMMITTEE REPORTS 12 (1938).

ordinary literary, dramatic or musical concepts, or of the rendition or performing interpretation through which they may be conveyed.⁹⁹

The next step in the development of legislative initiatives to introduce a copyright for sound recordings was H. R. 5791¹⁰⁰, named “A bill to amend the Communications Act of 1934.” The purpose of the amendment was to deal with the unauthorized mechanical reproduction of music and other wire-and-radio program materials, primarily by imposing penalties for violations. The bill specifically exempted copyright protection for “recordings for private, personal, civic, or political use,” as well as any “recordings on subjects of public nature.”¹⁰¹ Unfortunately, no further actions were taken on this measure.

Then, in the late 1930s and early 1940s, groups with differing interests in a copyright for sound recordings approached the Committee for the Study of Copyright (formed under the patronage of the National Committee of the United States of America on International Intellectual Cooperation), urging the Committee to encourage better international copyright relations.¹⁰² Record manufacturers insisted that the right should vest entirely in the manufacturer, in accordance with the practice in the motion picture industry. Performers argued that they should hold the copyright due to the artistic and intellectual nature of their performances. Authors asserted that sound recordings were not writings and that the common law protection should be sufficient. The authors also contended that the exemption of record producers from the compulsory licensing provisions was unfair, prejudicial, and complicating due to the multiplicity of licensing. Because broadcasting companies would suffer extensive

⁹⁹ SECTION ON PATENT, TRADEMARK, AND COPYRIGHT LAW, AM. BAR ASS'N, COMMITTEE REPORTS, 16 (1938).

¹⁰⁰ H.R. 5791, 76th Cong., (1st Sess. 1939).

¹⁰¹ H.R. 6695, 76th Cong., (1st Sess. 1939).

¹⁰² See Ringer, *supra* note 28, at 151.

losses if sound recordings were granted a copyright, their economic self-interest dictated opposition to the legislative initiatives. Finally, distributors and motion picture producers promoted a limited copyright for sound recordings, which would only prohibit exact reproduction of a recording but offer no protection against imitation.¹⁰³

After *RCA Mfg.*, in which the Second Circuit held that public sales of phonograph records terminated the common law copyright in the performance and thereby permitted unrestricted use of the records,¹⁰⁴ performers strongly lobbied for legislation to establish effective protection of their rights. In 1947, Representative Scott introduced a bill that would grant copyright protection for performances.¹⁰⁵ Performers were the only supporters of the Scott Bill. Sound record producers argued that the copyright should be granted to them; they further contended that the constitutionality of such a copyright could be easily satisfied because of the creative nature of their recordings.¹⁰⁶ Authors, publishers, and broadcasters opposed the Bill for the same reasons they had opposed previous proposals for copyright protection. In addition, the U.S. Copyright Office emphasized technical deficiencies, which further impeded passage of the Bill.¹⁰⁷ The failure of the Scott Bill initiated a long hiatus in the legislative proposals to provide copyright protection for sound recordings.¹⁰⁸

¹⁰³ See *Id.* at 151-152.

¹⁰⁴ *RCA Mfg.*, 114 F.2d at 88-89.

¹⁰⁵ H.R. 1270, 80th Cong. (1st Sess. 1947).

¹⁰⁶ See *Hearings Before the Subcommittee on Patents, Trade Marks, and Copyrights of the House Committee on the Judiciary* on H.R. 1269, H.R. 1270, and H. R. 2570, 80th Cong, (1947).

¹⁰⁷ *Id.* at 263-266.

¹⁰⁸ In the 1950s/1960s there were not much initiative and legislative proposals on federal level but that is the time state criminal anti piracy statutes were adopted in many states to fight sound recording piracy. See *supra* II.D.

III. THE 1971 SOUND RECORDING AMENDMENT

A. *The Need for Federal Copyright Protection of Sound Recordings*

As a result of the staggering volume of record and tape piracy, Congress passed the first federal statutory copyright protection for sound recordings in 1971.¹⁰⁹ Technological advances had made possible the reproduction of sound recordings at a cost substantially lower than the original cost of creating the recording. Thus, the potential for sizeable profits encouraged numerous abuses of the sound recording process by pirates. By the late 1960s, the volume of illegal sales in the field had reached alarming scales.¹¹⁰

¹⁰⁹ See *supra* note 2.

¹¹⁰ For an excellent description of the pirate activities at the time, see *Marketing – The \$100-Million Market in Bootleg Tapes: Record Companies Go to Court in an Attempt to End the Fast Sales of Counterfeited Tapes*, BUS. WK., May 15, 1971, at B2. The operation of the typical sound record pirate was described as follows:

Becoming a tape pirate is relatively simple. Small record stores – ‘mom and pop’ retailers – can purchase an inexpensive duplicating machine for \$200 or so. Blank tape cartridges are available for as little as 75¢ each in quantities of a few hundred. “A guy can hire school kids at \$1.25 an hour to knock out copies in the back of the store,” says Alan Bayley, president of GRT Corp., which makes tape albums for 67 different recording companies. He sells them at \$3 or \$4 each to customers. GRT, on the other hand, sells its tapes for \$3.50 each to a distributor, who resells them for \$4.25 to retailers, who charge the public \$6.95 each. “A store can order half-a-dozen tapes of a hit album from us and use them to duplicate a hundred copies,” Bayley says, “and then try to return the originals for credit because they didn’t sell.”

In 1970, a Wall Street Journal article described the piracy activity as follows:

The pirates make illegal copies of tapes and peddle them cheaply to record shops, unabashedly admitting that they are pirated copies. The counterfeiters make illegal copies but then go a step further and copy the packaging that the original comes in, too; the counterfeiters then palm off their work as the original.

. . . .

No one really expects the industry to be really killed by the pirates, but neither does anyone expect the pirates to be knocked off by the industry. Alarmed record companies have filed more than 100 lawsuits against pirates and counterfeiters in recent weeks, but “no sooner do we win one suit than another three counterfeit operations spring up,” says a lawyer for one recording company.¹¹¹

The ‘mom and pop’ thieves are a minor annoyance. More worrisome are the large, well-financed tape pirates who merchandise and promote their wares with skill and aplomb and are sometimes backed by organized crime. In addition to turning out hundreds of thousands of tapes in small factories, many bootleggers install display racks in stores, service stations and other outlets and contract to keep them filled. They also print catalogues and send salesmen on the road . . . and sign their sales letters: “Your friendly bootlegger.”

Id.

The article further described the ignorance and naiveté of some merchants, who failed to recognize bootleg copies even though they were offered extremely low prices, forced to pay in cash, offered a product of a very poor quality, and interacted with a seller who had no listed address or phone number. *Id.*

¹¹¹ Stephen Grover, *Hot Numbers – Pirates and Counterfeiters of Stereo Tapes Steal Huge Sales and Give the Industry Fits*, WALL ST. J., Nov. 30, 1970, at A13.

According to Representative Fulton, who spoke in support of new legislation before the Committee on the Judiciary in the House of Representatives in June 1971, the estimated losses for the recording industry totaled more than \$100 million a year,¹¹² and only one out of ten music recordings made any profit.¹¹³ Due to the low investment required to produce an unauthorized sound recording duplication, as well as the potential for extensive profits, experts further believed that the pirate activity would continue unless effective legal measures to combat the problem were taken. Unless the loss was curtailed, the industry indeed faced an economic crisis.¹¹⁴ Because state law had failed to keep pace with technical advances, federal copyright protection that expressly prohibited commercial traffic in unauthorized duplications of legitimate sound recordings was necessary and appropriate.

Moreover, the unauthorized duplication of legitimate commercial recordings had become a matter of public concern not only in the United States but also abroad. Pirates duplicated the recordings of any legitimate record producer; the problem thus affected the international community, with no differentiation between developed or developing countries. Indeed, various countries already had made an effort to resolve the piracy problem through an international treaty to combat record piracy.¹¹⁵ Policy-makers believed that progress in domestic efforts to protect sound recordings would aid the United States delegation in its participation in the diplomatic

¹¹² *Hearings on S.646 and H.R. 6927 before Subcomm. No.3 of the House Comm. on the Judiciary*, 92d Cong., 1st sess. 25 (1971).

¹¹³ *Id.*

¹¹⁴ *See H.R. 6927*, 92nd Cong. (1st Sess. 1971).

¹¹⁵ At that time there was already a move towards an international treaty to deal with the record piracy problem. That was actually the Geneva Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of Their Phonograms, signed on October 29, 1971. The United States joined the Geneva Convention effectively in 1974. *See generally Hearings on S.646 and H.R. 6927 before Subcomm. No.3 of the House Comm. on the Judiciary*, 92d Cong., 1st sess. 25 (1971).

conference on the adoption of the treaty. In June 1971, during the discussions in Congress regarding the proposed amendment of the Copyright Act, Bruce Ladd stated, “[P]assage of the proposed legislation would greatly enhance this Government’s posture with respect to its continuing efforts to secure international protection for American sound recordings. . . . Most of the developed countries, including many in Western Europe and Japan, have provisions, which deal with this question in one way or another.”¹¹⁶

Another reason for the record industry to seek legitimate protection of sound recordings was the substantial investment in the production and promotion of sound recordings. Copyright protection for sound recordings would preserve employment opportunities for performers and encourage their future contributions to the intellectual creation of sound recordings. Pirates, in contrast, would not compensate authors, songwriters, or performers for their creative work; unrestricted piracy thus would greatly discourage such employees from investing any time or talent in creative recording.

The proposed amendment essentially would extend the existing Copyright Act of 1909, which did not permit a copyright for sound recordings, by granting limited copyright protection to sound recordings. No ban would be imposed on imitation or simulation of performances;¹¹⁷ however, the limited copyright protection would prevent duplication in a tangible form of the particular recorded performance.¹¹⁸ The protection afforded by the amendment thus would not cover any reproduction of the sounds themselves, as in the case of a broadcast of a sound recording. Further, the proposed amendment provided protection only for future sound recordings. It would not have a retroactive effect on sound recordings already in existence.¹¹⁹

¹¹⁶ H.R. 6927, 92nd Cong. (1st Sess. 1971).

¹¹⁷ See testimony of Richard Kleindienst, Deputy Attorney General at *Hearings on S.646 and H.R. 6927 before Subcomm. No.3 of the House Comm. on the Judiciary*, 92d Cong., 1st sess. 25 (1971).

¹¹⁸ *Id.*

¹¹⁹ *Id.*

State common law and statutes regulating the unauthorized duplication of already-recorded performances would continue to apply in present and future litigation.

The unanimous support of all interested parties facilitated the successful transformation of the proposed amendment into effective legislation. The House Judiciary Committee; the House itself; the Senate Judiciary Committee's Subcommittee on Patents, Trademarks and Copyrights; the Copyright Office; the Department of Justice; and the Department of State unanimously approved the creation of a sound recording copyright for the purpose of protecting against unauthorized duplication and piracy.¹²⁰ Performers, musicians, publishers, manufacturers, distributors, and dealers of sound recordings also were supportive of the amendment.

The weak opposition of the pirates themselves consequently was easily overcome. Pirate companies could only argue that they protected consumers by offering products at affordable prices and further encouraged normal business competition. However, no state court had ever sustained the argument that pirates were legitimate competitors.¹²¹

B. Scope and Impact of the 1976 Copyright Act

The Sound Recordings Amendment became effective on February 15, 1972.¹²² Section 5(n) added sound recordings to the list of works eligible for copyright registration.¹²³ The 1976

¹²⁰ *Hearings* (1971) *supra* note 112 at 25.

¹²¹ See testimony of Stanley M. Gortikov on behalf of Recording Industry Association of America, Inc. (RIAA) at *Hearings on S.646 and H.R. 6927 before Subcomm. No.3 of the House Comm. on the Judiciary*, 92d Cong., 1st sess. 25 (1971).

¹²² Congress passed the Sound Recording Amendment to the 1909 Act in 1971. It became effective on February 15, 1972.

¹²³ Copyright Act of 1909 § 5(n).

Copyright Act later adopted the same protection,¹²⁴ which remains controlling law. The scope of protection for sound recordings secured by the 1971 Amendment and adopted by the 1976 Copyright Act is narrower than that given to other works eligible to be copyrighted. The protection for sound recordings does not include protection against unauthorized broadcasting or other public performance.¹²⁵

Section 101 of the 1976 Copyright Act defines “sound recordings” as follows:

“Sound recordings” are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied.¹²⁶

According to this definition, a sound recording encompasses both musical and literary works, for example, a recitation of a poem or other declamations.

¹²⁴ The protection accorded sound recordings under federal law with the Sound Recording Amendment Act in 1971 carried over into the 1976 Copyright Act.

¹²⁵ The exclusive rights granted to authors in general consist of the right of reproduction, adaptation, distribution, publication, performance, and display. *See infra* notes 132-134 and accompanying text.

¹²⁶ 17 U.S.C. § 101 (2003).

It is important to distinguish between several terms that are often confused. First, a sound recording must be differentiated from a phonorecord,¹²⁷ the material object that embodies the sound recording. Examples of a phonorecord are a tape or CD. Secondly, a sound recording must be distinguished from the work that it captures. Although both are fixed in the same material object, the sound recording consists of the actual musical work, plus the arrangement by the musical director, the mixing by a recording engineer, the way that a vocalist sings a song or instrumentalists play the music. The distinction is important because copyright protection is granted to the whole complex of described elements, not just to the captured work itself.¹²⁸ For example, if a composer authorizes a recording company to make a sound recording of his song, to select the musicians to perform it and the technical staff to make the appropriate arrangement, the composer retains his copyright on the musical work while the recording company owns the copyright on the sound recording.

Any claim of ownership of a sound recording, which represents the contributions of several individuals, is restricted to those individuals who have made original contributions. Sound recordings, like any other work granted copyright protection, must satisfy two fundamental prerequisites: originality and fixation.¹²⁹ The contributions of a sound record producer, including the selection of musical works, proper arrangement, and mixing of sound,

¹²⁷ Section 101 defines phonorecords:

“Phonorecords” are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term “phonorecords” includes the material object in which the sounds are first fixed.

17 U.S.C. § 101.

¹²⁸ Craig Joyce et al., COPYRIGHT LAW 205 (6th ed. 2003).

¹²⁹ U.S.C. § 102(a).

generally are considered sufficient to satisfy the originality requirement. In practice, ownership of a sound recording usually is resolved through a contract between the sound record producer and the musical performer. The latter often assigns his rights to the recording company. Congress, however, has left the matter of ownership to be determined by “the employment relationship and bargaining among the interests involved.”¹³⁰ According to the “works for hire doctrine,” which was adopted from the 1909 Copyright Act, an employer is considered the author of the work unless there has been an alternative arrangement.¹³¹

The protection granted to sound recordings by the Sound Recordings Amendment nevertheless is limited in comparison to the copyright protection granted to the other seven categories of works.¹³² The copyright protection provided for sound recordings is limited to (i)

¹³⁰ See Craig Joyce et al., *supra* note 128 at 205.

¹³¹ Section 201(b) provides:

In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purpose of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all the rights comprised in the copyright.

17 U.S.C. § 201(b).

¹³² Section 102(a) lists the other categories of works:

- (1) literary works;
- (2) musical works, including any accompanying words;
- (3) dramatic works, including any accompanying music;
- (4) pantomimes and choreographic works;
- (5) pictorial, graphic, and sculptural works;
- (6) motion pictures and other audiovisual works;
- (7) sound recordings; and
- (8) architectural works.

17 U.S.C. § 102(a).

protection against duplication only; (ii) no general public performance right, and (iii) no retroactive effect to cover works fixed prior to February 15, 1972.

First, section 106 of the Copyright Act grants the exclusive rights of reproduction, adaptation, distribution, publication, performance, and display to the authors of the other seven categories of works.¹³³ In contrast, the scope of protection for sound recordings only prohibits duplication; the holder of the rights in a sound recording thus could not assert a claim of infringement if another individual recorded an imitation of the same work.¹³⁴ It is important to differentiate between the rights of a sound record producer and the rights on the underlying musical work, however. The composer holds much greater rights than the sound record producer, and successfully could assert an infringement of his reproduction rights against an imitator.

Section 115 further limits the reproduction and adaptation rights for a particular class of musical works – non-dramatic musical works (for example, excluding ballet and opera) – through the creation of a compulsory license.¹³⁵ Under this “mechanical license,” once a song has been publicly distributed, any individual may make a recording of it as long as he pays the mechanical royalties and the recording does not represent a duplication.¹³⁶ Reproduction and distribution of the underlying work, on the other hand, is limited to private, noncommercial

¹³³ 17 U.S.C. § 106.

¹³⁴ Section 114(b) provides:

The exclusive right of the owner of copyright in a sound recording . . . is limited to the right to duplicate the sound recording in the form of phonorecords or copies that directly or indirectly recapture the actual sounds fixed in the recording.

17 U.S.C. § 114(b).

¹³⁵ 17 U.S.C. § 115.

¹³⁶ 17 U.S.C. § 115(a)(1).

purposes.¹³⁷ For example, background music (muzak) would not fall within the exception of section 115. Thus, under the compulsory license provision, explicit permission to record is not necessary because the royalties benefit the copyright owner. Popular songs consistently are covered by the limitation on the reproduction right imposed by section 115.

Secondly, another fundamental limitation on the sound record producers' rights is the lack of a general performance right. As previously described, broadcasters traditionally have been opposed to the grant of copyright protection for sound recordings because such a copyright would interfere with their economic interests. If an owner of a copyright in a sound recording were granted a performance right, the broadcaster would have to pay royalties not only to the owner of the underlying musical work, but also to the performers and the sound record producer. Such a scheme would also greatly complicate the allocation of royalties. Legal scholars indeed have viewed the limited protection afforded by the 1971 Amendment as an essential political compromise that permitted the grant of a copyright protection for sound recordings.¹³⁸

Section 114(a) explicitly states, "The exclusive rights of the owner of copyright in a sound recording are limited to the rights specified by clauses (1), (2), (3) and (6) of section 106, and do not include any right of performance under section 106(4)."¹³⁹ Essentially, when a radio station broadcasts a sound recording of a song, the sound record producer may not claim an infringement of his rights because the copyright for sound recordings does not include a performance right. Any royalties would belong to the copyright owner of the musical work.

In 1995, Congress amended the 1976 Copyright Act by granting a limited performance right in sound recordings.¹⁴⁰ The development of digital technologies had threatened to replace

¹³⁷ *Id.*

¹³⁸ Prof. Lyman Ray Patterson, Lecture on *Subject Matter of Copyright* at the University of Georgia Law School (Aug. 29, 2004).

¹³⁹ 17 U.S.C. § 114(a).

¹⁴⁰ See H.R. REP. NO. 104-274, (1995) (reporting the Digital Performance Right in Sound Recordings Act).

the conventional sound recording industry. Because digital technologies could deliver flawless transmissions to consumers, recording companies feared that consumers would subscribe to a digital audio service rather than purchase tapes and CDs. The concerns revived support for a performance right and ultimately resulted in an amendment of section 106. A newly added subsection (6) grants copyright owners the exclusive right “in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.”¹⁴¹ A revised section 114(d) further regulates digital transmissions; the provision later was modified by the adoption of the Digital Millennium Copyright Act in 1998.¹⁴²

Thirdly, the scope of protection for sound recordings is restricted to recordings made after the effective date of the Sound Recording Amendment of 1971 – February 15, 1972. Section 301(c) provides:

With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2067.¹⁴³

Federal copyright law thus excludes copyright protection for sound recordings fixed prior to February 15, 1972. Such sound recordings will continue to enjoy common law copyright protection until February 2067. Moreover, section 301 mandates federal preemption of state laws regulating sound recordings fixed after the effective date if the state law right is “equivalent to any of the exclusive rights” granted by federal copyright law.¹⁴⁴ State law consequently will

¹⁴¹ 17 U.S.C. § 106(6).

¹⁴² 17 U.S.C. § 1201-1205 (2003). *See infra* text accompanying note 271.

¹⁴³ 17 U.S.C. § 301(c).

¹⁴⁴ 17 U.S.C. § 301(a).

continue to apply to sound recordings fixed after the effective date if the state law provides different protection than the federal statute.

IV. DIGITAL TECHNOLOGY AND RECENT DEVELOPMENTS IN SOUND RECORDING PIRACY LITIGATION

From its inception, developments in copyright law have occurred in response to significant changes in technology. Recent advances in digital technologies have threatened the traditional pre-recorded music market. Such technologies make it possible for consumers to obtain high quality transmissions of any musical work conveniently, without purchasing the legitimate tape or CD. Additionally, consumers with modern home audio equipment can easily download digital transmissions to a home recording format. These recordings can then be replayed or resold.

As a result, the recording industry's concerns that consumers will subscribe to digital audio services rather than purchasing copies of sound recordings are justifiable. The concern is that consumers will increasingly resort to home audio recording as an alternative to purchasing sound recordings through legitimate channels. Congress enacted the Digital Performance Right in Sound Recordings Act (DPRA) in 1995 in an attempt to relieve these concerns.¹⁴⁵ The DPRA supplemented the 1976 Copyright Act by granting an exclusive digital performance right in sound recordings;¹⁴⁶ simultaneously introducing several exemptions to the digital performance right by imposing a complex licensing scheme.¹⁴⁷ This Act was created because new digital technologies, such as digital transmissions over the Internet, were not protected under the pre-existing law. The Act struck a balance between the consumer and the owner of the copyright by allowing a method of compensation to the owner. The Act mandates that online service providers

¹⁴⁵ See *supra* note 140 and accompanying text.

¹⁴⁶ 17 U.S.C. § 106(6).

¹⁴⁷ 17 U.S.C. § 114(d).

and some Web site owners pay digital performance license fees to the record companies for making sound recordings available.

Section IV of this paper will examine some of the more recent online digital forms of sound recording piracy and the resulting litigation. Peer-to-peer file sharing particularly constitutes one of the most popular manifestations of recording piracy today. Before reviewing peer-to-peer file sharing, however, the paper will examine a similar activity in the context of home video recording, so as to show that courts generally have treated modern technology and “personal reproduction” differently in the separate contexts of video and sound recordings.

A. *Sony Corp. of America v. Universal City Studios, Inc.*

Uses of copyrighted materials that qualify as *de minimis* are presumed to be “fair use” under United States copyright law.¹⁴⁸ Nevertheless, a fair use finding is not limited to the *de minimis* doctrine. In the famous “Betamax” case, *Sony Corp. of America v. Universal City Studios, Inc.*,¹⁴⁹ the motion picture studios’ third party liability claims collapsed because the conduct of the consumers who used the defendants’ recording equipment was primarily non-infringing.

The defendants, Sony Corporation and its retailers, manufactured and sold home video tape recorders (VTRs).¹⁵⁰ The plaintiffs, Universal City Studios and Walt Disney Productions, owned the copyrights on television programs that were broadcast on public airwaves.¹⁵¹ The plaintiffs contended that the defendants were liable for copyright infringement allegedly

¹⁴⁸ 17 U.S.C. § 107. The judicial doctrine of fair use promotes reasonable levels of public access to copyrighted works. It is one of the most well established limitations on the exclusive rights of copyright owners.

¹⁴⁹ 464 U.S. 417 (1984).

¹⁵⁰ *Id.* at 422.

¹⁵¹ *Id.* at 421-22.

committed by consumers who used the defendants' VTR equipment to record the plaintiffs' copyrighted works, in violation of the Copyright Act.¹⁵² The plaintiffs sought money damages, an equitable accounting of profits, and an injunction against the manufacture and marketing of the VTRs.¹⁵³ The District Court for the Central District of California denied all relief, holding that noncommercial home use recording of material broadcast over the public airwaves was a fair use of copyrighted works and did not constitute copyright infringement;¹⁵⁴ indeed, the defendants could not be held liable as contributory infringers even if home use of a VTR qualified as an infringing use.¹⁵⁵ The Ninth Circuit Court of Appeals reversed, holding the defendants liable for contributory infringement.¹⁵⁶

The Supreme Court of the United States, on the other hand, concluded that the defendants had demonstrated a significant likelihood that a substantial number of copyright holders who licensed their works for broadcast on television would permit home recordings of such broadcasts for private viewing.¹⁵⁷ Moreover, the plaintiffs had failed to prove that time-shifting¹⁵⁸ would cause nonminimal harm to the potential market for, and value of, their copyrighted works.¹⁵⁹ The defendants' VTR equipment therefore was capable of substantial

¹⁵² *Id.* at 420.

¹⁵³ *Id.*

¹⁵⁴ *Id.* at 425.

¹⁵⁵ *Id.* at 426-27: ". . . Commerce would indeed be hampered if manufacturers of staple items were held liable as contributory infringers whenever they 'constructively' knew that some purchasers on some occasions would use their product for a purpose which a court later deemed, as a matter of first impression, to be an infringement." (quoting from the opinion of the district court, 480 F.Supp. 429, 461 (1979)).

¹⁵⁶ *Id.* at 427-28.

¹⁵⁷ *Id.* at 456.

¹⁵⁸ Time-shifting is the practice of recording a program for future private viewing. *Id.*

¹⁵⁹ *Id.*

non-infringing uses for the purpose of time shifting; sale of the recorders to the general public thereby did not constitute copyright infringement.¹⁶⁰

B. A&M Records, Inc. v. Napster, Inc.

In contrast to the U.S. Supreme Court decision in *Sony*, in *A&M Records, Inc. v. Napster, Inc.*,¹⁶¹ the Ninth Circuit held that peer-to-peer file sharing of sound recordings over the Internet for the purpose of space-shifting represented a copyright infringement. The plaintiffs, corporations engaged in the commercial recording, distribution, and sale of copyrighted music and sound recordings, brought a copyright infringement action, alleging that the defendant was a contributory and vicarious copyright infringer.¹⁶²

Through a peer-to-peer file sharing process, the defendant Napster facilitated the transmission and storage of audio recordings, MP3 files,¹⁶³ on the Internet.¹⁶⁴ Napster

¹⁶⁰ *Id.*

¹⁶¹ 239 F.3d 1004 (9th Cir. 2001).

¹⁶² *Id.* at 1010-11.

¹⁶³ MP3 files pose one of the largest threats to the sound recording industry. See *Online Piracy and Electronic Theft* at <http://www.riaa.com/issues/piracy/online.asp>. The earlier audio digital format, the WAV file (.wav), tended to be cumbersome and slow to download. Bruce Haring, *Sound Advances Open Doors to Bootleggers Albums on Web Sites Proliferate*, USA TODAY, May 27, 1997 at 8D. First created in 1987 to facilitate the storage of audio recordings in a digital format, the MP3 file is much smaller and faster to download. *Napster*, 239 F.3d at 1011. Digital MP3 files are created through a process colloquially called “ripping.” *Id.* Through the ripping process, a computer owner can copy an audio compact disk (“audio CD”) directly onto a computer’s hard drive by compressing the audio information on the CD into the MP3 format. *Id.* The MP3’s compressed format allows for rapid transmission of digital audio files from one computer to another by electronic mail or any other file transfer protocol. *Id.*

¹⁶⁴ *Napster*, 239 F.3d at 1010.

consequently enabled users to (i) make MP3 music files stored on individual computer hard drives accessible for duplication by other Napster users, (ii) search for MP3 music files stored on other users' computers, and (iii) transfer exact copies of the contents of MP3 files from one computer to another via the Internet.¹⁶⁵ Napster's MusicShare software, available free of charge from Napster's Internet site, its network servers, and its server-side software, permitted such transmission.¹⁶⁶ In contrast to many websites, for example, Yahoo, which function more like broadcasting stations, Napster's software also enabled users to interact with each other. Napster further provided technical support for the indexing and searching of MP3 files, as well as for its other functions, including a "chat room," where users could meet to discuss music, and a directory where participating artists could provide information about their music.¹⁶⁷

In order to copy MP3 files through the Napster system, a user first accessed Napster's Internet site and downloaded the MusicShare software to his individual computer.¹⁶⁸ Once the software had been installed, the user could access the Napster system. A first-time user was required to register with the Napster system by creating a user name and password.¹⁶⁹ If a registered user wanted to list files stored in his computer's hard drive on Napster for other users to access, he created a "user library" directory on his computer's hard drive.¹⁷⁰ The user then saved his MP3 files in the library directory, using self-designated file names.¹⁷¹ Next, he logged into the Napster system using his user name and password.¹⁷² His MusicShare software then

¹⁶⁵ *Id.*

¹⁶⁶ *Id.*

¹⁶⁷ *Id.*

¹⁶⁸ *Id.*

¹⁶⁹ *Id.*

¹⁷⁰ *Id.* at 1011-12.

¹⁷¹ *Id.* at 1012.

¹⁷² *Id.*

searched his user library and verified that the available files had been properly formatted.¹⁷³ If the files were in the correct MP3 format, the names of the MP3 files were uploaded from the user's computer to the Napster servers.¹⁷⁴ The content of the MP3 files remained stored in the user's computer.¹⁷⁵

Once uploaded to the Napster servers, the user's MP3 file names were stored in a server-side "library" under the user's name and became part of a "collective directory" of files available for transfer while the user remained logged onto the Napster system.¹⁷⁶ The collective directory was fluid; it tracked users connected in real time, displaying only file names that were immediately accessible.¹⁷⁷

Napster allowed a user to locate other users' MP3 files in two ways: (i) through Napster's search function and (ii) through its "hotlist" function.¹⁷⁸ In order to search the files available from Napster users currently connected to the network servers, the individual user accessed a form in the MusicShare software stored in his computer and entered either the name of a song or an artist as the object of the search.¹⁷⁹ The user then transmitted the form to a Napster server, which immediately compared the requested song or artist name to the MP3 file names listed in the server's search index.¹⁸⁰ Napster's server compiled a list of all MP3 file names pulled from the search index which included the same search terms entered on the search form and

¹⁷³ *Id.*

¹⁷⁴ *Id.*

¹⁷⁵ *Id.*

¹⁷⁶ *Id.*

¹⁷⁷ *Id.*

¹⁷⁸ *Id.*

¹⁷⁹ *Id.*

¹⁸⁰ *Id.*

transmitted the list to the searching user.¹⁸¹ The Napster server did not search the contents of any MP3 file; rather, the search was limited to a text search of the file names.¹⁸² Those file names could contain typographical errors or otherwise inaccurate descriptions of the content of the files because they had been designated by individual users.¹⁸³

In order to use the “hotlist” function, the user created a list of other users’ names from whom he had obtained MP3 files in the past.¹⁸⁴ As long as the user was logged onto Napster’s servers, the system alerted him if any user on his list also was logged onto the system.¹⁸⁵ If so, the user could access all MP3 file names in a particular hotlisted user’s library and request a file in the library by selecting the file name.¹⁸⁶ Notably, however, the contents of users’ MP3 files were stored in the users’ computers, not on the Napster system.¹⁸⁷ Consequently, in order to transfer a copy of the contents of a requested “hotlisted” MP3 file, the Napster server software had to obtain the Internet addresses of both the requesting user and “host user.”¹⁸⁸ The Napster servers then communicated the host user’s Internet address to the requesting user.¹⁸⁹ The requesting user’s computer used this information to establish a connection with the host user and download a copy of the contents of the MP3 file from the host user’s computer to the requested user’s computer over the Internet – “peer-to-peer.”¹⁹⁰ Once downloaded, the user could replay

¹⁸¹ *Id.*

¹⁸² *Id.*

¹⁸³ *Id.*

¹⁸⁴ *Id.*

¹⁸⁵ *Id.*

¹⁸⁶ *Id.*

¹⁸⁷ *Id.*

¹⁸⁸ *Id.*

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

the MP3 file directly from his own computer or transfer the contents onto an audio CD.¹⁹¹ The technical configuration of Napster is described in details to facilitate the understanding of the mechanical process of transmissions as opposed to their content.

The District Court granted a preliminary injunction to the plaintiffs.¹⁹² On appeal, the defendant did not contest the District Court's finding that its users were engaged in wholesale reproduction and distribution of copyrighted works;¹⁹³ it instead raised the issue of fair use.¹⁹⁴ The Ninth Circuit found no error in the District Court's conclusions that the plaintiffs could successfully establish (i) that the defendant's users could not assert a fair use defense, (ii) the defendant's liability for contributory copyright infringement, and (iii) the defendant's liability for vicarious copyright infringement.

Napster tried to introduce the *Sony* doctrine by asserting the affirmative defenses of fair use and substantial non-infringing use through (i) space shifting, (ii) advertisement for new bands, (iii) sampling, and (iv) sending of voice messages.¹⁹⁵ According to Napster, if time shifting could constitute a fair use, then space shifting (access to MP3 files located on one's personal computer from another computer at a different location) also should represent a fair use.¹⁹⁶ Because Napster had been configured to facilitate only the transfer of MP3 files, however, it was difficult to prove other substantial non-infringing uses, and the Ninth Circuit ultimately refused to find substantial non-infringing use.¹⁹⁷ Without a finding of fair use, Napster could not avoid liability for contributory copyright infringement.

¹⁹¹ *Id.*

¹⁹² *Id.* at 1011.

¹⁹³ *Id.* at 1013.

¹⁹⁴ *Id.* at 1014.

¹⁹⁵ *Id.* at 1017-19.

¹⁹⁶ *Id.* at 1019.

¹⁹⁷ *Id.*

Essentially, the key distinction between the *Sony* and *Napster* cases that prevented the application of *Sony* doctrine in *Napster* is that Napster had continuing control of the technology. Once a VTR had been sold, Sony lost control over its use. Napster, on the other hand, maintained and supervised an integrated system that users had to access in order to upload or download files. Courts distinguish the protection that the *Sony* doctrine affords to the manufacture and sale of a device from scenarios where a defendant continues to exercise control over the device's use. Given Napster's ongoing control over its service, as opposed to the mere manufacture and sale in *Sony*, the more widespread use such as space shifting did not preclude a finding of copyright infringement.

The Ninth Circuit also held that Napster's other asserted non-infringing uses were insufficient to support a finding of fair use.¹⁹⁸ Napster's primary role in facilitating the unauthorized duplication and distribution of established artists' songs rendered *Sony* inapplicable.

Since *Napster* numerous peer-to-peer services have emerged, including Aimster, KaZaA and Grokster (using the Fast Track network), and Morpheus (using the Gnutella network).¹⁹⁹ It has proven more difficult though to regulate them²⁰⁰ because of their different network architecture, which does not require a centralized server to process search requests and

¹⁹⁸ *Id.*

¹⁹⁹ Roger Parloff, *From Betamax to Kazaa: The Real War Over Piracy*, FORTUNE MAG., October 13, 2003, available at <http://lists.jammed.com/politech/2003/10/0077.html>.

²⁰⁰ *Id.* Parloff explains that a key to the inapplicability of the *Sony* doctrine in *Napster* was the fact that Napster was a service, with an ongoing relationship with its users. While Sony could not patrol what its end users did, Napster could. Napster kept indexes of all the file names its users were trading on centralized servers on its premises. In contrast to Napster, in the decentralized peer-to-peer services each activity is handled by a different individual, there is no continuing control exercised by the online service providers and that might give the service providers a better legal defense to a charge of infringement.

downloads, such that each user's computer acts as a search engine.²⁰¹ Nonetheless, such peer-to-peer systems have been targeted in anti-piracy campaigns, including legal action initiated by the Recording Industry association of America (RIAA).²⁰²

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

Similarly to *Napster*, in *UMG Recordings, Inc. v. MP3.com, Inc.*²⁰³ the court held that defendant's My.MP3.com service infringes plaintiffs' copyrights in various sound recordings. The plaintiff record companies sued the defendant MP3.com for copyright infringement, alleging that the defendant had copied the plaintiffs' recordings onto its computer servers and replayed the recordings for its subscribers. Defendant claimed in advertisements that this service permitted users to store and listen to their CDs from any location at which they could access the Internet. To operate this service, defendant purchased a large number of CD's containing plaintiffs' sound recordings, converted them to MP3 files, and stored these MP3 files on its servers.²⁰⁴ A user wishing to access any of the songs contained in these files was first required either to demonstrate to defendant that it owned a CD containing the song in question (by

²⁰¹ It is notable that in the Netherlands, the Amsterdam Court of Justice found in favor of KaZaA against Buma Stemra, a Dutch music rights organization. The court held that KaZaA was not liable for individuals' abuse of its file sharing software. Reuters, *KaZaA Gets the Green Light*, Wired News, March 28, 2002 at <http://www.wired.com>.

²⁰² World Intellectual Property Organization, *Intellectual Property on the Internet Survey 2002*, at <http://www.ecommerce.wipo.int/survey/index.html> (last visited January 2004). See also *Kazaa Denies Copyright Infringement Claims; Developer Says P2P No Different Than HTTP*, 7 Electronic Commerce and Law Report 99 (2002).

²⁰³ 92 F.Supp.2d 349 (S.D.N.Y 2000).

²⁰⁴ *Id.* at 350.

inserting the CD into its computer), or to purchase the CD from a designated online vendor.²⁰⁵ Once the user satisfied this requirement, he was permitted for free to access the MP3 file resident on defendant's server, which MP3 file had been created from plaintiffs' CDs.

The defendant argued that it basically provided storage service for the subscribers' CDs;²⁰⁶ however, the court held that defendant's act of converting plaintiffs' CDs into MP3 files, and providing access to these files to users in the manner outlined above, infringed plaintiffs' copyrights in these sound recordings.²⁰⁷

The court rejected defendant's argument that this was a fair use of plaintiffs' sound recordings.²⁰⁸ In reaching this conclusion, the court held that: (i) defendant's use was commercial (defendant intended to sell advertising on its site once it had adequate user traffic)²⁰⁹ and not transformative (the defendant merely re-transmitted the unauthorized copies in a different medium)²¹⁰, (ii) the protected work was close to the core of those intended to receive copyright protection²¹¹, (iii) defendant had copied virtually all of plaintiffs' works²¹², and (iv) by its actions, adversely impacted plaintiffs' ability to license their works in this fashion.²¹³ All four of the factors traditionally used to assess fair-use defenses thus disfavored MP3.com.

The defendant contended that its activities actually enhanced the plaintiffs' sales because subscribers could not gain access to the recordings on MP3.com servers without purchasing the

²⁰⁵ *Id.*

²⁰⁶ *Id.*

²⁰⁷ *Id.*

²⁰⁸ *Id.*

²⁰⁹ *Id.* at 351.

²¹⁰ *Id.*

²¹¹ *Id.*

²¹² *Id.* at 352.

²¹³ *Id.*

commercial CD versions, the court found the argument unpersuasive.²¹⁴ The court emphasized that the defendant could not interfere with the plaintiffs' future market by alleging positive influence on plaintiffs' past sales.²¹⁵ Finally, in response to the defendant's assertion that it provided a worthwhile service to consumers that otherwise would be dominated by pirates, the court said that copyright "is not designed to afford consumer protection or convenience but, rather, to protect the copyright holders' property interests."²¹⁶ Judge Rakoff found that MP3.com's behavior had constituted "willful" copyright infringement and ordered the defendant to pay UMG \$25,000 per copied CD. Total damages under this formula thus exceeded \$250 million. The ruling acted as a deterrent to other firms considering innovative ways of distributing digital music.²¹⁷

D. RealNetworks, Inc. v. Streambox, Inc.

*RealNetworks, Inc. v. Streambox, Inc.*²¹⁸ involved another manifestation of Internet sound recording piracy. More significantly, the case demonstrated the means by which innovations in technology may offer alternative methods of protection to copyright owners. The plaintiff, RealNetworks, developed and marketed software products designed to enable copyright owners to send the content of their audio, video, and other multimedia works to users over the

²¹⁴ *Id.*

²¹⁵ *Id.* According to the court, even if the plaintiffs previously had not participated in the new market, they retained the exclusive right, derived from the U.S. Constitution and the Copyright Act, to determine the evolution of the new market, either by denying a reproduction license or by conditioning a license on their own terms.

²¹⁶ *Id.*

²¹⁷ William Fisher, *Digital Music: Problems and Possibilities*, (October 10, 2000), available at <http://www.law.harvard.edu/faculty/tfisher/Music.html> (last visited July 4, 2004).

²¹⁸ No. C99-2070P, 2000 U.S. Dist. LEXIS 1889 (W.D. Wash. Jan. 18, 2000).

Internet.²¹⁹ The products, specifically the “RealProducer,” the “RealServer,” and the “RealPlayer,” facilitated the distribution and retrieval of digital audio and video content over the Internet through the streaming process.²²⁰

The concept of “streaming” is central in *RealNetworks*. Streaming is a self-deleting process by which audio and video passes over a computer network without leaving any physical file which can be recorded or otherwise used in violation of copyright restrictions unless the content owner has authorized the consumer to download the file.²²¹ In short, streaming is one of the innovative technologies designed to prevent unauthorized audio and video duplication since no trace of the clip remains on the consumer’s computer.

Streaming is different from “downloading,” a process by which a complete copy of an audio or video work is delivered to and stored on a consumer's computer.²²² Because a downloaded copy of a digital audio or video file is essentially indistinguishable from the original, once a consumer has downloaded a file, he or she can easily create additional copies of the file for redistribution to third parties.²²³ A consumer who downloads a digital file in order to create and redistribute copies creates a tenuous market situation, as sales of the counterfeit product could negatively impact sales of the original work.²²⁴ To guard against the unauthorized duplication and redistribution of their works, many copyright owners therefore distribute their works through streaming rather than allowing their intellectual property to be downloaded.²²⁵ A

²¹⁹ *Id.* at *3.

²²⁰ *Id.* at *4.

²²¹ *Id.* at *3.

²²² *Id.* at *3-4.

²²³ *Id.* at 4.

²²⁴ *Id.*

²²⁵ *Id.*

majority of Internet servers delivering music or video through the streaming process make use of the RealNetworks format.²²⁶

For example, using RealProducer, a content owner encodes audio or video content into digital RealNetwork format, called "RealAudio" or "RealVideo" files (collectively "RealMedia" files).²²⁷ The content owner then distributes the RealMedia files to consumers by means of either a RealServer or an ordinary web server.²²⁸ The RealServer, a software program installed in a content owner's computer, holds RealMedia files and "serves" them to consumers through streaming.²²⁹ Finally, the end-user may download content from an ordinary web server using an Internet browser such as Netscape's Navigator or Microsoft's Internet Explorer in conjunction with a RealPlayer plugin.²³⁰ RealPlayer is a software program installed on an end-user's computer, which can work in conjunction with or independently from the user's browser to access and play a streaming RealMedia file sent from a RealServer.²³¹

RealNetworks products thus enable content owners to make their audio and video works available to consumers. Simultaneously, RealNetworks utilizes a number of security measures to protect the content against unauthorized access or duplication.²³²

The first security measure, the "Secret Handshake," an authentication sequence known only to RealServers and RealPlayers, ensures that media files hosted by a RealServer will only

²²⁶ *Id.*

²²⁷ *Id.* at *4-5.

²²⁸ *Id.* at *5.

²²⁹ *Id.*

²³⁰ *Id.*

²³¹ *Id.*

²³² *Id.* at *6.

be sent to a RealPlayer.²³³ Unless the authentication sequence occurs, a RealServer will not stream the requested content.²³⁴

Secondly, the "Copy Switch" is a data in all RealMedia files that contains the content owner's preference regarding whether or not the streamed content may be copied by end-users.²³⁵ RealPlayers are designed to read this Copy Switch and obey the content owner's wishes.²³⁶ If a content owner activates the Copy Switch in a particular RealMedia file, an end-user may use the RealPlayer to save a copy of the streamed RealMedia file to the user's computer.²³⁷ If a content owner does not activate the Copy Switch in a particular RealMedia file, the RealPlayer will not allow an end-user to make a copy of that file.²³⁸ The file will simply "evaporate" as it is streamed.²³⁹ Therefore, through the use of the Secret Handshake and the Copy Switch, owners of audio and video content may selectively prevent unauthorized duplication.²⁴⁰

By making content available on their websites, copyright owners are better able to attract consumers to their sites and expose them to advertisements.²⁴¹ The success of RealNetworks, therefore, depends on preventing users from circumventing the RealNetworks security measures. If consumers could create unauthorized copies of the audio or video content, many copyright

²³³ *Id.*

²³⁴ *Id.*

²³⁵ *Id.*

²³⁶ *Id.*

²³⁷ *Id.* at *6-7.

²³⁸ *Id.* at *7.

²³⁹ *Id.*

²⁴⁰ *Id.*

²⁴¹ *Id.*

owners would not make their content available to end-users.²⁴² Thus, a copyright owner could lose the traffic generated by his or her content without RealNetworks' security measures.²⁴³ RealNetworks' technology enables end-users to listen to, but not record, music that is on sale either at a website or in retail stores.²⁴⁴ Other digital technology enables users to listen to content on a "pay-per-play" basis that requires an end-user to pay each time he or she listens to the content.²⁴⁵ Without the security measures afforded by RealNetworks, these methods of distribution could not succeed. End-users could make and redistribute digital copies of any content available on the Internet, undermining the market for the original copyrighted work.²⁴⁶ Indeed, RealNetworks' success as a company is due in significant part to the fact that it has offered copyright owners a successful means of protecting against unauthorized duplication and distribution of their digital works.²⁴⁷

The defendant, Streambox, provided software products for processing and recording audio and video content, including but not limited to content that was streamed over the Internet.²⁴⁸ Streambox also maintained a searchable database of Internet web addresses of various audio and video offerings on the Internet.²⁴⁹ The Streambox products at issue were the "Streambox VCR," the "Ripper," and the "Ferret."²⁵⁰

²⁴² *Id.* at *8.

²⁴³ *Id.*

²⁴⁴ *Id.*

²⁴⁵ *Id.*

²⁴⁶ *Id.*

²⁴⁷ *Id.* at *8-9.

²⁴⁸ *Id.* at *10.

²⁴⁹ *Id.*

²⁵⁰ *Id.*

The Streambox VCR enabled end-users not only to access RealMedia files streamed over the Internet, but also to download them.²⁵¹ While Streambox VCR also allowed users to copy RealMedia files that had been made freely available for downloading from ordinary web servers, the more controversial function of the VCR allowed users to copy and access RealMedia files located on RealServers.²⁵² The Streambox VCR mimicked a RealPlayer and circumvented the authentication procedure, or Secret Handshake, that a RealServer required before it would stream content.²⁵³ In other words, the Streambox VCR was able to convince the RealServer into thinking that the VCR was, in fact, a RealPlayer.²⁵⁴ Thus, the RealServer began streaming content, but unlike the RealPlayer, the VCR ignored the Copy Switch that told a RealPlayer whether an end-user was allowed to make a copy of (i.e., download) the RealMedia file as it was being streamed.²⁵⁵ The VCR thus allowed the end-user to download RealMedia files even if the content owner had used the Copy Switch to prohibit end-users from downloading the files.²⁵⁶ The Streambox VCR circumvented the Secret Handshake and interacted with a RealServer so as to allow an end-user to access and make copies of content that a copyright holder had placed on a RealServer in order to secure it against unauthorized copying.²⁵⁷

Streambox VCR was comparable to a “black box” which descrambled cable or satellite broadcasts so that viewers could watch paid programming for free.²⁵⁸ Like the cable and satellite companies that scrambled their video signals to control access to their programs, RealNetworks

²⁵¹ *Id.*

²⁵² *Id.*

²⁵³ *Id.* at *10-11.

²⁵⁴ *Id.* at *11.

²⁵⁵ *Id.*

²⁵⁶ *Id.*

²⁵⁷ *Id.*

²⁵⁸ *Id.* at *11-12.

had employed technological measures to ensure that only users of the RealPlayer could access RealMedia content placed on a RealServer.²⁵⁹ RealNetworks had gone one step further than the cable and satellite companies, not only controlling access, but also allowing copyright owners to specify whether or not their works could be copied by end-users, even if access had been permitted.²⁶⁰ The Streambox VCR circumvented both the access control and copy protection measures.²⁶¹

The Streambox VCR should be distinguished from a third-party product sold by RealNetworks called GetRight.²⁶² GetRight enabled end-users to download RealAudio files that had been placed on a web server, but not RealAudio files that had been placed on a RealServer.²⁶³ A copyright owner that placed a RealMedia file onto a web server instead of a RealServer did not make use of the protections offered by the RealNetworks security system.²⁶⁴ Thus, when GetRight was used to obtain such a file, it need not and did not circumvent RealNetworks' access control and copyright protection measures.²⁶⁵ GetRight could not access materials available from a RealServer because it could not perform the requisite Secret Handshake.²⁶⁶ Unlike GetRight, the Streambox VCR circumvented the Secret Handshake and enabled users to make digital copies of content that the copyright owner had indicated that should not be copied.²⁶⁷

²⁵⁹ *Id.* at *12.

²⁶⁰ *Id.*

²⁶¹ *Id.*

²⁶² *Id.*

²⁶³ *Id.*

²⁶⁴ *Id.*

²⁶⁵ *Id.*

²⁶⁶ *Id.* at *12-13.

²⁶⁷ *Id.* at *13.

Once an unauthorized, digital copy of a RealMedia file was created it could be redistributed to others at the touch of a button.²⁶⁸ Thus the Streambox VCR posed a threat to RealNetworks' relationships with existing and potential customers who wished to secure their content for transmission over the Internet and must decide whether to purchase and use RealNetworks' technology.²⁶⁹ If the Streambox VCR remained available, these customers likely would have opted not to utilize RealNetworks' technology, believing that it would not protect their content against unauthorized copying.²⁷⁰

The plaintiff RealNetworks basically claimed that the defendant Streambox had violated the Digital Millennium Copyright Act (DMCA)²⁷¹, by distributing and marketing certain products that allegedly infringed upon a copyright held by plaintiff and sought a preliminary injunction to prevent defendant's continued manufacture, distribution, and sale of the products. The Digital Millennium Copyright Act (DMCA), passed by Congress in 1998 in response to concerns that existing copyright law was not up to the task of protecting intellectual property in a digital world, has anti-circumvention provisions that assist copyright owners who use technology to protect their works from copying. The law, aimed at restraining Internet piracy, made it illegal to break the digital locks protecting copyrighted material.

Section 1201(a)(1)(A) provides that “[n]o person shall circumvent a technological measure that effectively controls access to a work”²⁷² Section 1201(a)(2) mandates:

²⁶⁸ *Id.*

²⁶⁹ *Id.*

²⁷⁰ *Id.*

²⁷¹ 17 U.S.C. § 1201-1205 (2003).

²⁷² 17 U.S.C. § 1201(a)(1)(A).

No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that –

(A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;

(B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or

(C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title.²⁷³

The DMCA defines the term “to circumvent a technological measure” as the ability “to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner.”²⁷⁴ Under the statute, a technological measure moreover “effectively controls access to a work if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work.”²⁷⁵

Under the three-part test adopted by the *RealNetworks* court, a defendant violated the DMCA if the defendant’s activity (i) primarily had been designed to serve a circumvention function, (ii) had only limited commercially significant purposes beyond the circumvention, or

²⁷³ 17 U.S.C. § 1201(a)(2).

²⁷⁴ 17 U.S.C. § 1201(a)(3)(A).

²⁷⁵ 17 U.S.C. § 1201(a)(3)(B).

(iii) had been marketed as a means of circumvention.²⁷⁶ The court applied the test in the disjunctive; thereby, satisfaction of any one of the three bases was sufficient to impose liability on a defendant.²⁷⁷

The court found that Streambox VCR sufficiently fulfilled at least the first two bases. First, at least one primary function of the Streambox VCR had been to circumvent the access control and copy protection measures that RealNetworks afforded to copyright owners.²⁷⁸ Secondly, the function that permitted circumvention had no commercially significant purpose other than to enable users to access and record protected content.²⁷⁹

The defendant Streambox argued that the VCR allowed consumers to make “fair use” copies of RealMedia files.²⁸⁰ However, the court concluded that Streambox was not entitled to the same “fair use” protection the U.S. Supreme Court had afforded video cassette recorders used for “time shifting” in *Sony*.²⁸¹ In contrast to the situation in *Sony*, where the court had held that a substantial number of copyright holders would not object to having their works time-shifted, copyright owners actively sought to prevent the duplication enabled by the Streambox VCR by placing their content on RealServers and choosing to turn off the Copy Switch.²⁸²

Moreover, the leading treatise on copyright law suggested that, after the enactment of the DMCA:

[T]hose who manufacture equipment and products generally can no longer gauge their conduct as permitted or forbidden by reference to the *Sony* doctrine. For a

²⁷⁶ *RealNetworks*, 2000 U.S. Dist. LEXIS 1889, at *20.

²⁷⁷ *Id.*

²⁷⁸ *Id.* at *20-21.

²⁷⁹ *Id.* at *21.

²⁸⁰ *Id.*

²⁸¹ *Id.* at *22.

²⁸² *Id.*

given piece of machinery might qualify as a staple item of commerce, with a substantial noninfringing use, and hence be immune from attack under *Sony's* construction of the Copyright Act – but nonetheless still be subject to suppression under Section 1201. . . . [E]quipment manufacturers in the twenty-first century will need to vet their products for compliance with Section 1201 in order to avoid a circumvention claim, rather than under *Sony* to negate a copyright claim.”²⁸³

RealNetworks demonstrated that technology itself may not always offer an effective measure of protection; the law particularly may play an important role when an individual attempts to circumvent technological protections.²⁸⁴

²⁸³ 1 NIMMER ON COPYRIGHT (1999 Supp.), § 12A.18[B] (quoted in *RealNetworks*, 2000 U.S. Dist. LEXIS 1889, at *23).

²⁸⁴ For recent developments and reflections on technological protections against sound recording piracy *see* chapter VI of this paper. *RealNetworks. v. Streambox* was settled out of court as a result of nine-month legal battle. As part of the deal, Streambox agreed to obey RealNetworks’ copyrights when developing new products, and more specifically, to modify its Streambox VCR to respect the copyrights of the RealPlayer.

V. REMEDIES UNDER UNITED STATES FEDERAL LAW AGAINST SOUND RECORDING PIRACY

Federal law provides a broad range of remedies for a successful plaintiff in a copyright infringement action, such as sound recording piracy. Available remedies include non-monetary relief (preliminary and permanent injunctions, impoundment, and disposition of infringing works), and monetary relief (actual damages, profits and statutory or “in lieu” damages). In addition to the remedies available against sound recording piracy in a civil action, the government may also subject an infringer to criminal penalties.

A. Non-Monetary Relief

Under § 502(a) of the Copyright Act, a district court may grant temporary and final injunctive relief “on such terms as it may deem reasonable to prevent or restrain an infringement of a copyright.”²⁸⁵ Injunctive relief is subject to the discretion of the court. The general principles governing this equitable remedy are: (i) a showing of irreparable harm, (ii) weighing the threatened injury to the plaintiff against the harm an injunction might inflict on the defendant, and (iii) in the case of preliminary relief, the reasonable likelihood of the plaintiff’s success.²⁸⁶ In granting injunctive relief in copyright infringement cases, courts frequently presume the presence of irreparable harm.²⁸⁷

²⁸⁵ 17 U.S.C. § 502(a).

²⁸⁶ *Id.*

²⁸⁷ See Sheldon W. Halpern et al., *Copyright, Trademark and Patent*, in FUNDAMENTALS OF UNITED STATES INTELLECTUAL PROPERTY LAW 161 (Kluwer Law International, ed., 1999).

A majority of the Courts of Appeals moreover employs a standard four-part preliminary injunction test, which considers the following factors:

- i. the significance of the threat of irreparable harm to the plaintiff if an injunction is not granted;
- ii. the balance between the harm to the plaintiff and the injury that granting the injunction would inflict on the defendant;
- iii. the probability that the plaintiff would succeed on the merits; and
- iv. promotion of the public interest.²⁸⁸

Once a district court finds copyright infringement, the court does not retain broad discretion to deny injunctive relief on general public interest grounds; however, the court does have broad discretion to balance the harm.²⁸⁹ In *Campbell v. Acuff-Rose*,²⁹⁰ the United States Supreme Court noted the propriety of public interest consideration in granting injunctive relief, especially where serious questions of fair use arise. The Court stated:

[W]hile in the “vast majority of cases, [an injunctive] remedy is justified because most infringements are simple piracy,” such cases are “worlds apart from many of those raising reasonable contentions of fair use” where “there may be a strong public interest in the publication of the secondary work [and] the copyright owner’s interest may be adequately protected by an award of damages for whatever infringement is found.”²⁹¹

²⁸⁸ See, e.g., *Atari, Inc. v. North American Philips Consumer Electronics Corp.*, 672 F.2d 607 (7th Cir. 1982).

²⁸⁹ See *Abend v. MCA, Inc.* 863 F.2d 1465, 1479 (9th Cir.1988). The court found that special circumstances might cause “great injustice” to defendants and “public injury” if injunctions were issued.

²⁹⁰ 510 U.S. 569 (1994).

²⁹¹ *Id.* at 578 (citing *Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988)).

If a plaintiff in an infringement action ultimately prevails, he then may be entitled to a permanent injunction.²⁹² A permanent injunction may prohibit future infringements of existing works already registered in the Copyright Office.

Impoundment and disposition are two other non-monetary forms of equitable remedies available to a plaintiff under the Copyright Act. A court may order, at any time while an action is pending, “the impounding, on such terms as it may deem reasonable, of all copies or phonorecords claimed to have been made or used in violation of the copyright owner’s exclusive rights, and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced.”²⁹³

In addition, section 503(b) of the 1976 Copyright Act provides that a court may order “the destruction or other reasonable disposition” of both the infringing articles and the equipment used to produce them.²⁹⁴ By “other reasonable disposition,” the provision contemplates sale to the public, delivery to the plaintiff, or other disposition that would avoid needless waste and best serve the ends of justice.²⁹⁵ For example, some courts have suggested the charitable donation of the infringing articles for distribution to poor children.²⁹⁶ Finally, while destruction is an available remedy, courts generally have not favored it.²⁹⁷

²⁹² 17 U.S.C. § 502(a).

²⁹³ 17 U.S.C. § 503(a).

²⁹⁴ 17 U.S.C. § 503(b).

²⁹⁵ Halpern et al., *supra* note 287 at 169.

²⁹⁶ Joyce et al., *supra* note 128 at 992.

²⁹⁷ *See* Halpern et al., *supra* note 287 at 168-169.

B. Damages

Section 504 of the Copyright Act represents the cornerstone of the remedies section of the act, and it deals with the recovery of actual damages, profits, and statutory damages. The section provides:

The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages . . .²⁹⁸

Courts have defined actual damages as “the extent to which the market value of a copyrighted work has been injured or destroyed by an infringement.”²⁹⁹ Many courts support the view that a plaintiff’s actual damages may include the reasonable license fee on which a willing buyer and seller would have agreed for the use taken by the infringer. Actual damages may also include profits lost by the plaintiff as a result of the infringement, as well as any non-duplicative profits of the infringer.³⁰⁰

On the other hand, a plaintiff may only recover profits that are not taken into account when computing actual damages. Section 504(b) recognizes the different purposes served by awards of damages and profits. Damages compensate a copyright owner for losses from the infringement, while profits prevent the infringer from unfairly benefiting from a wrongful act. When a defendant’s profits are comparable to the damages suffered by a copyright owner, it is

²⁹⁸ 17 U.S.C. § 504(b).

²⁹⁹ *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 512 (1985).

³⁰⁰ See Sheldon W. Halpern et al., *supra* note 287 at 162-163.

not appropriate to award damages and profits cumulatively.³⁰¹ However, when a copyright owner has suffered damages that are not reflected in the infringer's profits, or profits attributable to the copyrighted work have not been used as a measure of damages, the award of both damages and profits is afforded.³⁰²

In either scenario, the defendant carries the burden of proof. In order to establish profits, the plaintiff must only prove the infringer's gross revenue; the defendant has to prove deductible expenses and any profit attributable to factors other than the copyrighted work.³⁰³ In proving an infringer's gross revenues, the plaintiff's counsel must be careful to show that the figures offered in evidence are derived solely from the sale of the infringing product. The questions of the nature and amount of appropriate deductions, as well as the allocation of profits to infringing and non-infringing activity, are difficult and complex.

Moreover, in order to satisfy his burden of proof, an infringer does not necessarily have to proffer exact proof; the court ultimately will make such apportionment as it deems proper. In *Cream Records, Inc. v. Joseph Schlitz Brewing Co.*,³⁰⁴ the court stated:

[W]here it is clear that . . . not all of the profits are attributable to the infringing material, the copyright owner is not entitled to recover all of those profits merely because the infringer fails to establish with certainty the portion attributable to the non-infringing elements.³⁰⁵

³⁰¹ H.R. REP. NO. 94-1476 at 161.

³⁰² *Id.*

³⁰³ 17 U.S.C. § 504(b).

³⁰⁴ 754 F.2d 826 (1985).

³⁰⁵ *Id.* at 828.

It is not always easy to prove actual damages, even when infringement is clearly established. The Copyright Act consequently provides an alternative monetary remedy, statutory damages, in lieu of proven actual damages. Under § 504(c)(1), a plaintiff may elect to recover statutory damages at any time during the trial before the court has rendered a final judgment.³⁰⁶ The allowance of statutory damages is unique to copyright law.³⁰⁷ Statutory damages cannot be recovered for patent, trademark, or trade secret infringement.³⁰⁸ However, this alternative monetary relief is not available for infringement, which commenced after the first publication of a work and prior to the effective date of its registration “unless such registration is made within three months after the first publication of the work.”³⁰⁹ Statutory damages also cannot be awarded for “any infringement of copyright in an unpublished work commenced before the effective date of its registration.”³¹⁰

The Copyright Act further establishes general rates applicable to awards of statutory damages. Generally, when a plaintiff elects to recover statutory damages for infringement with respect to any one work, the recoverable range is between \$750 and \$30,000.³¹¹ The court has discretion to award any amount within that range. Where multiple acts of infringement are involved on more than one separate and independent work³¹², statutory damages for each work must be awarded. Each work infringed may form the basis of only one award, regardless of the

³⁰⁶ 17 U.S.C. § 504(c)(1).

³⁰⁷ See Craig Joyce et al., *supra* note 128 at 1009.

³⁰⁸ *Id.*

³⁰⁹ 17 U.S.C. § 412(2).

³¹⁰ 17 U.S.C. § 412(1).

³¹¹ 17 U.S.C. § 504(c)(1). (The higher amounts are the result of statutory amendments adopted by Congress in 1999).

³¹² For the purposes of statutory damages recovery, all the parts of a compilation or derivative work constitute one work. See 17 U.S.C. § 504(c)(1).

number of separate infringements on that work.³¹³ For example, if a defendant has infringed three copyrighted works, the copyright owner may be awarded statutory damages anywhere between the range of \$2,250 and \$90,000. Under the Copyright Act, two or more joint tortfeasors who have infringed a copyrighted work are jointly and severally liable for an amount within the \$750-\$350,000 range.³¹⁴ However, when two or more defendants in the same action have committed separate infringements, for which the defendants are not jointly liable, separate awards of statutory damages are appropriate.³¹⁵

In certain exceptional cases, section 504(c)(2) grants courts the discretion to award statutory damages above the maximum amount in cases of willful infringement and below the minimum amount where an infringer is innocent.³¹⁶ The burden of proving willfulness rests on the copyright owner, while the burden of proving innocence rests on the infringer. Courts may raise the maximum amount of statutory damages from \$30,000 to \$150,000, and reduce the minimum amount from \$750 to \$250.³¹⁷

Within the meaning of § 504(c)(2), “willful” means “with knowledge that the defendant’s conduct constitutes copyright infringement.”³¹⁸ Under the statutory scheme, willfulness has a specialized meaning. It requires knowledge that the act constitutes infringement, or action in reckless disregard of the copyright owner’s rights.³¹⁹

³¹³ See *Columbia Pictures TV v. Krypton Broadcasting, Inc.*, 106 F.3d 284, 294 (1997).

³¹⁴ 17 U.S.C. § 504(c)(1).

³¹⁵ *Id.*

³¹⁶ 17 U.S.C. § 504(c)(2).

³¹⁷ *Id.*

³¹⁸ See 4 NIMMER ON COPYRIGHT §1404(B) (1989).

³¹⁹ Halpern et al., *supra* note 287 at 169.

Willfulness, under [the] statutory scheme, has a rather specialized meaning. . .“In other contexts [‘willfulness’] might simply mean an intent to copy, without necessarily an intent to infringe. It seems clear that as here used, ‘willfully’ means with knowledge that the defendant’s conduct constitutes copyright infringement. Otherwise, there would be no point in providing specially for the reduction of minimum awards in the case of innocent infringement, because any infringement that was nonwillful would necessarily be innocent. This seems to mean, then, that one who has been notified that his conduct constitutes copyright infringement, but who reasonably and in good faith believes the contrary, is not ‘willful’ for these purposes.”³²⁰

In cases where an infringer is innocent and proves that he “was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than \$200.”³²¹ In certain special circumstances, where an infringer had reasonable belief that the act of infringement was a fair use and the infringer is an employee or agent of a non-profit educational institution, library, or archive, or where the infringement was of a performance transmitted by a public broadcasting entity, the court is precluded from awarding any statutory damages.³²²

Even though the Copyright Act refers to the court’s discretion in determining the amount of statutory damages, a conflict developed among the circuit courts as to the right of the parties in an infringement action to a jury trial with respect to the amount of statutory damages. In

³²⁰ *Princeton Univ. Press v. Michigan Document Servs.*, 99 F.3d 1381, 1392 (1996), *cert. denied*, 117 S.Ct. 1336 (1997) (quoting 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 14.04(B)(3) (1996)).

³²¹ 17 U.S.C § 504(c)(2).

³²² 17 U.S.C. § 504(c)(2).

1998, the United States Supreme Court resolved the conflict in *Feltner v. Columbia Pictures Television, Inc.*,³²³ stating, “[T]he Seventh Amendment provides a right to a jury trial on all issues pertinent to an award of statutory damages under Section 504(c) of the Copyright Act, including the amount itself.”³²⁴

Costs and attorney’s fees may be recovered in a suit for copyright infringement at the court’s discretion.³²⁵ Recovery of full costs is afforded by or against any party (other than the United States or an officer thereof) and reasonable attorney’s fees may be awarded to the prevailing party as part of the costs.³²⁶ The copyright must be registered in order for the prevailing plaintiff to be able to recover attorney’s fees (but not costs), the same way registration is a requisite for recovery of statutory damages.³²⁷

The prevailing party, plaintiff or defendant, is the party who was successful at the conclusion of all proceedings, not just the trial on the merits.³²⁸ There has been a disagreement among the circuit courts as to whether the standard for determining a prevailing plaintiff and a prevailing defendant should be the same. In 1994, the United States Supreme Court resolved the disagreement in *Fogerty v. Fantasy, Inc.*³²⁹ The Supreme Court refused to follow lower court precedent supporting favored treatment for plaintiffs on the issue of attorney’s fees and held that Congress intended no such disparity between plaintiffs and defendants when it permitted the court award of reasonable fees to the prevailing party. The Court explained:

³²³ 523 U.S. 340 (1998).

³²⁴ *Id.* at 355.

³²⁵ 17 U.S.C. § 505.

³²⁶ *Id.*

³²⁷ 17 U.S.C. § 412.

³²⁸ Halpern et al., *supra* note 287 at 167.

³²⁹ 510 U.S. 517 (1994).

Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible. To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement . . . [A] successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim by the holder of a copyright.

. . . .

Thus we reject both the “dual standard” adopted by several of the Courts of Appeals, and petitioner’s claim that § 505 enacted the British Rule for automatic recovery of attorney’s fees by the prevailing party. Prevailing plaintiffs and prevailing defendants are to be treated alike, but attorney’s fees are to be awarded to prevailing parties only as a matter of the court’s discretion.³³⁰

The exact standards are not very clear, but usually courts consider such factors as “frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence . . . so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner.”³³¹ In determining the amount of “reasonable” attorney’s fees, courts may consider

³³⁰ *Id.* at 527, 534.

³³¹ *Id.* at 535.

counsel's skill and reputation, the actual fee charged, the amount of work expended, the result achieved at trial, and the monetary recovery allowed.³³²

C. Criminal Penalties

In addition to the remedies available to a copyright owner in a civil action, § 506(a) of the Copyright Act makes it a criminal offense to infringe a copyright “willfully and for purposes of commercial advantage or private financial gain.”³³³ Section 2319 of Title 18 of the United States Code, entitled “Criminal Infringement of a Copyright,” provides that in such cases the infringer may be subject to felony or misdemeanor punishment.³³⁴ Felony liability usually arises when, during any 180-day period, an infringer reproduces or distributes at least ten copies or phonorecords of one or more copyrighted works having a retail value of more than \$2,500 without the authorization of the copyright owner.³³⁵ For such a violation, the maximum penalty is imprisonment for not more than 5 years for first-time offenders and 10 years for recidivists, and/or a fine up to \$250,000 for individuals³³⁶ and up to \$500,000 for organizations.³³⁷ When the requisite number of copies is not made within that period of time, or the infringing acts are different from reproduction or distribution, courts would impose misdemeanor liability.³³⁸

Congress amended § 506 of the Copyright Act in 1997 to fill a gap in the criminal copyright provisions by making it clear that willful infringement is a crime even when profit

³³² Joyce et al., *supra* note 128 at 1014. See also e.g., *Moorish Vanguard Concert v. Brown*, 498 F.Supp. 830 (1980).

³³³ 17 U.S.C. § 506(a)(1).

³³⁴ 18 U.S.C. § 2319.

³³⁵ 18 U.S.C. § 2319(b)(1).

³³⁶ 18 U.S.C. § 3571(b).

³³⁷ 18 U.S.C. § 3571(c).

³³⁸ Joyce et al., *supra* note 128 at 1017.

motives are missing.³³⁹ The penalties apply, among other things, to infringements by “electronic means.”³⁴⁰ Section 506(a)(1), which covers willful infringement for “purposes of commercial advantage or financial gain,”³⁴¹ applies only to commercial infringers who make ten or more copies in any given six-month period.³⁴² Under § 506(a)(2), infringers can be prosecuted even when they have made a single copy of the requisite value and with no commercial element necessarily present.³⁴³

The remaining subsections of § 506 of the Copyright Act provide additional criminal penalties. Section 506(b) provides for mandatory forfeiture and disposition (usually by destruction) of the infringing copies or phonorecords and the equipment used in the infringement.³⁴⁴ Subsections (c), (d), and (e) criminalize the fraudulent use of copyright notice, the fraudulent removal of such notice, and the false representation of material facts in connection with the copyright registration.³⁴⁵

Criminal penalties for violations of the new prohibitions contained in Chapter 12 of the Digital Millennium Copyright Act³⁴⁶, previously discussed in Chapter IV of this paper, are also available. The anti-piracy provisions of the DMCA prohibit: (i) the circumvention of technological protection measures taken by copyright holders to limit access to copyrighted material³⁴⁷, (ii) the facilitation of such circumvention and of circumvention of technological

³³⁹ *Id.* at 1018.

³⁴⁰ *See Id.* *See also U.S. v. La Macchia*, 871 F. Supp. 535 (1994) referred to as the impetus for the new legislation.

³⁴¹ 17 U.S.C. § 506(a)(1).

³⁴² *Id.*

³⁴³ 17 U.S.C. § 506(a)(2).

³⁴⁴ 17 U.S.C. § 506(b).

³⁴⁵ 17 U.S.C. §§ 506(c)(d)(e).

³⁴⁶ 17 U.S.C. § 1201-1205 (2003).

³⁴⁷ 17 U.S.C. § 1201(a).

measures that inhibit infringing activities,³⁴⁸ and (iii) the infringement on the integrity of copyright management information.³⁴⁹

³⁴⁸ 17 U.S.C. § 1201(b).

³⁴⁹ 17 U.S.C. § 1202(a). The copyright management information generally refers to the title, author, rights owner, terms and conditions, identifying symbols and such other information as the Register of Copyrights may prescribe by regulation. For detailed listing of the copyright management information requisites *see* 17 U.S.C. § 1201(c).

VI. CONCLUSION

Copyright law evolution has become increasingly intertwined with the development of technology. Originating as a response to the invention of the printing press,³⁵⁰ and then in turn, the phonograms, radio and television, cable and satellite transmissions, videocassette recorders, compact disks and digital versatile disc (DVD) technology, now, the Internet is affecting the form and substance of intellectual property rights. Copyright law today is being modified to suit the online environment of a digital age when copyrighted material can be converted into binary numbers and transmitted, redistributed, and copied over the Internet in a perfect digital form. Innovations continue to challenge both Congress and courts. Technological advances have been, and will continue to be, the driving forces behind the periodic updates in copyright law, as new inventions render older laws obsolete. Today, the law is challenged not only with confronting the latest revolutionary advances in technology, but also with anticipating ever more frequent technological developments. These developments will continue to reshape the traditional copyright landscape in the future.

The Internet's prevalence provides tremendous opportunities for the music business's development; at the same time, it presents major challenges. The recording industry increasingly complains that it has suffered major financial losses because online recording downloading has

³⁵⁰ *Sony Corp.*, 464 U.S. at 430 (describing the interrelation between copyright law and technology).

hurt its sales. Even though some scholars recently opposed this theory,³⁵¹ the harm to artists and performers remains unclear. There is an increasing tendency among bands to move away from plastic CDs and to rely more greatly on concerts as a legitimate alternative to exposing their music. Moreover, some bands find that through concerts they are able to obtain higher financial remuneration than through the sale of music albums.³⁵²

The recording industry has turned to several self-help measures to fight the sound recording piracy. Immediately after the passage of the Digital Millennium Copyright Act, the Recording Industry Association of America (RIAA) sent “cease and desist” letters to online service providers, music web sites, and individual consumers, notifying them of infringing materials or services on their systems and thereby ensuring that these materials were removed or blocked. Additionally, the recording industry is exploring methods to make sound recordings available online, while protecting its rights and recovering investments. It turned to

³⁵¹ See John Schwartz, *A Heretical View of File Sharing*, N.Y. TIMES, Apr. 5, 2004, at C2. The article gives details about a recent study conducted by Prof. Felix Oberholzer-Gee of Harvard Business School and Prof. Koleman Strumpf of the University of North Carolina, which concludes that online file-sharing is not hurting record sales. Through complex mathematical formulae, the study makes a rigorous economic comparison of directly observed activity on file-sharing networks and music buying and concludes that downloads have an effect on sales which is statistically indistinguishable from zero. Schwartz suggests that other factors might be contributing to the drop in sales, including a slow economy, fewer new releases, and a consolidation of radio networks that has resulted in less variety on the airwaves. The author also suggests that record sales in the 1990s might have been abnormally high as people bought CDs to replace their vinyl collections.

³⁵² See R.E.M. General Counsel Bertis Downs Discusses Legal and Business Challenges to Music Industry, at http://www.law.duke.edu/features/news_downs.html (last visited June 2, 2004). According to R.E.M.’s general counsel, who is an entertainment lawyer, “projamming,” self-production of professional records, is becoming increasingly popular among performers. Thus they can avoid hiring experts and getting paid last and least by the recording companies through the royalty scheme.

technological tools such as encryption and watermarking³⁵³ to provide practical solutions to sound recording piracy. Distributing of “spoof” files³⁵⁴ of sound recordings onto peer-to-peer networks, that contain only limited or degraded portions of the recording, and are designed to discourage piracy by making the illegitimate file services less attractive, is another technique used by the industry.³⁵⁵ An additional alternative to the unauthorized downloading of music files, which has already been implemented by some music web sites,³⁵⁶ is charging visitors per “hit.” Even with nominal charges per sound recording, in the aggregate, the amount could protect the copyright owners’ economic rights. Certain web sites³⁵⁷ have chosen to still provide free music to visitors by offsetting their expenses for licenses through selling advertising space.

Meanwhile, organizations such as the American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music Incorporated (BMI), the Harry Fox Agency (HFA), and RIAA continue to facilitate the issuance of music licenses, thereby transforming it into an

³⁵³ Watermarking is “an invisible identification code on the mark to track the duplication of copyrighted works.” Nancy A. Bloom, *Protecting Copyright Owners of Digital Music – No More Free Access to Cyber Tunes*, 45 JCPS 179, 201 (1997).

³⁵⁴ David Segal, *A New Tactic in the Download War: Online ‘Spoofing’ Turns the Tables on Music Pirates*, WASH. POST, Aug. 21, 2002, available at <http://www.washingtonpost.com>.

³⁵⁵ *Id.*

³⁵⁶ Apple’s online music store iTunes offers copies of individual tracks for consumers to download on their computers charging them per song. Other web sites like eMusic, MusicNet, Liquid Audio and Rhapsody offer subscription downloads. Napster has recently been resurrected as a recording industry-approved pay service.

³⁵⁷ Bloom, *supra* note 353, at 203 (referring to one of the pioneers of online music, the Internet Underground Music Archive (IUMA)).

industry custom and increasing public awareness of the criminal nature of unauthorized copying of sound recordings.³⁵⁸

In the past few months, there have been mixed developments in the recording industry's battle against illegal file-sharing. A new bill authorizing civil charges in file-sharing cases is making its way through the Senate,³⁵⁹ and a bill criminalizing copyright violations over peer-to-peer networks has been approved by a House Judiciary subcommittee.³⁶⁰ The Justice Department has established an Intellectual Property Task Force to look at ways to stop violations and to step up criminal prosecutions of copyright infringers.³⁶¹ Whatever the solution of the piracy problem may be, the sound recording industry will have to balance the protection of the law against the strong public interest that innovation continue. Some recording companies have realized that and have begun to post paid versions of songs on file-sharing networks simply for exposure.³⁶² Technology might be an effective tool to prevent copyright infringement, but there is always an override to the protection measures, and this is when the law is needed. The music industry has been increasingly discussing³⁶³ technical solutions to combat the illegal copying of

³⁵⁸ World Intellectual Property Organization, *Intellectual Property on the Internet Survey 2002*, at <http://www.ecommerce.wipo.int/survey/index.html> (last visited January 2004). The survey emphasizes that a key among the recent challenges the sound recording industry faces in the digital age is the expectation among many users that information and intellectual property sourced or downloaded from the Internet should be free of charge.

³⁵⁹ Verlyn Klinkenborg, *The Recording Industry Soldiers On Against Illegal Downloading*, N.Y. TIMES, Apr. 17, 2004, at A1.

³⁶⁰ *Id.*

³⁶¹ *Id.*

³⁶² *Id.*

³⁶³ Amy Harmon, *Pondering Value of Copyright vs. Innovation*, N.Y. TIMES, Mar. 3, 2003, at C4. Harmon reports on two conferences held in March 2003 at the University of California, Berkeley, and Stanford University by technology scholars, business leaders, and policy makers. The main debate concerned whether a mismatch between

digital material. At the same time, placing the burden of piracy only on technology is simply seeing just one side of it. Technology can be part of the solution, but it is not the entire solution. In a recent agreement with computer companies,³⁶⁴ RIAA consequently said that under most circumstances, it would oppose legislation that would require computers and consumer electronics devices to be designed to restrict unauthorized copying of audio material.³⁶⁵ The recording industry seems not to have been a strong supporter of legislation that would mandate technical solutions to digital piracy.³⁶⁶

The close relationship between the law of copyright and technology is the reason for the tension underlying the right solution against sound recording piracy – the tension between the law’s potentially repressive impact and the purpose of copyright to benefit society.³⁶⁷ The United States Constitution gives Congress the power to promote science and useful arts by granting to creators for limited times proprietary rights in their creations.³⁶⁸ Two main pillars underlie this clause: the purpose of copyright to benefit society by promoting dissemination of arts and science and stimulating innovation, and the purpose to provide economical incentives to

two different technologies, which allow copyright holders to set rules on how people can use a wide range of products, and the legal policies that govern them could inhibit free expression and innovation.

³⁶⁴ Amy Harmon, *Music Industry Won’t Seek Government Aid on Piracy*, N.Y. TIMES, Jan. 15, 2003, at C3. (stating that such technological measures would slow innovation, make technological devices more expensive, and do little to stop piracy).

³⁶⁵ *Id.*

³⁶⁶ *Id.* (quoting Hillary Rosen, the RIAA president, who stated that the recording and computer industries “need to work together for the consumer to benefit”).

³⁶⁷ Gary S. Lutzker, *Dat’s All Folks: Cahn v. Sony and the Audio Home Recording Act of 1991 – Merrie Melodies or Looney Tunes*, 11 CARDOZO ARTS & ENT. L.J. 145, 149 (1992).

³⁶⁸ U.S. CONST. art. I, § 8, cl. 8.

authors to create. In the words of Professor Ray Patterson, one of the leading experts in copyright law:

We must take care to guard against two extremes, equally prejudicial: the one, that men of ability, who have employed their time in the service of the community, may not be deprived of merits, and the award of their labor and ingenuity; the other that the world may not be deprived of improvements, nor the progress of the arts retarded.³⁶⁹

Similarly, the right solution in the battle against sound recording piracy lies in striking a balance between innovations in technology and copyright laws.

³⁶⁹ LYMAN RAY PATTERSON, COPYRIGHT IN HISTORICAL PERSPECTIVE 244 (1968).

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