FAIR USE AND THE DIGITAL DISTRIBUTION OF MUSIC - RECORDING INDUSTRY ASSOCIATION OF AMERICA v. NAPSTER, INC. (A COMPARATIVE ANALYSIS OF A RESTRAINT ON COPYRIGHT IN THE UNITED STATES OF AMERICA AND TRINIDAD AND TOBAGO)

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Michelle Lisa Alexander
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FAIR USE AND THE DIGITAL DISTRIBUTION OF MUSIC - RECORDING INDUSTRY ASSOCIATION OF AMERICA v. NAPSTER, INC.

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DEDICATION

For my sister Jewel
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(A comparative analysis of a restraint on copyright in the United States of America and Trinidad and Tobago)

INTRODUCTION

In the United States, the global reach of the internet, combined with improvements in digital technology, have had a significant impact upon the distribution of online music and the intellectual property rights of the main stakeholders in the music industry. For the record labels, music publishers, online retailers, artists, and other industry participants, the all-embracing arm of the internet facilitates increased financial rewards. As in other areas of commerce, the internet has created a new arena to conduct the business of distributing and marketing music, namely cyberspace.¹ In this new arena, traditional walk-in retailers of music are expanded to include online retailing, online promotion of artists, and online merchandising to a worldwide audience. The financial rewards appear boundless.

But financial rewards are not the only gains to be obtained in the new technological dispensation. For at least two of the main stakeholders in the music industry, the artist and the consumer, the internet and new digital technologies have also had an equalizing effect. Artists can easily become entrepreneurs, distributors and retailers, while consumers can bypass traditional retailers and actively control the manner

in which they obtain music, including whether or not they choose to pay for the music that they obtain. For the “unlabeled” artist seeking to expose his music, or the established artist determined to rid himself of the contractual and licensing obligations imposed by his record label, the new technological order affords him the opportunity to become a record producer and distributor of his product directly to the consumer. A major benefit of such direct marketing to the consumer is the potential minimizing and/or elimination of costs associated with obtaining a third party producer and distributor.

The internet-using consumer has also profited from technological advances as perfect quality music can be downloaded in the comfort of the home, often at little or no cost, for permanent retention. With such shifting economic dynamics, there has been a mushrooming of litigation as the boundaries of copyright law are tested when faced with the challenges of new and improved technologies.

One of the most recent cases in which fundamental copyright doctrines clashed with new technology is the case of A & M Records, Inc. v. Napster, Inc. While the District Court and Ninth Circuit decisions have been hailed by some as a triumph for copyright owners, the case illustrates the widening chasm between copyright holders and users of copyrighted works, as technology unrelentingly erodes cherished monopolies. The judicial approach adopted in the Napster litigation mirrors the growing trend of U.S. policymakers to strengthen copyright interests in response to technological developments.

2 114 F.Supp.2d 896 (N. D. Cal. 2000) and Nos. 00-16401, 00-16403, 2001 (9th Cir. Feb. 12, 2001).
It is suggested that one fall-out from such an approach is the whittling away of a traditional limitation on copyright’s protective scheme, the Fair Use doctrine.

The purpose of this Thesis is to undertake a critical analysis of the *Napster* judgment and its treatment of the doctrine of fair use, to determine whether the doctrine can retain its integrity in the internet age. It is proposed that as technology advances, U.S. policymakers are moving away from the constitutional objectives of U.S. copyright law and are equating copyright interests with property rights, to the detriment of non-commercial users of copyrighted works. Further, it is suggested that the decision in the *Napster* litigation is important for the evolving landscape of U.S. copyright law, as it signals the difficulty in establishing a fair use of a copyrighted work, when such use is not authorized by the copyright owner.

While the main focus of this Thesis is an analysis of U.S. copyright law, a brief review of copyright law in Trinidad and Tobago is undertaken for comparative purposes. In Trinidad and Tobago, the impact of new digital technologies has not been as dramatic for the recording industry and industry participants as it has been in the U.S., primarily because the internet is not widely utilized as a distribution outlet for that country’s music. Unlike the U.S. position, the fair use doctrine does not exist in the copyright law of Trinidad and Tobago. However, there are recognized limitations on the exclusive rights of the copyright holder, one of which is the permitted, unauthorized use of a copyrighted work for “personal purposes”.
This Thesis will also seek to examine whether this limitation on copyright in the Trinidad and Tobago legislation is relevant in the online world of digital music downloading.

Chapter I of this Thesis is divided into two sections. The first section will suggest a few of the economic factors which may have influenced the *Napster* litigation. This section will highlight the dollar value of the music industry, the major beneficiaries of the economic gains to be made from the industry, and the financial interests at stake. The second section will identify recent improvements made in digital technology and the impact such improvements have had on vested economic interests.

Chapter II will describe the statutory framework on which copyright holders rely, while Chapter III will focus on the District Court and Ninth Circuit decisions in the *Napster* litigation, and their treatment of the fair use doctrine. As part of this analysis, select Supreme Court and other judicial decisions will be examined to see whether the treatment of the fair use doctrine in the *Napster* litigation was consistent with established authorities. In the Trinidad and Tobago context, the concept of “personal purposes” will be discussed and relevant English judicial decisions interpreting the concept will be highlighted. Chapter IV will consider the future of the fair use doctrine and the treatment of the concept in legislation specifically drafted as a response to the internet age.

It is to be emphasized that this Thesis is not intended to provide an in-depth exposition of copyright law or its limitations, in either the U.S. or Trinidad and Tobago. Instead, it is intended that this work will provide a provocative analysis of a judicial decision that is significant for its influence far beyond the limits of music distribution, as it
touches upon the manner in which all types of information will be transmitted and received over the internet.
CHAPTER I

SETTING THE STAGE - THE ECONOMIC AND TECHNOLOGICAL LANDSCAPE

The Economic Landscape

The global music industry is an important revenue earner for commercial countries across various continents, which possess the financial, technical and marketing resources, required to construct and sustain a thriving export-oriented industry. Worldwide music sales in 1999 have been computed at a dollar value of US $38.5 billion, assisted mainly by strong consumer demand in the United States of America (the largest and most dominant music market in the world\(^3\)), countries of South East Asia, Scandinavia, parts of Eastern Europe and Australasia.\(^4\) Globally, compact disc sales rose in 1999 by 3% to 2.4 billion units, offsetting a 7% fall in sales of music cassettes and a 4% reduction in singles sales, with the biggest contribution to the increase in compact disc sales coming from the U.S. and Australasian markets.\(^5\) Worldwide, total sales of all music formats in 1999 were calculated at 3.8 billion units.\(^6\)

In the United States, the music industry contributed $12.5 billion to the economy in 1997 and $12.3 billion in 1998, exclusive of the sale of music over the internet.\(^7\) In

\(^7\) William Sloan Coats, Vickie L. Feeman, John G. Given & Heather D. Rafler, *Streaming Into the Future:*
1999, sales of compact discs in the U.S. increased by more than 10% over previous years, taking total music sales dollar growth to 19% over a two-year period. The huge economic returns generated by the U.S. music industry are carved up by a number of participants. Record labels, music publishers, artists, composers, songwriters, musicians, retailers and distributors among others, all share in the financial rewards generated by music sales in varying degrees. One of the chief beneficiaries of the tremendous financial returns generated by the music industry is the powerful record label, which generally possesses the required capital and technical resources to invest in the marketing initiatives necessary to promote new, as well as established artists.

Five major record labels control the global music industry: BMG Entertainment, EMI Recorded Music, Universal Music Group, Warner Music Group and Sony Music. These companies are known collectively as the Big Five. BMG Entertainment is part of the German entertainment group of Bertelsmann AG, EMI Recorded Music is a member of the British entertainment group, EMI Group Plc, Universal Music Group is a unit of Canada’s Seagram Co. Ltd., while Warner Music Group is a member of a U.S. media giant.

9 Coats, supra note 7, at 287.
10 Id. at 286-87.
It has been estimated that worldwide, the Big Five control approximately 80% of the popular music industry. These major record companies can serve a dual role by also acting as music publishers, or include music publishing affiliate companies as part of their corporate structure. A music publisher can serve as a liaison between an artist and a record label, and may also act as a marketing agent for the artist’s music. In compensation, the music publisher can receive 33% to 50% of the royalties on each compact disc or record sold. The record label also provides marketing and promotion services for its group of artists, for which it is compensated by being assigned part of the artist’s economic rights, the copyright. The combined efforts of the music publisher and record label allow the record company to recover most of its investment costs in promoting, marketing and distributing the work of an artist.

On January 24, 2000, the Big Five seemed destined to be reduced to the Big Four when Britain’s EMI Group Plc. and Time Warner Inc. announced their plan to merge their music businesses, EMI Recorded Music and Warner Music. The merged company would have created the world’s top record company to be known as Warner EMI Music, and worth US$20 billion. This new merged company was positioned to control a global music

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12 Coats, supra note 7, at 286.
14 Id. at 6.
15 Id. at 6.
16 Id. at 7.
market share of approximately 20% with annual sales of US$8 billion.\textsuperscript{17} It was also set to control a European market share of 25%, to rival Universal Music Group as the world’s largest music publishing house, and effectively further concentrating global music distribution in fewer hands.\textsuperscript{18} It was estimated that with the merger, the new Warner EMI Music company would have about one-third of the global music publishing business.\textsuperscript{19}

The planned merger was short lived when faced with regulatory hurdles imposed by the European Commission.\textsuperscript{20} On October 5, 2000, it was announced by EMI and Time Warner that the deal was scrapped.\textsuperscript{21} Industry sources noted that the two conglomerates could not satisfy the regulatory requirements imposed by the European Commission.\textsuperscript{22} The result is that the Big Five continue to dominate the world music scene.

These five major record companies and/or their affiliate music publishing companies, among others, are members of the Recording Industry Association of America (the RIAA), the powerful trade group which represents the U.S. recording industry.\textsuperscript{23}

\begin{flushleft}
\textsuperscript{23} http://www.riaa.com /About-Who.cfm (last visited Apr. 1, 2001).
\end{flushleft}
RIAA is composed of legitimate record companies with main offices situated in the United States, which are engaged in producing and selling recordings under their individual label for home use.\textsuperscript{24} Eligibility for membership is barred to companies which are currently engaged in the unauthorized creation, distribution, sale or importation of sound recordings in violation of U.S. law, or have been so engaged within five years of application or are controlled by persons or other entities that have been so engaged.\textsuperscript{25}

Membership in the RIAA is open strictly to corporate entities, and there are more than 700 corporate members which promote and produce all genres of music covering such formats as popular music, latin, rap, country, urban, reggae, religious, jazz, rhythm and blues, among others.\textsuperscript{26}


\textsuperscript{24} http://www.riaa.com/About-Members-3.cfm (last visited Apr. 1, 2001).
\textsuperscript{25} http://www.riaa.com/About-Members-3.cfm (last visited Apr. 1, 2001).
\textsuperscript{26} http://www.riaa.com/About-Members-1.cfm (last visited Apr. 1, 2001).
\textsuperscript{28} http://www.riaa.com/About-Members-1.cfm (last visited Apr. 1, 2001).
The RIAA’s mission statement provides that its objective is “to foster a business and legal climate that supports and promotes our members’ creative and financial vitality.”29 It can be argued that the mission statement implies that as a trade group, the RIAA is concerned primarily with protecting the creative and economic rights of its corporate members, the financial mainstay of the music business. As the RIAA does not offer individual or associate membership,30 an individual artist, composer, songwriter or musician is disqualified from becoming a member of, and being represented by the trade group in its lobbying efforts, unless he is affiliated to one of its corporate members, such as a record label or music publishing firm, and such company acts on his behalf.

This state of affairs has led some in the music industry, including new online music retailers and distributors not affiliated to established record labels, to view the RIAA with distrust. These new online participants contend that the trade group pays lip service to protecting the intellectual property interests of artists, while in reality, it concentrates on garnering the lion’s share of the spoils of the music industry for its corporate members.31

The member companies of the RIAA, assisted mainly by the Big Five, control approximately 90% of legitimate sound recordings produced and sold in the United

31 Robert MacMillan, MP3.com Blasts RIAA At High Volume, 10/12/98 Newsbyte, 1998 WL 20717326. "...the (online music) market is already well underway, and ..just because (the RIAA) is not controlling it, it does not mean that it does not exist and is not flourishing - legitimately. The music industry has chosen to sit on the sidelines and do nothing up to present. The train has already left the station. Now, they want to derail it. None of the ‘A’s’ in RIAA stand for ‘artists.’ They support the record industry.” - Michael Robertson - President of MP3.com.
States. With such a strong grip on the U.S. music industry, it is not unreasonable to assume that any threat to the “financial vitality” of these record label member companies and their affiliates, would be a source of disquiet to both the individual member companies and the RIAA representative body.

The members of the RIAA typically control the sale and distribution of sound recordings by selling their music products directly to large retailers or large distributors, which in turn sell to local retailers and then on to the consumer at the end of the chain. Apart from the established record labels, there are independent record labels which provide an alternative distribution channel, on a smaller scale, for an artist to get his music to the consumer. The independent labels do not have the financial resources to encroach upon the domination of the music industry by the established major record labels, but they afford an option to artists who might be unable or unwilling to secure a recording contract with an established record label.

The huge earnings generated by the U.S. music industry can be contrasted with the modest earnings produced by the fledgling music industry of Trinidad and Tobago, a twin-island republic located in the Caribbean and comprised of approximately 1.294 million people. In Trinidad and Tobago, the entertainment industry ranks sixth in the economy

34 Id. at 287.
35 Id. at 287.
with respect to foreign exchange earnings.\textsuperscript{37} The petrochemical sector (petroleum, petroleum products, natural gas, iron and steel, methanol and nitrogenous fertilizers)\textsuperscript{38} is the leading export earner.

Figures for 1995 reveal that total foreign exchange earnings for the entertainment industry amounted to TT$253.2 million,\textsuperscript{39} or approximately US$42.62 million.\textsuperscript{40} Merchandise sales of steelband instruments,\textsuperscript{41} records, compact discs, cassettes and videos earned a dollar value of TT $2.9 million.\textsuperscript{42} At present, the total foreign market for calypso music\textsuperscript{43} (records, cassettes and compact discs) is estimated at 250,000 units annually, while the local music market has been estimated at 30,000 to 35,000 units annually.\textsuperscript{44} These less than inspiring figures for the sale of calypso music internationally are made even more difficult to reconcile with the fact that there are approximately 60 carnivals celebrated in other Caribbean islands, North America and Europe that are patterned

\begin{itemize}
\item[38] http://www.visitnt.com/General/about/economy.html (last visited Apr. 5, 2001).
\item[40] 1 Trinidad and Tobago dollar (TT$) = 100 cents. A floating rate system is in force, see http://www.visitnt.com/General/about/general.html (last visited Apr. 5, 2001). The exchange rate in 1995 was US$1 = TT$5.9466. Current exchange rate is approximately US $1 = TT$6.2998, see http://www.central-bank.org.tt/rnd/statistics/data/eco_glance.htm (last visited Apr. 1, 2001).
\item[41] The steel pan (a percussion instrument) also known as pan, steelband or steel drum, was invented in the Republic of Trinidad and Tobago in the 1930's and is the only musical instrument to have been invented in the 20th century. See Dr. Felix I. R. Blake, \textit{The Trinidad & Tobago Steel Pan - History and Evolution} 8, 20 (1st ed.).
\item[43] Calypso music is indigenous to Trinidad and Tobago and is the music of Carnival, the popular annual Shrovetide festival that takes place in Trinidad and Tobago just prior to the onset of Lent. Carnival in Trinidad occurs at the same time as Carnival in Brazil and Mardi Gras in New Orleans. Carnival was introduced to Trinidad by the French plantocracy who came around the end of the 18th century. See Dr. Felix I. R. Blake, \textit{The Trinidad & Tobago Steel Pan} at 63. See also John Cowley, \textit{Carnival Canboulay and Calypso - Traditions in the Making} (Cambridge University Press 1996).
\end{itemize}
directly from the Trinidad and Tobago Carnival, the popular annual pre-Lenten festival. The more noteworthy of these Trinidad and Tobago styled foreign carnivals include Notting Hill Carnival in England, Caribana celebrations in Toronto, Labor Day celebrations in New York and Miami Carnival.45

The statistics suggest that international demand for the Trinidad and Tobago styled Carnival does not equate with strong international sales for the calypso music which is a fundamental component of the festival, along with steelband music. As the U.S. position makes clear, strong music sales whether at the international or national level, require significant marketing, promotion and distribution efforts along with the concomitant injection of capital. There are several record labels in Trinidad and Tobago, but none financially equipped to engage in a large scale marketing effort on behalf of its artists, without the assistance of international distribution outlets for the local music product.46

Other factors which have been identified as negating against a strong music industry in Trinidad and Tobago include: limited airplay in the domestic and regional markets, piracy, poor product packaging, promotion and distribution, and the "lack of export competitiveness."47 Trinidad and Tobago artists often face immense difficulty in

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46 In May 1999, Trinidad and Tobago hosted the Miss Universe beauty pageant and the local recording industry was hopeful that by having representatives of a few top international record labels in the country for the event, the local musical talent would be showcased and more artists would have the opportunity to export their music internationally. See Trinidad and Tobago Exporter, The Marketing Challenge, available at http://exporter.co.tt/99may/seeing.htm (last visited Feb. 16, 2001).
47 Rolph I.L. Warner, Getting Serious About Music, Trinidad Guardian, March 10, 2001, at 1, in an interview with Dr. Keith Nurse, lecturer in International Relations at the University of the West Indies, St. Augustine campus, Trinidad.
selling their music internationally due to the lack of interest shown by large foreign retailers and distributors in purchasing their music products for resale. In addition, the fact that the compact disc containing the music of a Trinidad and Tobago artist is usually pressed, manufactured and produced outside of the country, means that the local product retails at a higher price in the international market when compared to the product of a foreign artist manufactured in that artist’s home country, as the Trinidad and Tobago product is considered an import in the foreign country. For example, a compact disc of the music of a Trinidad and Tobago artist which is pressed in the U.S., is labeled as an import by the U.S. authorities and retails in the U.S. market, (usually by Caribbean owned record shops), for approximately US$20 while a U.S. equivalent may retail between US$12 - $15.

This lack of “export competitiveness,” or the disparity in pricing is considered to be a “critical area of concern” for the Trinidad and Tobago music industry. However,

48 Trinidad & Tobago Exporter, *The Marketing Challenge, available at* http://exporter.co.tt/99may/seeing.htm (last visited Feb. 16, 2001) - “Our music is certainly exportable, but we simply don’t have the established distribution outlets for our products. We have to distribute through small shops, mainly into the West Indian communities in New York, Toronto, London, etc....the products seldom get into the mainstream shops, like Tower Records, HMV and others.” - Peter Scoon President of the Recording Industry Association of Trinidad and Tobago (RIATT).
49 Rolph I.L. Warner, *Getting Serious About Music*, Trinidad Guardian, March 10, 2001, at 2, in an interview with Dr. Keith Nurse, lecturer in International Relations at the University of the West Indies, St. Augustine campus, Trinidad.
51 Rolph I.L. Warner, *Getting Serious About Music*, Trinidad Guardian, March 10, 2001, at 2, in an interview with Dr. Keith Nurse, lecturer in International Relations at the University of the West Indies, St. Augustine campus, Trinidad.
52 Rolph I.L. Warner, *Getting Serious About Music*, Trinidad Guardian, March 10, 2001, at 2, in an interview with Dr. Keith Nurse, lecturer in International Relations at the University of the West Indies, St. Augustine campus, Trinidad.
the reality is that an overpriced music product from an artist whose music is not widely known, stands very little chance of being purchased by an international consumer. It seems that the foremost hurdle facing the Trinidad and Tobago music industry is to develop and implement an effective marketing and distribution strategy, so that its music products can reach a larger international audience.

The use of the internet and new digital technologies as marketing tools, appear to pose a viable alternative marketing option to seeking to lure mainstream foreign distributors to purchase the local product for resale in the foreign market. Internet usage is growing worldwide, and the required technology is available for both developed and developing countries like Trinidad and Tobago.

Trinidad and Tobago has modern telecommunication links with the international community and revenues from internet, cellular and other telecommunication services have increased from TT$83.4 million in 1997 to TT$240.2 million in 2000. In addition, a new Telecommunications Bill 2001 has been introduced to Parliament for debate, designed to open up the telecommunications market and end the monopoly of the lone telecommunications provider, Telecommunications Services of Trinidad and Tobago (TSTT). It is anticipated that by de-monopolizing the industry, one of the welcome

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results would be the decrease in the price of local\textsuperscript{56} and international telephone calls, which can pose a barrier to widespread internet usage.

However, as an examination of the U.S. position will illustrate, the problems encountered by the copyright owners and the main stakeholders in the music industry with respect to new internet technologies are formidable, and threaten to counteract the benefits to be gained from the widespread use of these technologies. While the internet and digital technologies have added a new dynamic to the music industry by their potential for increasing revenues in an expanded online market, as well as offering an alternative marketing model, the economic landscape has also been altered, arguably to the detriment of vested interests. In addition, novel challenges to conventional legal rights are being made.

In the U.S., it has been contended that new digital technologies threaten to diminish the investments made in the music industry by members of the RIAA,\textsuperscript{57} and permanently change the methods by which on-line music is legitimately distributed and obtained by the consumer. While these new digital technologies have not yet made any significant impact on the main stakeholders in the Trinidad and Tobago music industry, primarily because of the relative unfamiliarity of the local music to the wide-spread

\footnotesize{\textsuperscript{56} Anthony Wilson & Sherry Ann Singh, Telecommunications Bill 2001, Trinidad Guardian, April 12, 2001, at 3.}

international community, valuable lessons can be learned from the treatment of these technological issues by the U.S. judicial system.

The Technological Landscape

It has been said that the internet lowers barriers to new entrants in the marketplace by lowering costs, while it empowers consumers by giving them greater choices. In the context of the U.S. music industry, this equalizing effect is significant because it challenges the established status quo, that is, the domination of a high-stakes music industry by a few major record labels. These record labels rely on statutory protection and a controlled model of music distribution to safeguard their investment.

The global nature of the internet and the growing number of users, have also benefited new entrepreneurs, as well as the established record labels. New entrepreneurs are enticed to become involved in the U.S. online music business as distributors and retailers, while the established record labels can profit from increased earnings in an expanded market. Figures for 1996 reveal that in the U.S., online sales of prerecorded music averaged $14 million, by 1998 these sales increased to $88 million and estimates show that future sales of online music will generate close to $1.4 billion in added revenue, or at least 8% of all music sales. The number of consumers purchasing music over the internet has also steadily increased. In 1999, the number of consumers purchasing music

59 Coats, supra note 57, at 285.
60 Id. at 288.
over the internet rose to 2.4%, an increase from 1.1% in 1998.\textsuperscript{61} It is estimated that the U.S. music industry will grow by about 6.2% a year through 2003, with 25% of that growth aided by digital or internet technologies.\textsuperscript{62}

New online participants, not necessarily affiliated to any particular record label, have seized the opportunity to become distributors of music to the global audience. It is estimated that there are more than 80,000 music sites on the internet, offering themselves as either retailers of prerecorded music and merchandise, fan sites and/or providers of internet radio broadcasting, also known as webcasting.\textsuperscript{63} These online participants include start up companies not affiliated to record labels, affiliates of record labels, established record labels, as well as enterprising artists who have embraced the chance afforded by the new technologies to distribute their music directly to their fans without the need to use an intermediary distributor and producer.

Websites such as Internet Underground Music Archive (IUMA), allow an artist to create an individual website for the online sale of his prerecorded music and merchandise, by paying a small subscription fee.\textsuperscript{64} By using such a website, the artist gains marketing, promotion and distribution control over his creative work without recourse to the traditional distribution sources. An increasing number of websites offering retail sales of

\textsuperscript{63} Coats, supra note 57, at 288.
\textsuperscript{64} Id. at 287-88.
music have also sprung up to cash in on the mass internet-using audience, and digital technology is frequently used to provide online samples of music to consumers as an enticement before making a purchase. Other online retailers and distributors include websites such as www.emusic.com, www.musicboulevard.com, www.amazon.com, www.mp3.com, www.towerrecords.com and www.cdnow.com.65 These websites facilitate online purchases, offer the ability to hear music samples,66 and generally dispense with the need to walk into a store in order to make a purchase.

The online participants in the music industry rely primarily on two types of technologies to promote their products to internet-using consumers: streaming media and digital downloading.67 Both technologies involve the transmission of digital music recordings to internet users, however, fundamental differences between these technologies have led to the established record labels accepting the former while condemning the latter.

Digital music recordings as contained on a compact disc, are to be contrasted with the analog format of music recordings contained on a cassette or record, or the transmission of a radio broadcast. The main difference between both types of recordings is the sound quality. The sound quality of digital music recordings is said to be far superior to the sound quality of analog recordings.68 Analog recordings and transmissions are affected by flaws in the storage medium as well as impediments such as dust particles,

65 Id. at 288.
66 Id. at 288.
67 Id. at 288-89.
68 Recording Industry Association of America v. Diamond Multimedia Systems, Inc., 180 F.3d 1072, 1073 (9th Cir. 1999).
which interfere with the sound quality when it is received. On the other hand, the
digitization process ensures that the sound quality of the original recording maintains its
sound quality and integrity. The digitization process involves the translation of
information, including sound, into mathematical bits. Music is stored in computer memory
or on a compact disc or other digital software as 1s and 0s (the mathematical bits), and
reconverted into music when played back on digital equipment such as a computer or
compact disc player.

An important consequence of the difference in sound quality between analog and
digital formats is the effect on the sound quality of both authorized and illegitimate copies
made from the original recording. With respect to analog music recordings, each
successive copy made from an original cassette or record suffers in degradation in sound
quality because of the vulnerability of the original recording to external factors. By
contrast, with digital recordings, there is virtually no degradation in sound quality despite
the number of copies made. The result is that multiple copies of digital recordings made
from a single original recording maintain the sound integrity as near as possible to the
original recording. In the context of the internet, recent improvements in technology
used to transmit digitized music to internet users have added a troubling dimension for

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70 Id. at 1367.
71 Id. at 1367.
72 Recording Industry Association of America, 180 F.3d at 1073.
73 Id. at 1073.
owners of copyrighted music, as multiple, unauthorized copies of near perfect sound recordings can be effortlessly, permanently, and freely obtained by consumers.

The first type of internet technology utilized by online participants to transmit digital recordings is known as “streaming media”. Streaming media is generally used in webcasting\textsuperscript{74} (internet radio broadcasting), or to distribute promotional samples of music online,\textsuperscript{75} and is the transmission of a digitized audio file to internet users so that it is audible in real time as it is received.\textsuperscript{76} This type of technology has not unduly raised the ire of the established recording industry leaders for two main reasons. Firstly, the internet user is generally unable to obtain permanent copies of the audio file,\textsuperscript{77} as streaming media prohibits the storage, or barring a second transmission, the replaying of audio files.\textsuperscript{78} Secondly, the audio quality of sound recordings transmitted with the use of streaming technology, is inferior to the quality of music contained on a compact disc.\textsuperscript{79}

It should be noted that the established industry players recognize the value of streaming technology and utilize it for their benefit. With such technology, online samples of music can be provided to potential consumers as a promotional tool to enhance sales.\textsuperscript{80}

\textsuperscript{74} Wendy M. Pollack, Note, \textit{Tuning In: The Future of Copyright Protection For Online Music In The Digital Millenium}, 68 Fordham L. Rev. 2445, 2449 (2000).
\textsuperscript{75} Jeffrey D. Neuburger & Susan Israel, \textit{Music Industry Acts in Concert on Sound Samples - Harmonious Compromise Could Resolve Licensing Issues Arising From the Downloading of Music}, 1/26/98 NLJ C17, (col.1).
\textsuperscript{76} See generally Neuburger, \textit{supra} note 75.
\textsuperscript{78} Neuburger, \textit{supra} note 75.
\textsuperscript{79} Pollack, \textit{supra} note 74, at 2449.
\textsuperscript{80} Neuburger, \textit{supra} note 75.
These promotional marketing strategies are routinely used by independent, internet record labels and unsigned artists, who often sell and provide free samples of the artist’s work, or provide streamed teasers to convince internet users to purchase the sound recordings.\textsuperscript{81} Moreover, the major record labels have been able to earn licensing fees from legitimate websites offering samples of copyrighted music.\textsuperscript{82} A popular streaming audio technology company is RealNetworks. Its RealPlayer audio technology enables the user to listen to audio in real time and can be encoded to prevent the user from copying the streamed music. It is estimated that the RealPlayer technology has been downloaded from its website 92 million times.\textsuperscript{83}

Apart from the potential for financial benefits to be gained from the use of streaming technology, the major stakeholders in the music industry are also able to safeguard their work from unauthorized use and infringement. They are able to achieve such protection for several reasons. First, the internet user is generally unable to obtain permanent copies of the music when streaming technology is utilized. Secondly, the owner of the sound recording has the capacity to encode the sampled music from unauthorized reproduction, and finally, the quality of sound enjoyed by the user when streaming technology is utilized is inferior when compared to the sound on a compact disc.

\textsuperscript{81} Recording Industry Association of America v. Diamond Multimedia Systems, Inc., 180 F.3d 1072, 1074 (9th Cir. 1999).
\textsuperscript{82} Neuburger, \textit{supra} note 75.
\textsuperscript{83} Pollack, \textit{supra} note 74, at 2449.
Streaming technology can be contrasted with the digital downloading of music, which allows for the permanent storage and retention of digital sound recordings. Digital downloading requires the use of the more contentious technology used in the online music industry, generically referred to as compression technology. Compression technology has raised the ire of the RIAA and its members because the internet user can easily obtain copyrighted sound recordings at no cost.

Compression technologies make an audio file "smaller", which allows digital audio files to be transferred more quickly over the internet and stored more efficiently. The most popular of the compression technologies is the MP3 format. The MP3 format (Motion Picture Experts Group 1 layer 3) was initially developed by the Moving Pictures Experts Group to compress digital video and movie data. The MPEG, audio layer 3 (MP3) is the subsystem that compresses sound not accompanied by video. To fully appreciate the revolutionizing effect that the MP3 format has had on the digital distribution of music over the internet, and the ramifications for the established music moguls, the format must be compared with its predecessor, the "wave" format.

84 Recording Industry Association of America, 180 F.3d at 1073-74.
85 Pollack, supra note 74, at 2449.
87 Charles L. Simmons, Jr., Digital Distribution of Entertainment Content...The Battle Lines Are Drawn, 33 AUG Md. B.J. 31, 33 (2000).
The music contained on a compact disc is collected in separate computer data files
known individually as a "wave file".\textsuperscript{88} Prior to the breakthrough in compression
technologies, combined with the development of faster modems and processors for
internet access,\textsuperscript{89} the transmission of music over the internet in the wave file format to an
end user, was a slow and tedious process.\textsuperscript{90} The primary reason for the time-consuming
process was that the wave file format was too big to easily and quickly transmit music
over the internet.\textsuperscript{91} In other words, even though a compact disc that was "uploaded" to
the internet with the appropriate software for permanent and free download by another
user was possible, it was not widely favored due to the lengthy process.

Each minute of music on a compact disc in the wave format is approximately about
ten megabytes, which means that the standard length song comprises a forty to fifty
megabyte file, creating a download time for such song to be a three to four hour\textsuperscript{92} chore.
As a practical matter, music sales in a conventional distribution outlet or from a legitimate
online retailer would not be drastically affected by the relatively few individuals who were
willing to wait three or four hours in order to obtain a free download of a four minute-
length song.

\textsuperscript{88} Id. at 33.
\textsuperscript{89} Wendy M. Pollack, Note, Tuning In: The Future of Copyright Protection For Online Music in the
\textsuperscript{90} Needham, supra note 86, at 1143.
\textsuperscript{91} Recording Industry Association of America, 180 F.3d at 1073.
\textsuperscript{92} Needham, supra note 86, at 1143.
Conversely, the MP3 format has radically altered the face of the digital distribution of music by sharply reducing the size of the music file, and by extension, increasing the speed and efficiency in which the music is received. The technology compresses the computer file by removing unnecessary data. However, even though the audio file becomes "smaller", there is no significant distortion of the sound quality. The computer files are reduced by a factor of twelve to one, which means that a file that was formerly fifty megabytes in the wave format, becomes a three or four megabyte music file in the MP3 format, significantly decreasing the download time from hours to a few minutes.

Apart from the compression of the computer music files, the MP3 technology is popular because of its easy availability, its non-proprietary nature, and the opportunity afforded to the user to retain permanent copies of recordings in the format. Free MP3 software applications are accessible on the internet for playing and creating MP3 files on digital equipment. Music can be uploaded to the internet in the MP3 format for download by others, and once downloaded, permanent copies can be retained on the user’s system and replayed at will.

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93 Id. at 1144.
94 Recording Industry Association of America, 180 F.3d at 1074.
95 Id. at 1074.
96 Needham, supra note 86, at 1144.
97 Recording Industry Association of America, 180 F.3d at 1074.
98 Id. at 1074.
99 Needham, supra note 86, at 1144.
100 Id. at 1145.
With such a combination of factors, namely, the ability to drastically reduce the size of the computer music file, faster computer modems, good sound quality similar to that of a compact disc, quicker transmission time, as well as the inherent non-proprietary nature of the new technology, the development of the MP3 technology has caused the music industry to react with alarm, citing mass piracy\textsuperscript{102} by users and copyright infringement. The understandable concern is that music which can be freely and easily accessed over the internet by millions of users, for permanent retention without the payment of royalties, infringes the legal and economic rights of the owners of the music, and poses a crippling effect on the legitimate music industry. The fact that it is estimated that there are approximately 200,000 illegal MP3 websites on the internet\textsuperscript{103} does little to assuage the reasonable concerns of those who have invested significant sums to create a legitimate industry.

Significant economic investments do not only guarantee a greater share of the financial rewards to be gained from the music industry, they are also interrelated with established legal rights. The RIAA contends that the widespread availability of the MP3 technology is impinging upon both the economic and legal rights of the music industry copyright owners. In order to appreciate the argument, it is useful to review the legislative framework upon which copyright holders in the music industry rely to protect their economic interests.

\textsuperscript{102} Needham, \textit{supra} note 86, at 1144.
\textsuperscript{103} \textit{Id.} at 1146.
CHAPTER II

THE LEGISLATIVE FRAMEWORK

The MP3 technology has not only made an impact on the economic interests of the major players in the music industry. Owners of music rights argue that another critical effect has been the diminution of legal rights. The established recording industry holds fast to the opinion that widespread use of the new technologies is threatening long established rights bestowed upon copyright holders by copyright law.

In the U.S., the source of copyright principles is contained in the copyright clause of the Constitution,\textsuperscript{104} which authorizes Congress to enact legislation granting a monopoly for limited times to authors with respect to their “writings.” It seems therefore, that an understanding of the copyright clause is a vital starting point in order to gain an overall perspective of the theoretical basis and policy motivations behind U.S. copyright law. Divergent interpretations appear to have arisen as to the intent and purpose of the copyright clause, and it is argued that these differing views shape the development of the law and the judicial approach to copyright issues.

Justice Stevens, in the Supreme Court decision of \textit{Sony Corporation of America v. Universal City Studios, Inc.},\textsuperscript{105} interpreted the Constitution’s copyright clause and

\textsuperscript{104}“The Congress shall have Power ... To Promote the Progress of Science ..., by securing for limited Times to Authors ... the exclusive Right to their respective Writings...” U.S. CONST. art. I, § 8, cl. 8. \textit{See also}, Jane C. Ginsburg, \textit{Authors and Users In Copyright}, 45 J. Copyright Soc’y U.S.A. 1, 4 (1997).


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identified a public purpose to be served by the grant of copyright privileges to the creator of a work. Justice Stevens observed that:

the monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.

According to Justice Stevens’ interpretation, it appears that the limited copyright monopoly granted by the copyright clause serves a dual public purpose: (1) it is designed to stimulate the creative activities of authors by giving them a reward for creating, namely a limited monopoly over the tangible results of their creative endeavors, and (2) it facilitates public access to the author’s creative activities after the limited period of monopoly has expired.

Many commentators recognize the public purpose to be served by the grant of copyright, however, there are divergent opinions as to who are the principal beneficiaries of the copyright scheme. Some commentators tend to give equal weight to the benefits to be shared by all the stakeholders, while others emphasize the rights of one category of stakeholders over another. For example, it has been said that:

copyright is supposed to further the public interest. The “public interest” comprises the goals and aspirations of authors and users, of publishers and educators...\(^\text{106}\)

Other commentators emphasize that the primary beneficiary of the copyright scheme is the user of the copyrighted work, the public. It has been stated that:

the [copyright] clause itself reveals the theory of copyright embodied in the Constitution: an exclusive right, for a limited period of time, of authors to reproduce their writings for sale in order to promote learning. The protection Congress was empowered to grant for economic gain was to be given in return for the author’s making the work available to the public. The public purpose of copyright, consumer access to the work, was to be implemented by its private function, rewarding the author for his efforts.\(^\text{107}\)

This view expresses the notion that copyright is a tool designed primarily to serve the wider public interest, namely, access to copyrighted material in order to promote the Constitutional goal of the “progress of science.” However, as a necessary adjunct to the achievement of that goal, there must be the institution of a reward system to protect the limited private interest of the author.

This interpretation of the theoretical basis for copyright finds support in another decision of the U.S. Supreme Court.\(^\text{108}\) Proponents of this view acknowledge the rights granted to authors by the copyright scheme, but they emphasize the statutory exceptions and limitations placed on those rights.

Finally, some commentators are of the view that the purpose served by copyright is to stimulate “the enterprise of authorship”.\(^\text{109}\) Proponents of this view recognize that a


\(^{108}\) Feist Publications, Inc. v. Rural Telephone Service Company, Inc., 499 U.S. 340, 349-50 (1991) “the primary objective of copyright is not to reward the labor of authors, but to ‘promote the Progress of Science and useful Arts.’ To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work.’”- Justice O’Connor.

growing trend in the U.S. is to emphasize that the legal rights created by the copyright scheme are akin to property rights. These proponents shift their focus from the wider public interest, to the narrower private interest of the author and his exclusive right to control the use of his work. These advocates seek to expand the author’s monopoly over his work, while minimizing the importance of restrictions on that monopoly. They argue that authors deserve property rights in their creative works because the cost of producing such works is high, while the cost of unauthorized reproduction is low. The resulting effect is that unauthorized reproduction could lead to a reduction in the value of the original. They further contend that unless unauthorized reproduction is restricted, the author would not be able to recoup the costs of creation and would have no further incentive to create. An extension to this argument is that there could be no benefit to the public interest unless the author is provided with an incentive to create. Without such incentives, there would be a dearth of creative works to the detriment of the public.

While the purpose of this Thesis is not to express an opinion on which side of the debate is correct or to resolve the debate, it is suggested that the answer to these theoretical issues lies in the words of the constitutional provision which serves as the source of U.S. copyright principles. It is submitted that the clear meaning of the copyright clause articulates that the framers of the early Constitution had two objectives in mind when drafting the copyright clause, but these objectives do not enjoy equal importance.

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110 Id. at 970.
111 Id. at 970.
112 Id. at 970-71.
Firstly, the framers were inspired by the noble intent to promote an objective that would impact on the widest possible audience, the public. This primary objective is the "promotion of the progress of science." Secondly, the framers recognized that in order to achieve the first objective, there must be a limited economic benefit bestowed on the copyright owner. This secondary objective was of lesser significance because it was designed to facilitate the principal objective, namely, the public purpose objective, and the economic monopoly that was granted to the author was secured for a finite duration, that is, "limited times."

These divergent views with respect to the exact meaning of the constitutional purpose of copyright, has understandably led to some tension between copyrights holders who wish to rely on their "property" rights to safeguard their legal and economic interests, and users who wish to rely on the "public benefit" concept of copyright to ensure unrestricted access to copyrighted materials. This tension is not relieved by the inconsistent approach adopted by some courts in addressing infringement of copyright issues, and a brief overview of the copyright statute may be of assistance before select judicial decisions are analyzed.

Copyright protection in the U.S. subsists in a wide array of original works of authorship ranging from literary works to architectural works, and embraces musical works (including accompanying words), sound recordings,¹¹³ compilations and derivative

works. However, it does not extend to ideas, procedures, processes, systems, methods of operation, concepts, principles or discoveries.

In order for a prescribed work to be subject to copyright protection, two requirements must be met. Firstly, the work must be original, and secondly, the work must be fixed. The current statute provides that copyright protection subsists in “original works of authorship fixed in any tangible medium of expression.” The terms “authorship” and “original”, while not defined in the statute, have received judicial interpretation. The term “author” has been defined as “he to whom, anything owes its origin,” while it has been said that the originality requirement does not equate with novelty, but means that the copyrighted work must “owe its origin to the author.” The U.S. Supreme Court has said that the “sine qua non of copyright is originality” and that “originality is a constitutional requirement.” The courts have also established another necessary element to the originality requirement, that is, a minimal degree of creativity must be added by the author.

The fixation requirement has been defined in the U.S. Copyright Statute (the U.S. Statute), and is satisfied when the work is expressed in a tangible medium by or

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114 Id. at § 103.
115 Id. at § 102 (b).
116 Id. at § 102 (a).
120 Id. at 346.
121 Id. at 346.
under the authority of the author, and is sufficiently stable to be perceived, reproduced or communicated for more than transitory duration.

The two main categories of copyrighted works implicated in the *Napster* litigation are musical works and sound recordings. Musical works have not been defined in the U.S. Statute, but they are generally said to include both the instrumental element of the work (the melody) and the accompanying words (the lyrics). Sound recordings have been defined as "works that result from the fixation of a series of musical, spoken or other sounds." The tangible medium in which the sounds are fixed is unimportant, but the copyright protection granted to authors of sound recordings does not extend to the sounds accompanying a motion picture or other audiovisual work, as these sounds are already subject to copyright protection when forming part of a motion picture or other audiovisual work.

Both musical works and sound recordings can be fixed in the same physical object, such as a disk or cassette, but they remain two distinct works for copyright purposes. As previously mentioned, the musical work comprises the melody and the lyrics, while the sound recording comprises, among other things, the rendition of the song. The sound

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125 *Id.* at § 101.
126 *Id.* at § 101.
recording also covers the manner in which the song is: (1) sung by the vocalist, (2) played by the musicians, and (3) arranged and mixed by the sound engineer.\footnote{Joyce, supra note 123, at 207.}

Although musical works and sound recordings remain distinct for copyright purposes, in reality the lines between the two types of works can become blurred when issues of ownership of the respective works arise. Intricate contractual arrangements abound, and the exercise of rights in one of the works usually requires the exercise of exclusive rights in the other.\footnote{Jeffrey D. Neuburger & Susan Israel, Music Industry Acts in Concert on Sound Samples-Harmonious Compromise could Resolve Licensing Issues Arising From the Downloading of Music, 1/26/98 NLJ C17, (col. 1).}

Generally, the copyright in the musical work is owned by its “author” the composer, or by the music publisher (the latter can be an affiliate company of the “author’s” record company) if the composer assigns his copyright. On the other hand, the record company usually owns the copyright in the sound recording.\footnote{See id. at 2.} Contractual arrangements between the composer/artist, his music publisher and record label determine who will ultimately own the copyright in any of these works. In the context of the sound recording, a contractual arrangement is a practical necessity to settle ownership issues as contributions are invariably made by diverse persons to the creation of the work, all of whom can be considered its creators.\footnote{Joyce, supra note 123, at 208.}
The U.S. Statute grants to the author of the work (in this Thesis, the term “author” is being used to signify either the creator of the work or the “author” by assignment) six exclusive rights. ¹³¹ These exclusive rights are made subject to and limited by 15 other provisions of the Act,¹³² including the statutory Fair Use provision.¹³³ The author has the exclusive right to do and to authorize any of the following: (1) the right to reproduce the work, (2) the right to prepare derivative works, (3) the right to distribute copies or phonorecords of the work, (4) the right of public performance in specified works, including musical works, (5) the right to publicly display certain specified works, and (6) in the case of sound recordings, the right to publicly perform the work by means of a digital audio transmission.

In the context of the digital distribution of music, the main legal rights that are implicated for copyright owners are the reproduction and distribution rights, and specifically in the case of sound recordings, the public performance of the work by means of a digital audio transmission. The reproduction right gives the author control over the making of copies of the work, including any permanent or temporary copy of the work or sound recording created in electronic form.

These exclusive rights offer the author two valuable attributes of copyright: first, the ability to forbid others from infringing on his statutory rights, and secondly, the

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¹³² Id. at §§ 107 - 121.
¹³³ Id. at § 107.
freedom to exploit his work by granting licenses to others for a fee. These exclusive rights can be transferred as a bundle or individually by means of conveyance or by operation of law, and may be bequeathed by will. Although the inherent nature of copyright envisions the right of the author to set his own licensing fees, there are instances where a third party can use a copyrighted work without the copyright owner’s permission, provided that he complies with the statutory procedure and pays set royalties to the copyright owner.

The exclusive rights granted by the U.S. Statute are not absolute. They are limited both in duration and in scope. As a general proposition, the term of copyright subsists for the life of the author plus 70 years after his death. This term is subject to variation depending upon whether the work is anonymous, pseudonymous or made for hire, or whether and when it was published. In addition, as already mentioned, there are 15 statutory limitations and exemptions to copyright which limit the scope of the author’s monopoly over his work. One such statutory limitation on copyright’s scope is the doctrine of Fair Use.

136 Joyce, supra note 123, at 493.
138 Id. at § 302 (b).
139 Id. at § 303 - 4.
The Fair Use doctrine was initially created by the courts as a defense to a claim of copyright infringement by the copyright owner\textsuperscript{140} and has since been codified in the U.S. Statute.\textsuperscript{141} The statutory provision sets out a non-exhaustive list of circumstances in which the unauthorized use of a copyrighted work would not be considered copyright infringement. These circumstances include the fair use of a work by reproduction for purposes such as criticism, comment, news reporting, teaching, scholarship or research.

Further, the statutory provision sets out a non-exhaustive list of factors to be considered by the court to determine whether the unauthorized use of a copyrighted work is fair. These factors include: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.\textsuperscript{142} The treatment of the Fair Use doctrine by the District Court and the Ninth circuit in the Napster litigation will be more fully developed in Chapter III of this Thesis.

Copyright legislation was first introduced to Trinidad and Tobago during the former period of British colonial rule. The United Kingdom’s Copyright Act of 1911

\textsuperscript{140} Folsom v. Marsh 9 F. Cas. 342, 345 (1841) where the Plaintiff alleged copyright infringement of his twelve volume work on the writings of George Washington. Justice Story said that in a case of copyright infringement, the court must “look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.”

\textsuperscript{141} 17 U. S. C. § 107.

\textsuperscript{142} \textit{Id.} at 107.
provided in section 25 that it would extend “throughout his Majesty’s dominions.”

Since those early days, several pieces of copyright legislation have been enacted in Trinidad and Tobago over the years leading to the current Copyright Act (the T. & T. Act).

The T. & T. Act leaves no room for debate as to the purpose served by copyright, as occurs in the U.S. The T. & T. Act specifically provides that copyright is a property right. The provisions of the T. & T. Act closely follow the norms set out in international treaties and conventions such as the Berne Convention, to which Trinidad and Tobago became a party on August 16, 1988. However, there is at least one provision which renders the T. & T. Act particularly relevant to the national situation. For example, copyright protection as a derivative work, is granted to works of mas, an integral feature of the Trinidad and Tobago carnival.

The T. & T. Act provides that copyright subsists in a wide array of literary and artistic works including musical works, with or without accompanying words. Unlike

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144 The Copyright Act of Trinidad and Tobago 1997, available at www.sice.oas.org/int_prop/nat_leg/Trinidad/L8_i.asp (last visited Apr. 10, 2001).

145 Id. at section 5.


148 Supra, note 144, at section 6 (1) (c).

149 Id. at section 3. See also Demas, supra note 143, at 3.

150 Id. at section 5 (1) (e).
the U.S. position, sound recordings are not protected by copyright, but are protected as "neighbouring rights." The T. & T. Act does not define literary or artistic works, however examples of such works are contained in the Berne Convention.\footnote{151} They include books, pamphlets and other writings, lectures, addresses, sermons, dramatic works, musical compositions with or without words, and various other types of works. All these works, including musical works, with or without accompanying words, are protected by copyright under the T. & T. Act.\footnote{152}

Unlike the U.S. situation which requires originality and fixation before copyright can subsist, in Trinidad and Tobago, the sole requirement for copyright protection is that the work must be original.\footnote{153} There is no fixation requirement, and the prescribed works are protected:

by the sole fact of their creation and irrespective of their mode or form of expression, as well as of their content, quality and purpose.\footnote{154}

Similar to the U.S. position, originality denotes that the work must owe its origin to the author, and is not synonymous with novelty. The T. & T. Act specifies that an "author" means a "natural person who has created the work."\footnote{155}
In the case of University of London Press, Limited v. University Tutorial Press, Limited, the issues to be determined were whether examination papers prepared by examiners for the University of London, were subject to copyright as “original literary works” within the meaning of the Copyright Act 1911, and if they were so subject, who owned the copyright. The court first held that the papers were literary works within the meaning of the relevant act. With respect to the originality issue, Justice Peterson noted that:

the word “original” does not in this connection mean that the work must be the expression of original or inventive thought...The originality which is required relates to the expression of the thought. But the Act does not require that the expression must be in an original or novel form, but that the work must not be copied from another work - that it should originate from the author.

Ultimately, the court held that the copyright was vested in the examiners, subject to the obligation contained in the examiner’s contract of employment to assign it to the University.

The T. & T. Act excludes from copyright protection ideas, procedures, systems, methods of operation, concepts, principles, discoveries or mere data, any official text of a legislative, administrative or legal nature, political speeches and speeches delivered in the course of legal proceedings. In works in which copyright subsists, the copyright holder has the exclusive right to do, authorize or prohibit the following acts: (1) the reproduction

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156 [1916] 2 Ch. 601.
157 Id. at 608.
158 Id. at 608-9.
159 Id. at 612.
160 Supra, note 144, at section 7 (1).
of the work; (2) the translation of the work; (3) the adaptation, arrangement or transformation of the work; (4) the first public distribution of the work; (5) the rental or public lending of certain prescribed works, including a work embodied in a sound recording; (6) the importation of copies of the work; (7) the public display of the work; (8) the public performance of the work; (9) the broadcasting of the work; and (10) the communication to the public of the work.\footnote{161}

In the context of the digital distribution of music, under the T. & T. Act, two of the primary rights implicated with respect to musical works are the reproduction right and the right to communicate the work to the public. The reproduction right gives the author control over the making of copies of the work, including any permanent or temporary storage of the work in electronic form.\footnote{162} The right to communicate the work to the public is the right to control the transmission of images of sounds of the work by wire or wireless means to persons outside the normal circle of a family and its closest social acquaintances.\footnote{163}

Unlike the U.S. position, the T. & T. Act fully recognizes and grants to the author of all categories of works, moral rights with respect to his work.\footnote{164} In the U.S., the moral rights of attribution and integrity are independent of the copyright, but they are only

\footnote{161}{Id. at section 8 (1).} 
\footnote{162}{Id. at section 3.} 
\footnote{163}{Id. at section 3.} 
\footnote{164}{Id. at section 18.}
granted to an author of a work of visual art.\textsuperscript{165} The moral rights in the Trinidad and Tobago context are independent of the copyright and subsist even though the author may no longer own the copyright.\textsuperscript{166}

The moral rights entitle the author to: (1) have his name indicated prominently on the copies and in connection with the public use of his work, (2) not have his name indicated on copies and in connection with any public use of his work, (3) use a pseudonym, and (4) object to any distortion, mutilation, modification or derogatory action in relation to his work which would prejudice his reputation and honour.\textsuperscript{167}

Similar to the U.S. position, the exclusive rights granted by copyright under the T. & T. Act are not absolute. The copyright is limited in duration and scope and is subject to several statutory exemptions and limitations.\textsuperscript{168} As a general proposition, copyright and moral rights subsist for the life of the author plus fifty years after his death.\textsuperscript{169} This term is subject to modification depending upon whether the work is a collective work or audiovisual work,\textsuperscript{170} or an anonymous or pseudonymous work.\textsuperscript{171}

One of the primary limitations on the scope of copyright under the T. & T. Act, is the privilege granted to a natural person, exclusively for his own personal purposes, to engage in the private reproduction of a published work in a single copy without the

\textsuperscript{165} 17 U.S.C. § 106A.

\textsuperscript{166} Supra, note 144, at section 18 (1).

\textsuperscript{167} Id. at section 18 (1) (a) (b) (c) (d).

\textsuperscript{168} Id. at sections 9 -17.

\textsuperscript{169} Id. at section 19 (1).

\textsuperscript{170} Id. at section 19 (3).

\textsuperscript{171} Id. at section 19 (4).
authorization of the copyright owner. It should be noted that the T. & T. Act does not contain a definition of the term “personal purposes,” although a definition is provided for the phrase “communication to the public.” As previously mentioned, this latter phrase signifies that the communication is made to persons outside the normal circle of a family and its closest social acquaintances.

In light of this definition, it can reasonably be assumed that reproduction for “personal purposes” would occur in a situation in which the end-user makes a single reproduced copy for his private use, whether or not he is in the company of his intimate circle of family and close friends. It should be noted that the permission granted for the unauthorized reproduction for “personal purposes” is itself qualified. The privilege does not apply in circumstances where the reproduction of the work for “personal purposes” would conflict with the normal exploitation of the work, or would unreasonably prejudice the legitimate interests of the copyright owner. This provision closely follows the norms set out in the Berne Convention. The effect of this limitation on the copyright and its relevance to the Napster litigation will be more fully discussed in Chapter III of this Thesis.

As was alluded to earlier in this Chapter, sound recordings are not protected by copyright in the Trinidad and Tobago legislation. While the T. & T. Act does not define

172 Id. at section 9 (1).
173 Id. at section 3.
174 Id. at section 9 (2).
“musical works,” a definition is provided for sound recordings, which generally refers to the aural fixation of sounds, excluding the fixed sounds of an audiovisual work.\textsuperscript{176} Sound recordings are protected in the legislation as “neighbouring rights.”\textsuperscript{177}

Neighbouring rights are also property rights,\textsuperscript{178} but the scope of protection is not as broad as the protection afforded by copyright. The owner of the neighbouring rights in a sound recording is known as the producer.\textsuperscript{179} The producer is the natural person or legal entity by whom the necessary arrangements for making the sound recording are undertaken.\textsuperscript{180} It is suggested that the producer is analogous to the record company in the U.S. context.

The neighbouring rights grant the producer the exclusive right to do, authorize or prohibit any of the following: (1) the direct or indirect reproduction of the sound recording, (2) the importation of copies of the sound recording, (3) the first public distribution of the sound recording, (4) the adaptation or other transformation of the sound recording, (5) the rental of the sound recording, and (6) the making available to the public of the sound recording through an electronic retrieval system.\textsuperscript{181} An electronic retrieval system is defined in the T. & T. Act as an electronic system in which the works

\begin{footnotesize}
\begin{enumerate}
\item[\textsuperscript{176}] The Copyright Act of Trinidad and Tobago 1997, available at www.sice.oas.org/int_prop/nat_leg/Trinidad/L8_i.asp (last visited Apr. 10, 2001) - \textit{id.} at section 3 “sound recording” is any exclusively aural fixation of the sounds of a performance or of other sounds, regardless of the method by which the sounds are fixed or the medium in which the sounds are embodied but does not include a fixation of sounds and images, such as the sound track of an audiovisual work.'
\item[\textsuperscript{177}] \textit{id.} at section 20.
\item[\textsuperscript{178}] \textit{id.} at section 20.
\item[\textsuperscript{179}] \textit{id.} at section 22 (1).
\item[\textsuperscript{180}] \textit{id.} at section 3.
\item[\textsuperscript{181}] \textit{id.} at section 22 (1).
\end{enumerate}
\end{footnotesize}
may be stored, and from which a member of the public may cause a work to be selected by him to be transmitted by wire or wireless means to receiving equipment under his control.\footnote{\textit{Id.} at section 3.}

With respect to the digital distribution of music, two of the primary neighbouring rights which are implicated are the reproduction right and the right to make the sound recording available to the public through an electronic retrieval system. However, the statutory definition of “electronic retrieval system” raises the interesting issue as to whether the Napster technology falls within the definition. As will be discussed in Chapter III, the Napster servers facilitate the peer-to-peer sharing of MP3 music files. While the user makes the choice as to which file he wishes to download from another user’s online music library, it is the Napster server which allows the sharing of music files between users to occur. In addition, the MP3 files are not “stored” on the Napster servers. The issue then is whether the Napster servers could reasonably be considered an “electronic retrieval system” under the T. & T. Act.

It can be argued that the use of the discretionary term “may” in the definition, is sufficiently imprecise to include the Napster technology. The statutory definition implicitly presents two possibilities in order to qualify as an “electronic retrieval system”. One possibility is that the works are stored in the electronic system, while the alternative situation is one in which the works are not stored in the electronic system.
either one of the alternative possibilities, a member of the public should be able to cause a work selected by him, to be transmitted to him by wire or wireless means to receiving equipment under his control. In the case of the digital downloading of music, a computer connected to the internet would qualify as such receiving equipment. In light of these two alternative possibilities presented by the statutory definition of electronic retrieval system, it is at least arguable that the Napster technology would be captured by the statutory definition.

Similar to the copyright in a protected work, the neighbouring rights are also limited in duration and scope by statutory provisions. Neighbouring rights subsist for a shorter term than copyright, and are protected for a fifty year period and no more, which is calculated either from the date of publication, or if the work is unpublished, from the date of fixation of the sound recording.\(^{183}\) There is no privilege for the continuation of the neighbouring rights after the death of the producer as occurs with the copyright owners’ privilege in musical works. In addition, the owner of neighbouring rights does not have the benefit of independent moral rights in his work, as does the owner of copyright. However, both copyright and neighbouring rights are transmissible by assignment as a bundle of rights, or individually, and can be disposed of by operation of law, as personal or moveable property.\(^{184}\)

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\(^{183}\) *Id.* at section 22 (2).

\(^{184}\) *Id.* at section 28 (1).
There are several limitations on the producer’s neighbouring rights. For the purpose of this Thesis, the principal limitation is the privilege granted for the unauthorized use of a sound recording by a natural person exclusively for his own personal purposes.\(^{185}\) As already mentioned, a similar provision limits the copyright holder’s reproduction right. The effect of this statutory limitation contained in the Trinidad and Tobago legislation, as well as the doctrine of fair use which is a limitation on copyright in the U.S. copyright legislation, will be discussed in Chapter III of this Thesis.

Both the legislation of the U.S. and Trinidad and Tobago impose penalties on a copyright infringer. Penalties for the infringement of neighbouring rights are also provided for in the Trinidad and Tobago legislation. In the U.S., a copyright owner has several civil remedies available to him for copyright infringement, although some of these remedies can only be relied upon if the copyrighted work was registered.\(^{186}\) Civil remedies include injunctions to restrain copyright infringement,\(^{187}\) the impounding and disposition of infringing articles,\(^{188}\) the imposition of statutory damages and the repayment of profits earned by the infringer,\(^{189}\) and the imposition of costs and attorney’s fees.\(^{190}\)

The copyright infringer in the U.S. can also be subject to criminal sanctions. These sanctions include the forfeiture and destruction of infringing copies and implements used

\(^{185}\) Id. at section 25 (a).


\(^{188}\) Id. at § 503.

\(^{189}\) Id. at § 504.

\(^{190}\) Id. at § 505.
to manufacture the copies,\textsuperscript{191} the imposition of a fine of not more than $2,500.00 for placing a fraudulent copyright notice on an article,\textsuperscript{192} for the fraudulent removal of a copyright notice,\textsuperscript{193} and for knowingly making a false representation in the application for copyright registration.\textsuperscript{194}

In the Trinidad and Tobago legislation, civil and criminal remedies can also be imposed on an infringer of copyright and/or neighbouring rights. Civil remedies include the grant of an injunction,\textsuperscript{195} the impounding of unauthorized copies of the work or sound recordings,\textsuperscript{196} the forfeiture and seizure of the unauthorized copies,\textsuperscript{197} the payment of compensatory damages and expenses, including legal costs, to the owner of the protected right,\textsuperscript{198} the accounting of the infringer’s profits,\textsuperscript{199} and the destruction of the unauthorized copies.\textsuperscript{200}

Criminal sanctions include the imposition of a fine of TT$100,000.00 on summary conviction and imprisonment for 10 years.\textsuperscript{201} This penalty can be increased up to double where the infringer has been convicted for a new act of infringement within five years of a

\begin{flushleft}
\textsuperscript{191} Id. at § 506 (2) (b).
\textsuperscript{192} Id. at § 506 (2) (c).
\textsuperscript{193} Id. at § 506 (2) (d).
\textsuperscript{194} Id. at § 506 (2) (e).
\textsuperscript{195} The Copyright Act of Trinidad and Tobago 1997, available at www.sice.oas.org/int_prop/nat_leg/Trinidad/L8_i.asp (last visited Apr. 10, 2001) - See id. at section 38 (1) (a).
\textsuperscript{196} Id. at Section 38 (1) (b).
\textsuperscript{197} Id. at Section 38 (1) (c).
\textsuperscript{198} Id. at Section 38 (1) (d).
\textsuperscript{199} Id. at Section 38 (1) (f).
\textsuperscript{200} Id. at Section 38 (1) (g).
\textsuperscript{201} Id. at Section 41 (1).
\end{flushleft}
previous conviction for an infringement.\textsuperscript{202} Other criminal sanctions include the impounding of the infringing work, the forfeiture and seizure of the unauthorized copies and the destruction of the infringing work, provided that no decision has been taken on these remedies in civil proceedings.\textsuperscript{203}

Under the U.S. legislation, the formidable array of statutory remedies provided to punish copyright infringement, is irrelevant to a defendant who is protected by the fair use doctrine. As was noted by Justice Stevens in the \textit{Sony} decision:

\begin{quote}
anyone who is authorized by the copyright owner to use the copyrighted work in a way specified in the statute or who makes a fair use of the work is not an infringer of the copyright with respect to such use.\textsuperscript{204}
\end{quote}

As will be illustrated in Chapter III of this Thesis, the doctrine of fair use is meant to be a fluid, equitable rule of reason, applied on a case-by-case basis. The doctrine was raised as a defense and rejected by the court in the \textit{Napster} litigation, and both the District Court and Ninth Circuit’s treatment of the doctrine forms the basis of the discussion in the following Chapter.

\textsuperscript{202} \textit{Id.} at Section 41 (3).
\textsuperscript{203} \textit{Id.} at Section 41 (4).
CHAPTER III

FAIR USE - A&M RECORDS, INC. v. NAPSTER, INC.

The Napster technology was developed in early 1999 by a nineteen-year old college freshman computer science student, Shawn Fanning. Fanning was interested in making it easier for his roommate to locate MP3 music files on the internet instead of using conventional search engines. His idea was to allow internet users to share MP3 files stored on their computer hard drives, directly with one another with the aid of a centralized database of titles, combined with software that converted each user’s computer into a server. By May, 1999 the company Napster, Inc. was incorporated.

Fanning developed the MusicShare software to convert his idea into reality. The software, when downloaded onto a user’s computer, allows the user to connect to a database when surfing the Napster website and identify which MP3 files he is willing to share (or not share) with other internet users. The titles of the user’s MP3 music files, along with the Internet Protocol address of the “sharing” or “host” user, are stored in Napster’s database, but the actual MP3 music files are not stored on Napster’s servers.

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206 Berschadsky, supra note 205, at 759.

207 See Ante, supra note 205.

208 Berschadsky, supra note 205, at 760.
One advantage of the Napster technology over other search engines is that it specializes in MP3 files, and since it possesses a continually updated database of file names, it is almost guaranteed that a user wishing to source a specific music file will be able to obtain it if it is listed in the Napster database.\textsuperscript{209}

Any “searching” user who has downloaded the MusicShare software can connect to Napster’s central database and search for the specific title of a song. The search will reveal, among other things, whether there are any other users with that specific song title on their computer hard drive. The searching user specifies which host user he wishes to obtain the song from by downloading it onto his computer. The Napster servers then let the identified host user know that another user is seeking to download a song from his files. The host user’s computer then begins to act as a server and the designated MP3 music files can be transmitted from the host user directly to the “searching” user with the assistance of each user’s Internet Service Provider.\textsuperscript{210}

Prior to the actual downloading of the music file from the identified host user, the Napster servers obtain the IP address information of the host. The servers then transmit this information to the searching user. The searching user’s computer utilizes this information to connect with the host user’s browser software and can then begin the actual downloading process from the host user’s MP3 music file library.\textsuperscript{211} During the

\textsuperscript{209} Id. at 761.

\textsuperscript{210} Id. at 760.

actual transfer process, the Napster servers are not being utilized. A noteworthy feature of the technology is that the content of the MP3 music file is transferred over the internet between users and not through the Napster servers. The MusicShare software also includes a browser interface, search engine and chat functions which operate along with Napster’s online network of servers.

The MusicShare software is available at no cost from the Napster website, and from its inception the technology became an instant hit, especially on U.S. college campuses. Widespread use of MP3 music file sharing facilitated by the Napster technology, and the extensive amount of internet resources involved, led to the banning of all Napster use on almost 200 college campuses in the U.S. At Oregon State University, Napster use was taking up 10% of the school’s internet bandwidth by October, 1999. At Florida State University, Napster use was utilizing 20% to 30% of the school’s bandwidth. At the University of Illinois at Urbana-Champaign, it was said at one point that Napster use was employing 75% to 80% of the university’s bandwidth. According to Napster, Inc.’s projections, by the end of 2000 there would have been

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212 Berschadsky, supra note 205, at 760.
213 Napster, 114 F. Supp. 2d at 905.
approximately 75 million Napster users. In addition, statistics reveal that on average, 10,000 music files are shared per second using Napster, and every second, more than 100 users try to log on to the system.

By November 1999, a Napster user could theoretically obtain from 60,000 to 100,000 MP3 music files, at no cost, depending on the number of other users connected to the internet at the same time. By April 2000, there were over 5 million registered Napster users, and by June 2000, the approximate number of available MP3 files that could be obtained had grown to about 600,000. With such a large base of users increasing at an accelerated rate, it was to be anticipated that the owners of legal rights in the music files and sound recordings, would view the new Napster technology with apprehension and hostility. These fears were exacerbated by the fact that the growing base of users was able to easily and quickly obtain copyrighted, good quality MP3 music files free of charge.

On December 6, 1999, 18 record company plaintiffs comprising the Big Five and other record companies, many of whom are affiliates of the Big Five, initiated a lawsuit.

218 Napster, 114 F. Supp. 2d at 902.
219 Id. at 902.
221 Id. at 761.
against Napster, Inc., alleging among other things, contributory and vicarious copyright infringement. On January 7, 2000, various music publisher plaintiffs filed a similar complaint against the internet company. The record company plaintiffs and the music publisher plaintiffs were seeking to have Napster, Inc. preliminarily enjoined from:

engaging in or assisting others in copying, downloading, uploading, transmitting, or distributing copyrighted music without the express permission of the rights owner.

The District Court Judge, Judge Patel, found as a fact that the majority of the music available on the Napster website was copyrighted, with about 87% of the files sampled by the plaintiffs’ expert witness, “belong[ing] to or are administered by plaintiffs or other copyright holders.”

Napster, Inc. relied on several defenses in answer to the plaintiffs’ motion, including the “fair use” doctrine, as well as the argument that there was a substantial non-infringing use of the Napster service. This Thesis will focus on the court’s treatment of the fair use doctrine. Judge Patel rejected the defendant’s argument that it was protected by the fair use doctrine, and proceeded to consider the doctrine against the backdrop of the four factors listed in the statutory fair use provision, as well as selected judicial authorities.

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223 Id. at 900.
224 Id. at 900.
225 Id. at 903.
226 Id. at 912.
227 Id. at 912.
It is suggested that while the learned judge’s analysis of the second and third statutory fair use factors is consistent with judicial authority, the analysis of the first and fourth statutory fair use factors is subject to question for three principal reasons. First, it is argued that the analysis of the first and fourth statutory factors fails to give due consideration to the specific context in which the dispute arises, namely the internet, in its application of legal principles. Established dicta provides that the application of the statutory factors must be guided by the specific fact situation facing the court, and this Thesis contends that sufficient weight was not given to the specific facts before the court.

Secondly, it is contended that Judge Patel misapplies dicta from established cases in her analysis of the first and fourth statutory fair use factors. Finally, it is suggested that the learned judge’s reliance on the authority of *UMG Recordings, Inc. v. MP3.Com, Inc.* was misplaced, as that judicial decision expounds a view of U.S. copyright law that is arguably contrary to copyright’s explicit constitutional purpose as set out in the Constitution’s copyright clause, and Supreme Court decisions interpreting the clause.

**The First Fair Use Factor**

"the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes."

With regard to the first statutory factor, Judge Patel found that this factor militated against a finding of fair use. Judge Patel stated that two elements must be considered

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228 92 F.Supp.2d 349 (S.D. N.Y. 2000).
229 *Napster*, 114 F. Supp. 2d at 912.
when examining this statutory factor. The first element is whether the new work "transforms the copyrighted material," as such transformation "satisfies the main goal of the first factor."\textsuperscript{230} The second critical element to be considered is whether the use of the copyrighted material was commercial in nature.\textsuperscript{231} Judge Patel's treatment of these two elements will be discussed in light of select judicial authorities.

\textbf{(a) Campbell v. Acuff-Rose Music, Inc.}

Judge Patel cited the case of \textit{Campbell v. Acuff-Rose Music, Inc.},\textsuperscript{232} for the proposition that the new work's transformation of the original copyrighted work, satisfies the main goal of the first fair use factor. The learned judge then relied on the \textit{UMG Recordings} decision and ruled that the downloading of MP3 music files did not transform the original copyrighted music.\textsuperscript{233} The result being that without such "transformation," the first statutory factor weighed against the proponent of the fair use doctrine.

In considering whether the use was commercial, Judge Patel noted that in accordance with \textit{Campbell}, while a finding of commercial use did not preclude a determination of fair use, it weighs against it.\textsuperscript{234} The learned judge then held that since the Napster users obtained music for free that they would ordinarily have to pay for, this suggested that they reaped an economic advantage from Napster use.

\textsuperscript{230} \textit{Id.} at 912.
\textsuperscript{231} \textit{Id.} at 912.
\textsuperscript{232} 510 U.S. 569 (1994).
\textsuperscript{233} \textit{Napster}, 114 F. Supp. 2d at 912.
\textsuperscript{234} \textit{Id.} at 912.
Such an economic advantage benefited the Napster subscribers to the detriment of the copyright owners, with the result that the first statutory fair use factor weighed against a finding of fair use.235

The Campbell case is the Supreme Court’s most recent interpretation of the Fair Use doctrine, and the Court reviewed several earlier Supreme Court decisions on the issue. In Campbell, the issue before the Court was whether a commercial parody of a copyrighted song constituted a fair use of that song.236 The judgment was rendered by a unanimous Supreme Court. The Court first noted that:

From the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright’s very purpose, “to promote the Progress of Science and useful Arts...”237

The Court then observed that the fair use doctrine emerged as a judge-made doctrine in the case of Folsom v. Marsh,238 until codification in the 1976 Copyright Act.239 Justice

235 Id. at 912-13.
236 Campbell, 510 U.S. at 571-72.
237 Id. at 575.
238 9 F. Cas. 342, 348 (C.C. D. Mass. 1841) - where Circuit Justice Story noted that “It is certainly not necessary, to constitute an invasion of copyright, that the whole of a work should be copied, or even a large portion of it, in form or in substance. If so much is taken, that the value of the original is sensibly diminished, or the labors of the original author are substantially to an injurious extent appropriated by another, that is sufficient, in point of law, to constitute a piracy pro tanto...we must often, in deciding questions of this sort, look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.”
239 Campbell, 510 U.S. at 576. See also 17 U.S.C. § 107 “Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted
Souter, who delivered the opinion of the Court, emphasized that in applying the fair use doctrine, there should be no "bright-line rules." Instead, courts should look at the specifics of each case on a case-by-case analysis. Further, the four statutory factors were not to be treated in isolation from each other, but instead all should be considered and the results weighed together, in light of copyright's constitutional purpose.

The position adopted by the Campbell Court to grant equal weight to the four statutory fair use factors, was a reversal from two earlier Supreme Court decisions, Harper & Row, Publishers, Inc. v. Nation Enterprises and Stewart v. Abend, which both held that the fourth statutory fair use factor was the most important of all the fair use factors.

In considering the first factor, the Campbell court noted that this factor drew on Justice Story's formulation in Folsom v. Marsh, "the nature and objects of the selections made." The Court noted that the enquiry could be guided by the examples set out in the preamble to the fair use statutory provision, to determine whether the allegedly infringing use is for comment, criticism, news reporting or other such matters. The main purpose of the enquiry is to determine whether the new work superseded or supplanted the original work."

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240 Campbell, 510 U.S. at 577.
241 Id. at 578.
244 Campbell, 510 U.S. at 579.
work, or whether and to what extent it added "something new, with a further purpose or different character...and to what extent the new work is transformative."\textsuperscript{245}

However, the Court observed that a transformative use is not "absolutely necessary" for a finding of fair use.\textsuperscript{246} In other words, it is suggested that the point being made by the Court was that a transformative use was not dispositive of the first fair use factor. However, the Court’s view was that copyright’s goal of promoting science and the arts, was generally furthered by the creation of transformative works, and the more transformative the new work, the less important other factors, like commercialism, which could weigh against a finding of fair use.\textsuperscript{247}

It can be argued that the Court’s position was that the more the allegedly infringing work added something “new” to the original work, the more likely a court would rule in favor of fair use, even if the infringing work was created for a commercial purpose. The Court seemed to be placing greater significance on the “transformative” element of the allegedly infringing work, than on its commercial nature. However, it is suggested that this dictum does not give much guidance in situations where the allegedly infringing use is both non-transformative and non-commercial, which it is suggested is the case with respect to the Napster technology.

Justice Souter, who delivered the unanimous decision in \textit{Campbell}, ruled that parodies, like other comment and criticism, could claim transformative value as they

\textsuperscript{245} \textit{Id.} at 579.
\textsuperscript{246} \textit{Id.} at 579.
\textsuperscript{247} \textit{Id.} at 579.
“provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one.”

It is noteworthy that Justice Souter placed the focus of his enquiry, parodies, in the context of the category of works classified as comment and criticism. It is suggested that while Justice Souter’s “transformative” analysis was applicable in the context of new works created to comment and criticize an “original” work, it is of limited value when seeking to determine whether the digital downloading of music is a fair use under the first statutory factor. As the Court had emphasized earlier in its analysis, each fair use case is fact specific.

Further, Justice Souter underscored that while the transformative element was important, it was not dispositive of the first factor. The weight to be attached to the transformative element would vary depending on the commercial nature of the allegedly infringing work. The result being that the more transformative the use, the less the importance of other factors like commercialism.

With respect to the commercial element of the first fair use factor, Justice Souter also dispelled prior views which held that in considering the first fair use factor, the commercial nature of the new work should be given inflated significance. The Court observed that the statutory language made it clear that the commercial or non-profit purpose of the work is just one of the elements to be taken into account with regard to the

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248 Id. at 579.
first fair use enquiry.\textsuperscript{249} For example, an educational use that is not for profit might not necessarily prohibit a finding of infringement, nor would commercial use bar a finding of fairness.\textsuperscript{250} While commercial as opposed to nonprofit use is a separate factor that tends to weigh against a finding of fair use, this tendency would vary in the context of each case. The result being that there was no "hard presumptive significance" to the commerciality element.\textsuperscript{251}

In applying the transformative analysis discussed in \textit{Campbell} to the facts of the \textit{Napster} case, Judge Patel also relied on the case of \textit{UMG Recordings, Inc. v. MP3.COM, Inc.}\textsuperscript{252} In that case, the issue before the District Court was whether the defense of fair use was available to an internet company which made MP3 music files available to its subscribers. The technology and service utilized by the defendant internet company, differed from that utilized by Napster, Inc. In the case of MP3.Com, Inc., the defendant purchased compact discs in which the plaintiffs owned the copyright, and made unauthorized copies of those discs onto its computer servers in order that its subscribers could download the music files free of charge. In order to benefit from this service, the users were required to own a compact disc version of the recording. This is in contrast to the Napster technology which allows for peer-to-peer sharing of music files (compact disc recordings which are not required to be owned by the user), and which are not stored in

\textsuperscript{249} \textit{Id.} at 584.  
\textsuperscript{250} \textit{Id.} at 584.  
\textsuperscript{251} \textit{Id.} at 585.  
\textsuperscript{252} 92 F.Supp.2d 349 (S.D. N.Y. 2000).
any way on the Napster servers. However, similar to the Napster service, the service provided by MP3.Com was free of charge to its subscribers.

In its analysis of the first fair use factor, the District Court in *UMG Recordings* placed great emphasis on the commercial and transformative enquiries, and treated these enquiries as dispositive in ruling against the defendant. The court held that the use by the internet company’s subscribers was commercial because the company was attempting to broaden its subscription base to draw advertisers and otherwise make a profit.253

The District Court also held that the downloaded music files were not transformative, and cited *Campbell* for the proposition that the first statutory fair use factor also involves inquiring into whether the new use repeats the old, or whether it transforms it by infusing it with new meaning or new understandings.254 The defendant had argued that “space shifting,” (which allowed subscribers to download music which they already possessed on their personal compact discs, from any internet connection without being required to move around with their personal compact discs), was sufficiently transformative.255 The District Court rejected this argument on the ground that such space shifting merely amounted to repackaging of the recordings for transmission through another medium.

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253 *Id.* at 351.
254 *Id.* at 351.
255 *Id.* at 351.
This was not an adequate basis for a claim to transformative use as no “new aesthetics, new insights and understandings” were added to the original music recordings being copied.256

Judge Patel in *Napster*, relied on this dicta in the *UMG* case in holding that there was no transformative use by the Napster subscribers, and this fact weighed against a finding of fair use under the first factor. It is contended that both Judge Patel and the *UMG* court failed to recognize that while the “transformative” analysis was useful when applied to the specific facts of *Campbell*, that is, whether a parody constituted fair use of an original music recording, such analysis is of little significance when transported to the arena of the digital downloading of music, in which no attempt is being made to comment or criticize the original work. Further, it is highly debatable whether an MP3 music file which drastically compresses data and reduces the size of the wave format of a compact disc, cannot claim transformative value.

Judge Patel opted not to expressly adopt the *UMG* dictum that the downloading of music files was commercial activity. Instead, the learned judge ruled that while the downloading and uploading of MP3 music files may not be “paradigmatic commercial activity,”257 such activity could not be classified as “personal use” in the “traditional sense.”258

256 *Id.* at 351.


258 *Id.* at 912.
The learned judge acknowledged that the Napster subscribers were generally not benefiting financially from their activities, and observed that:

[the] plaintiffs have not shown that the majority of Napster users download music to sell—that is, for profit. However, given the vast scale of Napster use among anonymous individuals, the court finds that downloading and uploading MP3 music files with the assistance of Napster are not private uses. At the very least, a host user sending a file cannot be said to engage in a personal use when distributing that file to an anonymous requester. Moreover, the fact that Napster users get for free something they would ordinarily have to buy suggests that they reap economic advantages from Napster use.\(^{259}\)

Judge Patel’s analysis of this issue is striking for its cryptic value. The learned judge disclaims both commercial and personal use classification, while leaving the serious question unanswered, what is the appropriate designation for the downloading and uploading of music files. While the learned judge does not categorically rule that the uploading and downloading of music files by the Napster users are commercial activities, she appears to favor a commercial label by implicitly equating an economic advantage with a commercial use. Judge Patel gives dispositive weight to the “economic advantages” to be gained from Napster use, ignoring the fact that Napster, Inc. did not charge a fee to its subscribers, neither did the users profit financially from their use.

It is asserted that one critical implication of Judge Patel’s analysis is that it raises the issue whether “personal use” can meaningfully exist in the context of the internet. The very nature of the internet is that a massive audience of unknown individuals, across all continents, can be connected simultaneously through computer networks and servers.

\(^{259}\) Id. at 912.
While millions of users can be connected at any given time, many of these users are connected while in the privacy of their homes, either alone, or in the presence of close family members. If, according to Judge Patel’s analysis of the first fair use factor, personal use turns on whether information is being transmitted to multiple anonymous users, while ignoring whether the use is occurring in the privacy of one’s home for one’s personal enjoyment, the logical extension of this argument seems to be that personal use has no place in the internet environment.

(b) Sony Corporation of America v. Universal City Studios, Inc.

Sony Corporation of America v. Universal City Studios, Inc.,\(^{260}\) is the Supreme Court case often cited and discussed with reference to contributory copyright infringement and the fair use doctrine. In this respect, the case was relied on by Napster, Inc. in its arguments. In Sony, the owners of copyright in television programs brought a copyright infringement action against manufacturers of home video recorders. The plaintiffs alleged that by supplying video recorders to consumers with which they could videotape the plaintiffs’ copyrighted works for home use, the defendants contributed to the home user’s infringement of the plaintiffs’ copyrights. While Sony is important both for its holdings on contributory infringement and the fair use doctrine, its articulation of fair use principles is on focus in this Thesis.

In a split decision, the Court first noted that in applying the fair use factors, a Court is able to apply an “equitable rule of reason” analysis to particular infringement claims.\(^{261}\) The Court emphasized that the legislative objective behind the fair use statutory provision did not intend:

> to freeze the [fair use] doctrine in the statute, especially during a period of rapid technological change. Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis.\(^{262}\)

In examining the first fair use factor, the Court focused on the commercial or non-profit character of the activity in issue,\(^{263}\) and made no mention of the “transformative” element later enunciated in the *Campbell* decision.

Justice Stevens delivered the majority opinion in *Sony*, and noted that where the infringing copies are made for a commercial or profit-making purpose, there is a presumption that such use is unfair.\(^{264}\) However, in the circumstances of the case, time-shifting (the home-use recording of copyrighted movies from the television for delayed private home viewing) was a noncommercial and nonprofit activity.\(^{265}\) As a result, the fact that such home recording reproduced the entire original work did not militate against a finding of fair use.\(^{266}\) It should be noted that in the subsequent *Campbell* decision, the

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\(^{261}\) *Id.* at 448.
\(^{263}\) *Id.* at 449.
\(^{264}\) *Id.* at 449.
\(^{265}\) *Id.* at 449.
\(^{266}\) *Id.* at 449-50.
Supreme Court clarified the *Sony* dictum with respect to the presumptive unfairness of commercial use, and observed that there is no need for a court to “elevate commerciality to hard presumptive significance.”

In *Napster*, Judge Patel held that the Napster users gained an “economic advantage” by obtaining the music files without payment, and the learned judge seemed to equate such an advantage with commercial use. However, it is suggested that several unique and important features of the case which negated such a commercial label, were discounted by the learned judge. These features include: (1) Napster, Inc. was a non-profit making company; (2) it did not charge a fee to the subscribers; (3) the music files were being transmitted over the internet, which is inherently non-proprietary in nature; (4) the music files were not stored on the Napster servers; (5) the Napster users generally utilized the service in the privacy of their homes; and (6) the Napster users obtained the music files for private enjoyment and not for commercial profit.


In the case of *Harper & Row, Publishers, Inc. v. Nation Enterprises,* the issue before the Supreme Court was whether the unauthorized publication of verbatim quotes from President Ford’s memoirs was a fair use of the stolen, unpublished presidential manuscript. The Court in a split decision, first noted that fair use analysis

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requires a case-by-case determination and the four statutory factors were not exclusive.\textsuperscript{270} In analyzing the first fair use factor, the Court observed that the fact that a publication was commercial as opposed to nonprofit is a factor that tends to weigh against a finding of fair use.\textsuperscript{271} The Court held that:

The crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.\textsuperscript{272}

The Court also took into account the defendant’s express purpose in publishing the unauthorized quotes, which was to “scoop” the authorized forthcoming publication. The defendant’s infringing use:

“had not merely the incidental effect but the intended purpose of supplanting the copyright holder’s commercially valuable right of first publication.”\textsuperscript{273}

Also relevant to a determination of the first statutory factor was the propriety of the defendant’s conduct, as fair use presupposes “good faith” and “good dealing.”\textsuperscript{274} The defendant “knowingly exploited a purloined manuscript,” and therefore could not “offer up the fiction of consent as justification.” As a result of these matters, the first fair use factor weighed against the defendant.

As with the \textit{Sony} case, the Court in \textit{Harper & Row} considered the commercial or non-commercial nature of the infringing work in analyzing the first fair use factor.

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\textsuperscript{270} \textit{Id.} at 549, 561.
\textsuperscript{271} \textit{Id.} at 562.
\textsuperscript{272} \textit{Id.} at 562.
\textsuperscript{273} \textit{Id.} at 562.
\textsuperscript{274} \textit{Id.} at 562.
However, each Court held that commercial use was one factor which could weigh against a finding of fair use in light of other factors. Further, each Court sought to adapt the relevant fair use principles to the particular circumstances of the case. In Sony, the Court recognized that time-shifting for home use was non-commercial, even though the VCR was essentially a profit-making item.

In Harper & Row, the Court was particularly concerned with the fact that the manuscript was stolen or "purloined," and the defendant knowingly exploited the purloined work. It should be noted that the Court added the dimension of the defendant's intent as an important consideration. The defendant had obtained a stolen manuscript and had expressly stated that it intended to "scoop" the pending first publication of the original work. Although the defendant alleged that news reporting was a fair use, it stood to profit from the publication of the "scooped" manuscript as it was "free to bid for the right of extracting excerpts" from the manuscript, like its competitors.275

Neither of these cases mentioned the transformative element which was a prominent feature of the later Campbell case in the context of a parody, and which also featured in the District Court's ruling in Napster. It is suggested that while the Court in Sony and Harper & Row attempted to marry the specific facts of their case with legal principles, the District Court in Napster applied hard and fast rules without taking into account the specific unique features of the case, namely the non-commercial nature of the

275 Id. at 563.
use by the Napster subscribers, the fact that the use generally occurred in the privacy of the home, and the fact that Napster, Inc. did not charge for the service. The accuracy of the ruling in Harper & Row with respect to the importance placed on the unpublished nature of the manuscript, will be discussed in relation to the second statutory fair use factor.

(d) Stewart v. Abend.

After Harper & Row, the Supreme Court decided the case of Stewart v. Abend.276 One of the issues confronting the Court was whether the continued distribution and publication of a movie, during the renewal copyright term of the pre-existing story on which the movie was based, was a fair use of the story.

In its discussion of the fair use doctrine, the split Supreme Court first noted that the doctrine was an equitable rule of reason and that the four enumerated statutory factors were nonexclusive.277 The Court held that the motion picture did not fall into any of the categories set out in the preamble of the statutory fair use provision, neither did it meet the four criteria set out in the statutory fair use provision.278 In its analysis of the first fair use factor, the Court cited the statement in Sony that [every]:

commercial use is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright...279

277 Id. at 236-37.
278 Id. at 237.
279 Id. at 237, quoting from Sony Corp. of America v. Universal Studios, Inc., supra, note 260, 464 U.S., at 451.
and held that the first fair use factor weighed against the petitioners because they earned substantial profits from the re-release of the movie during the renewal term. On this basis, the Court rejected the argument that the use was educational rather than commercial.\textsuperscript{280} As earlier mentioned in this Chapter, the subsequent \textit{Campbell} decision clarified this statement in \textit{Sony} and held that there should be no hard presumptive significance attached to a commercial use. All the elements of the case must be weighed in deciding on a fair use argument.

The decision of the Court in \textit{Stewart} can be contrasted with the ruling of the District Court in \textit{Napster}. In the former case, the Court gave significant attention to the fact that the petitioners were deriving quantifiable economic benefits and profits from the movie, while the renewal rights in the original copyrighted work continued to exist. This commercial advantage weighed against a finding of fair use. This situation can be contrasted with the position in \textit{Napster}, in which the defendant company did not earn any profits from the infringing use of its subscribers, neither did the users gain any quantifiable economic benefits from the use.

\textbf{(e) Sega Enterprises Ltd. v. Maphia.}

Two cases relied on by Judge Patel in her analysis of the first fair use factor were the cases of \textit{Sega Enterprises Ltd. v. Maphia}\textsuperscript{281} and \textit{American Geophysical Union v.}

\textsuperscript{280} \textit{Id.} at 237.
\textsuperscript{281} 857 F.Supp. 679 (N.D. Cal. 1994).
Texaco Inc. In Sega, the plaintiff was the manufacturer and distributor of computer video games, and it brought a copyright infringement action against a company engaged in the business of running an electronic bulletin board. The evidence revealed that users of the bulletin board uploaded and downloaded the plaintiff's video games, without the plaintiff's authorization. In addition, the defendant, either directly or through an affiliate sometimes charged a fee to users of the bulletin board, or bartered for the opportunity to download the plaintiff's games.

In examining the first fair use factor, the District Court observed that "to invoke the fair use exception, an individual must possess an authorized copy of a literary work." This Thesis contends that there is no such broad restriction imposed on the fair use defense in either the fair use statutory provision, or established Supreme Court authorities interpreting the defense. While in Harper & Row, the Court was concerned with the fact that the defendant was knowingly exploiting a stolen manuscript, there is generally no stringent requirement imposed on a defendant who may unwittingly be in possession of an unauthorized copy of a work.

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282 60 F.3d 913 (2d Cir. 1994).
283 Sega, 857 F.Supp. at 683.
284 Id. at 687, quoting from Atari Games Corp. v. Nintendo of America, Inc. 975 F.2d 832, 843 (Fed.Cir. 1992).
The defense is raised after an allegation of copyright infringement has been made, and according to the Supreme Court authorities cited in this Chapter, the statutory fair use factors are to be applied on a case-by-case analysis, without the application of any hard and fast rules. The defense requires the application of an equitable rule of reason.

The *Sega* court held that the first fair use factor weighed against a finding of fair use because the users of the bulletin board were downloading the Sega games in order to avoid having to buy video game cartridges from the Plaintiff, and by such avoidance, the users and the defendant “both profit[ed].” The commercial purpose of the use therefore militated against a finding of fair use.\(^{285}\)

The court’s implied conclusion appears to be that barring downloading of the video games, users would purchase the game cartridges from Sega. However, there was no statistical data presented in the case to suggest that this implicit conclusion was an accurate reflection of real purchase trends of the defendant’s subscribers. Further, it should be noted that the defendant in *Sega* was in fact earning profits from the user’s activities by charging a fee, unlike the position in Napster, Inc. This Thesis proposes that this non-commercial characteristic of the Napster service is a unique feature, which the District Court could have given greater consideration.

\(^{285}\) *Id.* at 687.
(f) American Geophysical Union v. Texaco Inc.

The *American Geophysical* case was decided after the *Campbell* decision. The issue presented was whether the photocopying of individual journal articles by one of the defendant's research scientists, was a fair use. The individual articles were photocopied from scientific journals in which the plaintiff publishers held the copyright, upon assignment by the authors of the articles.\(^{286}\) The plaintiffs held prior subscriptions in the journals, but the photocopies were made from journals in which no subscriptions were held.

The majority court reiterated that in applying the fair use doctrine, the precise facts at hand must be given consideration.\(^{287}\) The court noted that the precise facts of the case required an interpretation of the fair use doctrine in relation to the photocopying of documents.\(^{288}\) The court expressed its reluctance in applying the traditional fair use analysis as codified in the statutory provision and developed by judicial decisions, to the issue of "mechanical" copying, but recognized that *Sony* rendered the point moot as that case applied traditional fair use analysis to mechanical copying by a videotape recorder.\(^{289}\)

The court first observed that the four statutory fair factors were non-exclusive. In analyzing the first fair use factor, the court stated that a pertinent enquiry is an examination of the particular circumstances in which the copies are made. On the facts of

\(^{286}\) 60 F.3d 913, 918 (2d Cir. 1994).
\(^{287}\) *ld.* at 916.
\(^{288}\) *ld.* at 916.
\(^{289}\) *ld.* at 917.
the case, the court held that the primary purpose of the photocopying was "archival," that is, the copies were created to provide each of the defendant's scientists with a personal copy of the plaintiffs' articles, without the defendant having to purchase another original journal. This archival copying, while not always an unfair use, tilted the first factor against the defendant because the making of the copies to be placed on the shelf of the defendant's scientist, was:

part of a systematic process of encouraging employee researchers to copy articles so as to multiply available copies while avoiding payment.290

The court held that a second relevant enquiry under the first fair use factor was the issue of commercial use. Chief Judge Newman who rendered the decision of the split court, recognized the dicta in earlier Supreme Court decisions which held that the commercial nature of the use should not be unduly emphasized, but was simply one factor which tended to weigh against fair use.291

Under the commercial use element, the court observed that the for-profit nature of the defendant's activity should not weigh against the defendant without distinguishing between direct commercial use, and the more indirect relation to commercial activity. However, the court held that the for-profit status of the defendant company was not "irrelevant to the fair use analysis."292

290 Id. at 919-20.
291 Id. at 921.
292 Id. at 921.
While the court accepted that the defendant was not gaining any direct commercial advantage from the photocopying of the articles, as it was done to facilitate the scientists’ research, there was an indirect commercial relation. The photocopying of the articles would facilitate the scientists’ research, which would in turn lead to the development of new products that could enhance the defendant’s “commercial performance.” The court held that:

the greater the private economic rewards reaped by the secondary user (to the exclusion of broader public benefits), the more likely the first factor will favor the copyright holder and the less likely the use will be considered fair.

Since as a for-profit enterprise the defendant stood to gain an indirect economic advantage from the photocopying, it was not obvious why it was fair for the defendant to avoid payment to the copyright holders for the right to photocopy the articles.

A third element that the court focused on in its first factor enquiry, was the transformative issue. The court noted that under Campbell, this concept was “central to a proper analysis under the first factor....although it [was] not absolutely necessary for a finding of fair use.” The court observed that the transformative use concept is relevant because “it assesses the value generated by the secondary use and the means by which such value is generated.” However, the making of photocopies could not properly be regarded as a transformative use of the copyrighted material, although the independent

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293 Id. at 921.
294 Id. at 922.
295 Id. at 922.
296 Id. at 922-23.
297 Id. at 923.
value that stemmed from converting the original journal articles into a different format from their normal appearance, should not be overlooked.\textsuperscript{298}

Having considered these various elements, the court held that the first fair use factor weighed against the defendant:

primarily because the dominant purpose of the use is a systematic institutional policy of multiplying the available number of copies of pertinent copyrighted articles by circulating the journals among employed scientists for them to make copies, thereby serving the same purpose for which additional subscriptions are normally sold, or,... for which photocopying licenses may be obtained.\textsuperscript{299}

The differences between the American Geophysical case and the Napster case are noteworthy. In the former case, the court was primarily concerned with the unauthorized photocopying of documents and the fact that Texaco had originally paid for a subscription to the articles, but had not renewed the subscription in order to benefit from the unauthorized photocopies. Moreover, the court was of the view that the photocopying by the defendants' scientists would assist the defendant to gain an indirect economic advantage due to its for-profit status.

These features do not appear in the Napster litigation. Moreover, Judge Patel treats the commercial and transformative elements as dispositive, while the Supreme Court in Campbell holds that these elements are factors to be weighed along with all the other unique factors of the case, and should be given due weight accordingly. As earlier contended in this Thesis, Judge Patel failed to address the unique features of the Napster

\textsuperscript{298} Id. at 923.
\textsuperscript{299} Id. at 924-5.
case when transporting wholesale, the first factor fair use analysis of other judicial authorities to the facts before her. For these reasons, it is suggested that the analysis of the learned judge with respect to the first fair use factor is subject to question.

The Second Fair Use Factor

"the nature of the copyrighted work."

Judge Patel in the Napster case also found the second, third and fourth fair use factors weighed against the defendant. With regard to the second fair use factor, the learned judge held that since the copyrighted musical compositions and sound recordings were creative in nature, they constituted entertainment, and this fact weighed against a finding of fair use. This ruling is consistent with the position adopted in earlier Supreme Court decisions in which the Courts distinguished between creative works, which required greater copyright protection, and factual works, to which the public required greater access.

In Campbell, the Court in its analysis of the second fair use factor, noted that this factor drew on Justice Story’s expression, the “value of the materials used.” The Court observed that there were some works which are "closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish" when these works are copied. The Court concluded that the plaintiff's original song constituted creative expression for public dissemination, which fell within the core of

302 Id. at 586.
copyright's protection. However, in the circumstances of the case, the copying of such an expressive work was not helpful in analyzing the fair use doctrine, as parodies invariably copied expressive works.303

In Harper & Row, the Court stated that "the law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy."304 While some of the quotes taken from the original work conveyed facts, the defendant also excerpted subjective descriptions which formed part of the "author's individualized expression."305 Further, the fact that the original work was unpublished was a "critical element of its nature," as the "scope of fair use is narrower with respect to unpublished works."306 It should be noted that the Court's view with respect to the importance of the unpublished nature of the work as a determining factor in a finding of unfair use, is not wholly consistent with the U.S. Copyright Statute and the statutory fair use provision.307 The unpublished nature of the work is not the dispositive element if the other factors under consideration do not lead to a conclusion of unfair use.

303 Id. at 586.
305 Id. at 563.
306 Id. at 564.
307 17 U.S.C. § 107 (4) "The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors."
In *Stewart v. Abend*, the Court held that fair use is more likely to be found in factual works than in fictional works, and a motion picture based on a fictional short story, fell into the latter category.\textsuperscript{308}

In *Sega*, the court adopted the position taken in *Harper & Row*, and held that the video game programs were for entertainment uses and involved works of fiction and fantasy. Therefore, the copying of such works also weighed against a finding of fair use.\textsuperscript{309}

Conversely, in *American Geophysical*, the court found that the second fair use factor favored the defendant as the articles that were photocopied were predominantly factual in nature. Such works were not “within the core of the copyright’s protective purposes.”\textsuperscript{310}

As the dicta in these cases illustrate, these select judicial interpretations of the second factor are generally consistent with each other. The courts adopt the view that there is a greater need to disseminate factual works to the public in order to achieve copyright’s constitutional objectives. As a result, there appears to be a greater likelihood that a court would find a fair use when factual works are used without the authority of the copyright owner. On the other hand, with respect to works of creative expression, the courts adopt the position that these works are within the core of copyright’s protective purpose and as such, there is less likelihood that unauthorized use of such works would be


\textsuperscript{309} 857 F.Supp.679, 687 (N.D. Cal. 1994).

\textsuperscript{310} 60 F.3d 913, 925 (2d Cir. 1995).
considered a fair use. Judge Patel’s decision to weigh the second fair use factor against the defendant is therefore consistent with established authority, as the music files downloaded by the Napster subscribers constituted expressive works.

The Third Fair Use Factor

“the amount and substantiality of the portion used in relation to the copyrighted work as a whole.”

The Fourth Fair Use Factor

“the effect of the use upon the potential market for or value of the copyrighted work.”

In her analysis in the Napster case, Judge Patel linked the third and fourth fair use factors. Therefore, this Thesis will link these factors in analyzing the judicial interpretations of these elements. Judge Patel ruled that the uploading or downloading of the MP3 music files involved copying the entirety of the copyrighted work, and that such entire copying weighed against a finding of fair use. Further, the learned judge held that even after Sony, such copying of entire works for private home use would weigh against a finding of fair use if it was likely to adversely affect the market for the copyrighted work.311

Before discussing the learned Judge’s conclusion with respect to the effect of Sony on this issue, it should be noted that the select judicial decisions examined in this Thesis either adopt a quantitative, or a qualitative analysis of the third fair use factor. Several

311 Napster, 114 F.Supp.2d at 913.
authorities consider the actual quantitative amount of the original work that is contained in the infringing work. On the other hand, other authorities place greater emphasis on the qualitative value of the portion of the original work included in the infringing work. In the *Napster* situation, Judge Patel adopts the former view and considers the quantitative amount of the original recordings used by the Napster subscribers (the entire works), and weighs this factor against a finding of fair use. Such a conclusion is not subject to critical review in light of the case law on the issue, which will be discussed later in this chapter.

On the other hand, it is suggested that Judge Patel’s conclusion that after *Sony*, copying of entire works for personal use may not be a fair use if it is likely to have an adverse effect on the market for the original works, is not so clear-cut. The Court in *Sony* characterized the activity of “time-shifting” as a non-commercial use. The Court held that since time-shifting enabled a viewer to see a work which he had been invited to view free of charge, the fact that the entire work was reproduced did not have “its ordinary effect of militating against a finding of fair use.”312 In its discussion of the fourth fair use factor, the Court acknowledged that copying for noncommercial purposes could impair the copyright holder’s rights, but observed that:

> a use that has no demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be prohibited in order to protect the author’s incentive to create.313

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312 *Sony*, 464 U.S. at 449-50.
313 *Id.* at 450.
In other words, it is suggested that the Court was of the view that in order to bar noncommercial copying, there must be a demonstrable effect on the potential market for or value of the copyrighted work. There must be actual proof of an adverse effect. This is different to Judge Patel’s interpretation when she ruled that after Sony, copying of entire works for private home use would weigh against a finding of fair use if it was likely to adversely affect the market for the copyrighted work. It is contended that according to Judge Patel’s interpretation, a copyright holder may not be required to subscribe to such a strict standard of proof.

The Sony Court distinguished between the evidentiary burden required when the allegedly infringing use is commercial, from the evidentiary burden required when the use is non-commercial, and ruled that:

...although every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright, noncommercial uses are a different matter. A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work....What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated. 314

Although there was a presumption that commercial use was unfair, noncommercial uses did not fall into this category. With respect to a noncommercial use, there must be proof by the copyright owner that “some meaningful likelihood of future harm exists.”

314 Id. at 451.
The Court validated the District Court’s decision to reject the evidence presented on the question of future harm. Two of the arguments made before the District Court in *Sony* were: (1) live television viewing or movie audiences would decrease as more people watched videotapes, and (2) theater or film rental of a program would suffer because of time-shift recording. The District Court rejected these arguments and the Supreme Court agreed with the findings. With respect to the first argument, the District Court held that there was no factual basis for the argument and the survey produced by the respondent did not demonstrate a negative effect on television viewing or theater attendance. With respect to the second argument, the District Court held that it lacked merit as it was not supported by the evidence.

In ruling that the fourth fair use factor weighed against Napster, Inc., Judge Patel accepted the evidence of the plaintiffs that the Napster usage harmed the market for the original copyrighted works in two ways. First, the uploading and downloading of music files reduced compact disc sales among college students. Secondly, the use by Napster subscribers raised “barriers to [the] plaintiffs’ entry into the market for the digital downloading of music.”

On the other hand, the defendant claimed three potential fair uses of the plaintiffs’ works, namely: (1) sampling, (2) space-shifting and (3) the authorized distribution of new artists’ work. Judge Patel ruled that unlike time-shifting, sampling was not a personal use

315 *Id.* at 453.
316 *Id.* at 453, n 37.
in the traditional sense for several reasons. First, it allowed Napster users to obtain permanent copies of copyrighted music that they would otherwise have to pay for, and secondly, it carried the potential for viral distribution to millions of users.\(^{318}\) The learned judge concluded that:

the global scale of Napster usage and the fact that users avoid paying for songs that otherwise would not be free militates against a determination that sampling by Napster users constitutes personal or home use in the traditional sense.\(^{319}\)

Judge Patel appears to be of the view that barring the downloading of music files on the Napster website, Napster users would readily purchase the original compact discs, thus satisfying the royalty requirements due to copyright holders under the copyright scheme. The conclusion arrived at by the plaintiffs’ expert, based on a survey of a select group of college students, was that:

the more songs Napster users have downloaded, the more likely they are to admit or imply that such use has reduced music purchases.\(^{320}\)

This conclusion found favor with the learned judge. As discussed in Chapter 1 of this Thesis, the statistics for the U.S. music industry in 1999 reflect an increase in compact disc sales, and the defendant’s evidence in *Napster* was that sales of the plaintiffs’ music was enhanced.

\(^{318}\) *Id.* at 913.
\(^{319}\) *Id.* at 914.
\(^{320}\) *Id.* at 909.
The fact that a survey of a select group of college students can "imply" that compact disc sales among college users have declined due to Napster usage, is scientifically ambiguous and moreover, should be measured against the fact that overall sales in the country have increased.

Judge Patel dismissed the defendant's contention that Napster use stimulated sales, by noting that any such potential enhancement would not tip the fair use analysis conclusively in favor of the defendant. The learned judge cited the MP3.Com decision as "especially instructive."

In MP3.Com, the court held that the fourth fair use factor weighed against the defendant even though sales may have been enhanced, because the plaintiffs provided evidence that they had taken steps to enter the digital download market by entering into various licensing agreements, and this market was affected adversely by the activity of the defendant's users. The court then made the extraordinary claim that:

"copyright...is not designed to afford consumer protection or convenience but, rather, to protect the copyright holders' property interests."

It is argued that solely on the basis of this incorrect interpretation of the constitutional purpose of U.S. copyright, as interpreted by the Supreme Court in Sony and Feist, the judgment in MP3.Com is dubious and should not have been afforded much consideration in the Napster litigation. However, Judge Patel found the ruling instructive

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321 Id. at 914.
323 Id. at 351.
and proceeded to apply it. The learned judge accepted the evidence of the plaintiffs that they had expended large sums of money "to commence internet sales and licensing for digital downloads" and that widespread sampling, even assuming that it was a noncommercial use, would likely have an adverse effect on their "entry into the online market." Further, the unauthorized downloading to sample songs, deprived music publisher plaintiffs of royalties for individual songs, and would not constitute fair use even if compact disc sales were enhanced.\(^{324}\)

It is suggested that this analysis by Judge Patel is subject to criticism for two reasons. Firstly, it ignores the inherently non-proprietary nature of the internet by impliedly recognizing the right of the plaintiffs to control the online market. Secondly, it ignores the holding in Sony that if the infringing use is noncommercial, the plaintiffs must demonstrate the harm that is caused. The fact that the plaintiffs' investment in the online world is threatened by a competitor, is not the relevant consideration. The dispositive issues are whether the market for the plaintiffs' music would be adversely affected, as well as the market for derivative works, and whether there is proof of such an adverse effect. The statistics for the U.S. music industry for 1999 suggested that CD sales had increased over previous years, which negates such an adverse effect. It is suggested that Judge Patel shifted the focus in her analysis, from considering the impact on the market for the work, to that of protecting the future business endeavors of the plaintiffs.

\(^{324}\)Napster, 114 F. Supp., at 915.
In *Campbell*, the Court observed that the facts to be taken into consideration with respect to the third fair use statutory factor will link with the first and fourth factors. With respect to the fourth fair use factor, the Court stated that consideration must be given to the extent of market harm caused by the particular acts of the infringer, as well as whether the unrestricted and widespread conduct engaged in by the infringer would substantially and adversely impact upon the potential market for the original work and its authorized derivative works. The enquiry must consider harm to the original and harm to the market for derivative works. The proponent relying on the fair use defense must demonstrate favorable evidence about relevant markets. However, the Court noted that market harm is a question of degree and the importance of this factor would vary with the amount of harm and with the strength of the showing on the other factors.

It is contended that nothing in this ruling points to consideration being given to evidence of potential harm to the business enterprise in which the plaintiff is seeking to enter. Instead, the Court is emphasizing that there must be harm to the original copyrighted work or harm to the market for works derived from that original work. In addition, the proponent of the fair use doctrine must put forward evidence concerning relevant markets. In *Napster*, the defendant’s evidence that overall sales of the plaintiffs’ copyrighted music had increased was rejected by the court.

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326 *Id.* at 590.
327 *Id.* at 590.
328 *Id.* at 591.
In *Harper & Row*, in analyzing the third fair use factor, the Court considered the qualitative value of the excerpts taken from the original work instead of the quantity used. With respect to the fourth statutory factor, the Court held that “this last factor is undoubtedly the single most important element of fair use.” This view was dispelled subsequently in *Campbell*, as that Court held that the four fair use factors should be considered together.

The Court in *Harper & Row*, found evidence of an actual harmful effect on the market as there was a cancellation of the planned serialization of the authorized manuscript as a result of the unauthorized publication. The Court also placed great emphasis on the fact that the quotes were taken from an unpublished manuscript and that the failure to obtain the copyright holder’s consent to use prepublication quotations from the unpublished manuscript, posed a “potential for damage to the marketability of first serialization rights in general.” As earlier mentioned, the Court’s emphasis on the unpublished nature of the original manuscript in finding unfair use, is not supported by the statutory fair use provision.

As can be seen in this case, the Court gave consideration to solid evidence of harm to the market for the original work, as there was a cancellation of serialization rights. Conversely, Judge Patel gave consideration to a survey conducted on a select group of

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330 *Id.* at 566.
331 *Id.* at 566.
332 *Id.* at 569.
college students, as evidence of harm to the college market, while ignoring the fact that overall sales of copyrighted music in the U.S. had increased.

In *Stewart v. Abend*, the Court held that the third and fourth statutory factors weighed against a finding of fair use. With respect to the third statutory factor, the original story formed a substantial part of the movie, the derivative work. The movie used the story’s “setting, characters, plot, and sequence of events.”\(^{333}\) With regard to the fourth statutory factor, the Court (also adopting the view that this factor was the most important) ruled that the evidence demonstrated that the re-release of the movie “impinged on the ability to market new versions of the story.”\(^{334}\)

It is suggested that the Court was concluding that the ability to produce authorized derivative works of the original story was being impeded. This analysis in relation to derivative works cannot be transported to the *Napster* situation as there were no derivative works in issue in that case. The record company plaintiffs were of the view that the Napster usage was impeding their entry into the market for digital downloading. However, there was no evidence that they were unable to market “new versions” of their works. Instead, it is contended that the court was being asked to protect an imminent business venture.

\(^{334}\) *Id.* at 238.
The Sega court also adopted the position of Supreme Court decisions prior to Campbell, that the fourth factor was the most important. The court observed that since there were 45,000 similar bulletin boards in operation throughout the country, it was "obvious" that if the copying became widespread there would be an adverse effect on the market for the copyrighted video games. Such an adverse effect weighed "heavily against a finding of fair use." The court made this sweeping assumption based on the number of bulletin boards in existence without any proof that these boards were affecting the market for the copyrighted games.

In American Geophysical, the court observed that with respect to the third fair use factor, each of the eight discrete articles that was copied enjoyed independent copyright protection and the defendant copied each article in its entirety. As a result, such photocopying of entire works militated against a finding of fair use. The court linked the third factor to the first fair use factor, and noted that by photocopying the works in their entirety, this emphasized that the predominant purpose and character of the use was to establish a personal library for the defendant's scientists.

In assessing the fourth statutory factor, the court recognized that prior to Campbell, the Supreme Court had ruled that the fourth factor was of primary importance. However, Campbell abandoned that notion and instructed that all the factors were to be weighed together. The court noted that it was important to have regard to the peculiar

336 Id. at 688.
337 60 F.3d 913, 926 (2d Cir. 1994).
nature of the copyrighted works. The copyrighted works were individual articles contained in a journal, and while there was a market for journals, there may not be a market for the individual articles contained in a journal.\textsuperscript{338}

The court considered two main elements under the fourth factor: (1) the effect on the marketability of journal subscriptions, and (2) the effect on licensing revenues. With respect to the effect on the marketability of journal subscriptions, the court felt that on the evidence presented, this element only slightly tipped the fourth factor in favor of the publishers, as the loss of a few journal subscriptions did not necessarily mean that the individual articles had lost their marketability.\textsuperscript{339}

On the other hand, with respect to the effect on licensing revenues, the court held that this element primarily favored the publishers. The court observed that through the Copyright Clearance Center, there was a viable market for institutional users to obtain licenses to make photocopies of individual articles, and this potential to earn licensing revenues, which was lost by the unauthorized photocopying, was a relevant consideration in the fourth factor fair use analysis. It demonstrated that the publishers suffered substantial harm to the value of their copyrights.\textsuperscript{340}

In the \textit{Napster} case, Judge Patel was concerned with the fact that the plaintiffs had spent large sums and "effort to commence internet sales and licensing for digital

\textsuperscript{338} Id. at 926-7.
\textsuperscript{339} Id. at 929.
\textsuperscript{340} Id. at 930-1.
The view being espoused seems to be that this "sweat of the brow" (a concept specifically rejected in the Supreme Court decision of *Feist*) should be rewarded, and the plaintiffs' attempt to enter into the online market should be protected. It is noteworthy that an important factor in the analysis in the *American Geophysical* case was that Texaco was a for-profit company. The same cannot be said for Napster, Inc. It is suggested that this significant distinguishing feature makes *American Geophysical* less relevant to the particular circumstances of the *Napster* case.

Judge Patel next looked at the claim by the defendant that space-shifting was a fair use and should be protected in an analogous manner to time-shifting under the principles enunciated in *Sony*. In making this argument, the defendant relied on the case of *Recording Industry Association of America v. Diamond Multimedia Systems Inc.*

In that case, the plaintiff sought to enjoin the manufacture and distribution by the defendant of a small portable music device known as the Rio. With this device, a user could "space shift" music files, that is, download MP3 audio files already contained on a computer hard drive, to the Rio, and listen to them anywhere.

The lawsuit filed by the RIAA alleged that the Rio did not comply with the requirements contained in the Audio Home Recording Act of 1992 for digital audio recording devices because it did not employ a Serial Copyright Management System. The

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341 *Napster*, 114 F.Supp.2d 896, 914.
342 180 F.3d 1072 (9th Cir. 1999).
343 Id. at 1073.
344 17 U.S.C. § 1001 et seq.
plaintiffs also sought royalties from the defendant. The court held that the Rio facilitated personal use under the home taping exemption provision of the Audio Home Recording Act. The court observed that such copying of music files is "paradigmatic noncommercial personal use entirely consistent with the purposes of the Act." The fair use doctrine was not raised in the court's discussion and analysis.

Judge Patel ruled that the Diamond case was irrelevant to the matter before her because the plaintiffs did not raise any claims under the Audio Home Recording Act (the Audio Act), and further, there was no evidence that space shifting was a significant use of the Napster service. It is suggested that Judge Patel's dismissal of the relevance of the Diamond decision is not subject to serious query as the provisions of the Audio Act were not in issue before the court in the Napster litigation. Further, the contentious issue in Diamond was whether the downloading of music (already saved on a computer hard drive) to the Rio was a personal use, not whether the downloading of copyrighted music from the internet to a computer hard drive was a fair use, as was the issue in Napster.

With respect to the defendant's argument that the new artist's program was a fair use, Judge Patel noted that the plaintiffs' did not seek an injunction on this issue. Having considered the statutory fair use provision, Judge Patel ruled against the defendant on all four fair use factors and granted the preliminary injunction that was sought by the plaintiffs.

345 Id. at 1079.
346 Napster, 114 F.Supp.2d 896, 916.
347 Id. at 917.
On appeal, the matter was heard before the Ninth Circuit. Circuit Judge Beezer rendered the decision of the court, and upheld the decision of the District Court on the issue of the fair use defense. With respect to the first fair use factor, the purpose and the character of the use, the court considered the transformative and commercial elements and held that Judge Patel’s findings on these issues were not clearly erroneous. The court also ruled that under this factor:

direct economic benefit is not required to demonstrate a commercial use. Rather, repeated and exploitative copying of copyrighted works, even if the copies are not offered for sale, may constitute a commercial use.

The court cited the case of Worldwide Church of God v. Philadelphia Church of God for this proposition.

In that case, both the appellant and the appellee were nonprofit religious organizations. The appellant owned the copyright in a book which the appellee used in its religious observances. In order to facilitate its religious observances, the appellee copied the book in its entirety and distributed the copies to its members and the public. The issue before the court was whether such copying and distribution was a fair use of the original book.

In its discussion of the first fair use factor, the court considered the transformative and commercial elements. In analyzing the commercial element, the court observed that

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348 Nos. 00-16401, 00-16403, 2001 WL 115033 (9th Cir. Feb. 12, 2001).
349 Id. at * 7.
350 Id. at * 7.
351 227 F. 3d 1110 (9th Cir. 2000).
352 Id. at 1112.
for the purpose of "profit," monetary gain was not the sole criterion. The court held that the appellee "profited" from the copying, in the sense of gaining an advantage or benefit: (1) by providing the core text to its members, which was essential to their religious observances, (2) by attracting through distributions of the copies, new members who "tithe ten percent of their income" to the appellee, and (3) by achieving growth in the membership during the period that copies were distributed. Based on these considerations, the court held that the first factor weighed against a finding of fair use.  

It is to be observed that while the court stated that "profit" did not equate with monetary gain, there was an element of monetary gain for the appellee which resulted from the tithing system. This is different to the *Napster* situation in which there was no pecuniary advantage for Napster, Inc. Nevertheless, the Ninth Circuit in *Napster*, relied on the *Worldwide* case as authority for the proposition that evidence of direct economic benefit was not vital to the analysis of the first fair use factor. Instead, evidence of "repeated and exploitative copying of copyrighted works....may constitute a commercial use," and the Ninth Circuit was of the view that the plaintiffs provided such evidence.  

With respect to the second and third fair use factors, the Ninth Circuit found no error with Judge Patel’s conclusions, and then turned its attention to the fourth fair use factor.

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353 *Id.* at 1117.
354 Nos. 00-16401, 00-16403, 2001 WL 115033, at *7 (9th Cir. Feb. 12, 2001).
355 *Id.* at *8.
The court noted Judge Patel’s reliance on the evidence of the plaintiffs’ experts and held that there was no basis to disturb the learned judge’s findings on the issue of proof of harm to the market for the plaintiffs’ works.\(^{356}\) The court added that:

...lack of harm to an established market cannot deprive the copyright holder of the right to develop alternative markets for the works.....Here, similar to...*UMG Recordings*, the record supports the district court’s finding that the “record company plaintiffs have already expended considerable funds and effort to commence internet sales and licensing for digital downloads.” Having digital downloads available for free on the Napster system necessarily harms the copyright holders’ attempts to charge for the same downloads.\(^{357}\)

The questionable dicta expressed in *UMG Recordings* has already been discussed in the analysis of Judge Patel’s ruling in the District Court. The Ninth Circuit relies on that dicta and it is argued, makes a similar error to that made by Judge Patel. Both courts fail to distinguish between the copyright holder’s right to market his original work and create and/or license derivative works, from an attempt to lay claim to a business enterprise not yet entered. Moreover, the business enterprise to which a protective claim is being made, is to be conducted in the non-proprietary realm of the internet. Both courts also fail to adapt the fair use principles to the unique features of the litigation, while they transport dicta wholesale from other factual situations to the circumstances in issue. For these reasons, it is suggested that the analysis of the first and fourth fair use factors in the *Napster* litigation is subject to question.

\(^{356}\) *Id.* at *9.  
\(^{357}\) *Id.* at *10.
The outcome of the Napster litigation in the setting of Trinidad and Tobago, may have seen a similar result to that which obtained in the U.S. As previously mentioned in this Thesis, copyright in the Trinidad and Tobago legislation is a property right. The primary objective of copyright in the legislation of that jurisdiction is to benefit the copyright holder and there is no benevolent underlying public interest objective. The Copyright Act, 1997 allows for the unauthorized reproduction of a copyrighted work, “where the reproduction is made by a natural person exclusively for his own personal purposes.” However, such unauthorized copying is not permitted in several situations, including:

cases where reproduction would conflict with a normal exploitation of the work or would otherwise unreasonably prejudice the legitimate interests of the owner of copyright.\(^{359}\)

Similarly, the unauthorized use of a work in which a neighbouring right subsists, such as a sound recording, is permitted in several situations including, “the use by a natural person exclusively for his own personal purposes.”\(^{360}\)

The Copyright Act also makes reference to permitted unauthorized reproduction of a quotation\(^{361}\) from an authorized work and the unauthorized reproduction of a work for teaching purposes by way of illustration, if “compatible with fair dealing.”\(^{362}\) The

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\(^{358}\) The Copyright Act of Trinidad and Tobago 1997, section 9(1) available at www.sice.oas.org/int_prop/nat_leg/Trinidad/L8_i.asp (last visited Apr. 10, 2001).

\(^{359}\) Id. at section 9(2) (c).

\(^{360}\) Id. at section 25 (a).

\(^{361}\) Id. at section 10(1).

\(^{362}\) Id. at section 11 (1) (a).
concept of "fair dealing" has not been defined in the Act, but it has been said that it is equivalent to the fair use doctrine in the U.S., although the fair use provisions are more generous.363

Since the fair dealing limitation on copyright in Trinidad and Tobago does not extend to the type of use engaged in by the Napster subscribers, it is suggested that the permitted use for "personal purposes" is of relevance.

The Copyright Act does not define "personal purposes", however, the Act defines "communication to the public" as information that can be perceived by persons outside the family circle or closest social acquaintances.364 Further, several English judicial decisions have interpreted the meaning of public as opposed to private use. It is suggested that the arguments of Napster, Inc. would have failed in the Trinidad and Tobago context for two principal reasons. Firstly, in light of English judicial decisions, the use by the Napster subscribers would not have been considered for "personal purposes." Secondly, in the unlikely event that the courts held that the use was for personal purposes, the qualification on permissible unauthorized "personal use" reproduction, namely, that permissible personal copying would not extend where it conflicted with the copyright holder's "normal exploitation of the work or would otherwise unreasonably prejudice the legitimate interests" of the copyright owner, would weigh against Napster, Inc.

364 The Copyright Act of Trinidad and Tobago 1997, supra note 358, at section 3.
In the consolidated cases of Ernest Turner Electrical Instruments, Limited v. Performing Right Society, Limited & Performing Right Society, Limited v. Gillette Industries, Limited, the English Court of Appeal was asked to determine whether music played over loudspeakers at a factory to alleviate the boredom of the employees, was a performance “in public.” The facts revealed that the factory owners employed 500 to 600 persons at their factory. In order to alleviate the employees’ boredom and to increase efficiency and output, the owners relayed to the employees, music programs broadcast by the BBC and also gramophone records played at the factory and transmitted by means of amplifiers and loud speakers. The Performing Right Society owned the sole right to perform the works in public and instituted a copyright infringement action. One of the arguments raised in defense was that the music was not being performed “in public.”

Lord Greene M.R., delivered the judgment of the Court and first noted the property right objective of copyright when he ruled that:

the owner of the copyright is entitled to be paid for the use of his property unless and until the legislature otherwise determines, and he is entitled to be paid for it even if its use concerns the public welfare.

The learned Master of the Rolls then cited with authority the case of Jennings v. Stephens, and the statement made in that case that “the question whether an

365 [1943] Ch. 167.
366 Id. at 168.
367 Id. at 171.
368 Id. at 171, see [1936] Ch. 469.
entertainment is given in public or in private depends...solely upon the character of the
audience." Lord Greene observed that the nature of the audience in the matter before
him put the "matter beyond doubt" that the performances were "in public" as opposed
to being "in private".

In his view, the audience constituted part of the working population and these
"workpeople" were enjoying music they would normally listen to during their leisure
hours. Also of primary relevance to the issue, was the relationship of the audience to
the owner of the copyright, and not the relationship between the audience and the
performers (in this case the employers). Lord Greene noted that:

when the legislature, by the Copyright Act, conferred on the owner of copyright a
monopoly, it, no doubt, intended that that monopoly should be a real, and not an
illusory, right of property, and it is...important to consider whether a particular
performance is calculated to whittle down that monopoly to any substantial
extent....To discover the real nature of the audience and the effect on the
monopoly of treating these performances as private performances, it seems to me
to be relevant to consider what the result would be if performances of this kind
were given in all the other factories in the country. The result would be that the
employers of millions of workpeople would be giving to those workpeople without
payment the fruit of the brains, skill, imagination, and taste of various authors and
composers....without any remuneration to him or them, and would be getting the
advantage of that work, taste and skill, in obtaining increased or improved output.
The effect would be largely to destroy the value of the statutory monopoly by
depriving the owners of copyright of the exclusive right to sell their goods to the
public.\footnote{Id. at 171-2.}
It is noteworthy that these sentiments of Lord Greene, uttered more than 50 years ago in the context of U.K. copyright law and factory workers, would find themselves similarly echoed in the *Napster* litigation by Judge Patel, in the context of U.S. copyright law and the internet. In both cases, the court considered the repercussions on the copyright holder’s economic interests in the face of millions of potential users, and found that the use could not be considered “personal” in such a situation. However, a significant difference in both cases is that in the context of the factory workers, the music was being enjoyed in a work environment, while in the *Napster* litigation, the music was generally being enjoyed in the privacy of one’s home.

In a concurring opinion in the *Ernest Turner* case, Lord Justice Goddard drew a clearer distinction between “public” and “private”. The learned Lord Justice agreed that the primary criterion was the character of the audience,\(^\text{374}\) and noted that a good test of that character is whether:

> the audience [is] one which the owner of the copyright could fairly consider a part of his public....in selling a piece of music or a gramophone record, the owner of the copyright contemplates that it will be played, and consents to it being played, by the purchaser and he expects, not that it will be enjoyed in solitude, but that it will be heard by members of the purchaser’s household and his guests. If an action for damages or penalties were tried by a jury, and thus direction were given to them, they could without difficulty and by a mere application of their common sense decide whether the audience in any particular case exceeded what could fairly be described as a private or domestic audience.\(^\text{375}\)

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\(^{374}\) *Id.* at 175.

\(^{375}\) *Id.* at 176.
It is suggested that implicit in this dictum, Lord Justice Goddard recognized that a private use occurred when enjoyed in the user’s home.

Another case which considered the issue of public as opposed to private use was the case of Performing Right Society Limited v. Harlequin Record Shops Limited.\(^{376}\) The issue before the court was whether the playing of recorded music in a record shop, over a loudspeaker system to entice would-be purchasers, could be considered a performance “in public”. The court agreed that in making a determination on the issue, the character of the audience is the decisive factor. The court further noted that:

...a performance given to an audience consisting of the persons present in a shop which the public at large are permitted, and indeed encouraged to enter without payment or invitation with a view to increasing the shop owner’s profit can only properly be described as a performance in public.\(^{377}\)

In the Australian case of Australian Performing Rights Association Ltd. v. Telstra Corporation Ltd.,\(^{378}\) it was held that the playing of recorded music to a telephone caller while “on hold” was “in public” use. The court further held that:

where a work is performed in a commercial setting, the occasion is unlikely to be private or domestic and the audience is more appropriately to be seen as a section of the public.

The dicta in these cases suggest that under the Trinidad and Tobago legislation, the activities of the Napster subscribers could arguably be considered “personal purposes”


\(^{377}\) Id. at 239.

for two main reasons. First, the activities were generally conducted in the privacy of the home, and secondly, Napster, Inc. did not profit financially from the use by the Napster subscribers, as the subscribers were not charged a fee for the service.

However, the vexing issue of the number of potential users and the effects of such multiple unauthorized use, cannot be easily disregarded. As can be seen from the *Ernest Turner* litigation, the idea that millions of factory workers could enjoy the unauthorized musical recordings with damaging repercussions for the copyright owners, troubled the court. Similarly, this was a concern for Judge Patel in the *Napster* litigation. In addition, the Trinidad and Tobago legislation provides that even use for personal purposes could be an infringement of copyright, if the unauthorized reproduction conflicts with the normal exploitation of the work or could prejudice the legitimate interests of the copyright owner. It is suggested that this broad provision would cover the concerns of the copyright holder when faced with such multiple use as occurred in the *Napster* litigation, and could influence a court faced with such unauthorized multiple use, to rule in favor of the copyright holder.

As is illustrated by the *Napster* case, the fair use doctrine may be of limited value to users in the internet arena. The global span of the internet, which links millions of users at any given time poses real concerns for the owners of copyrighted material disseminated online. Conversely, the fair use doctrine, a traditional limitation on copyright in the U.S., is perhaps being eroded out of concern that unchecked global use would dismantle statutory monopolies. The future of the fair use doctrine in the ever changing
technological environment is of concern not only to copyright holders, but also to users. Chapter IV of this Thesis will consider what the future holds for the development or the decline of the doctrine.
CHAPTER IV

THE AFTERMATH OF NAPSTER:
FAIR USE AND “DIGITAL AGE” LEGISLATION

The victory afforded to the copyright owners in the *Napster* litigation, and the concomitant rejection of the fair use defense in the context of the digital distribution of music, may be seen as a reflection of the stance adopted by U.S. policy makers and legislators to the impact of the internet on traditional legal interests. U.S. policymakers have been concerned for several years with strengthening the intellectual property legislative framework and the rights of copyright owners, to meet the challenges of the new technological environment. Such growing concern is not unique to the U.S., and is shared by other countries across the globe which recognize that existing intellectual property legislation may not be adequate to keep pace with the innovative legal issues presented in the digital age.

On December 20, 1996, the World Intellectual Property Organization (WIPO), an agency of the United Nations created to deal with international intellectual property matters, adopted two new treaties dealing with copyright law.379 These Treaties were adopted at a diplomatic conference held by WIPO in Geneva.380

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The Treaties are the WIPO Copyright Treaty\(^\text{381}\) (the Copyright Treaty) and the WIPO Performances and Phonograms Treaty\(^\text{382}\) (the Performances Treaty).

Both Treaties were created to provide model provisions for inclusion in the domestic legislation of the contracting parties to the Treaties, and, among other things, "to introduce new international rules... to provide adequate solutions to the questions raised by economic, social, cultural and technological developments.\(^\text{383}\) One of the objectives of the Copyright Treaty is to develop and maintain the protection of the rights of authors in their literary and artistic works in light of technological developments,\(^\text{384}\) while one of the goals of the Performances Treaty is to develop and maintain the protection of the rights of performers and producers of phonograms. The Performances Treaty defines a phonogram as:

> the fixation of the sound of a performance or of other sounds, or of a representation of sounds, other than in the form of a fixation incorporated in a cinematographic or other audiovisual work.\(^\text{385}\)

This definition encompasses sound recordings as defined in the U.S. and Trinidad and Tobago copyright legislation.

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\(^{381}\) The WIPO Copyright Treaty, available at http://www.wipo.org/treaties/ip/copyright/copyright.html (last visited May 9, 2001).


\(^{383}\) See Preamble to the Copyright Treaty and the Preamble to the Performances Treaty.

\(^{384}\) See Preamble to the Copyright Treaty.

\(^{385}\) Supra note 382, at Article 2.
Both the U.S. and the European Union contributed to the drafting of the Treaties, and each Treaty shall “enter into force three months after 30 instruments of ratification or accession by States have been deposited with the Director General of WIPO.” As at April 15, 2001, the Copyright Treaty had 24 ratifications and accessions by States, including the U.S., while the Performances Treaty had 22 ratifications and accessions by States, including the U.S. The U.S. Senate ratified U.S. accession to both treaties in late 1998, and Congress passed the Digital Millenium Copyright Act (DMCA) to amend the U.S. Copyright Statute and to implement both Treaties into domestic legislation.

The objective of the DMCA is to bring U.S. copyright law “squarely into the digital age.” During the legislative deliberations on the bill prior to enactment, the congressional committees in their debates were concerned with achieving a balance between two priorities, namely: (1) promoting the continued development of electronic commerce, and (2) protecting intellectual property rights. The traditional manner of achieving this balance was to further the objectives of the copyright clause by:

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387 See Article 20 of the Copyright Treaty and Article 29 of the Performances Treaty.
391 Id. at Preamble.
393 Id. at 683.
regulating the use of information...not the devices or means by which the information is delivered or used by information consumers...and by ensuring an appropriate balance between the interests of copyright owners and information users.\textsuperscript{394}

However, the congressional committees were of the view that with the expansion of technology, new sources of concern were emerging, and observed that:

the digital environment poses a unique threat to the rights of copyright owners, and as such, necessitates protection against devices that undermine copyright interests. In contrast to the analog experience, digital technology enables pirates to reproduce and distribute perfect copies of works at virtually no cost at all to the pirate. As technology advances, so must our laws.\textsuperscript{395}

The congressional committees sought to keep pace with new technology by incorporating the anti-circumvention provisions of the Treaties into the new legislation,\textsuperscript{396} and by extension, into U.S. copyright law.\textsuperscript{397} Article 11 of the Copyright Treaty requires contracting parties to provide legal protection and effective legal remedies against the “circumvention of effective technological measures” used by authors in the exercise of their rights under the Treaty or the Berne Convention, and which restrict acts which are not authorized by the authors or permitted by law.

Article 12 requires that legal remedies be made available against persons who knowingly remove or alter electronic rights management information without authority, or who knowingly distribute, import for distribution, broadcast or communicate to the public

\textsuperscript{396} Id. at 684.
\textsuperscript{397} Id. at 675.
without authority, works in which electronic rights information has been removed or altered. The Article defines “rights management information” as any information identifying the work, its author, the owner of any right in the work, or information about the terms and conditions of use of the work. Articles 11 and 12 of the Copyright Treaty are mirrored in Articles 18 and 19 of the Performances Treaty.

The DMCA implements these Articles in its provisions, and it can be argued that this legislation demonstrates an inclination by U.S. legislators to further extend the reach of the statutory monopoly granted by copyright. As cases such as Sony and Diamond Multimedia discussed in Chapter III illustrate, several courts in interpreting the provisions of the U.S. Copyright Statute, were hesitant to extend the copyright holder’s monopoly over devices that could be used for substantial non-infringing purposes. On the other hand, courts applying the provisions of the DMCA should have no such qualms, as this legislation not only targets the act of copying itself, but also devices and conduct that facilitate and enable copying. It has been said that in this manner, the monopoly granted by copyright has been extended.

The DMCA provides that:

no person shall circumvent a technological measure that effectively controls access to a work protected under this title.

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398 112 Stat 2860, at §1201 and §1202.
399 Nimmer, supra note 392, at 684.
400 Id. at 684.
401 112 Stat 2860, at §1201 (a).
This provision is said to be the “basic provision” and the core of the anti-circumvention violations.\textsuperscript{402} It has been equated with “breaking into a castle,” as the act of invasion inside the owner’s property is itself the offense.\textsuperscript{403} The prohibited act targeted by this provision does not involve any issue of copyright infringement.\textsuperscript{404}

The DMCA further prohibits anyone who 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.\textsuperscript{405}

This provision is said to be the “ban on trafficking provision.”\textsuperscript{406} Instead of targeting those who unlawfully enter another’s property, it targets those who “facilitate penetration of the stronghold.”\textsuperscript{407} This provision applies to, and targets products and devices that are primarily designed to infringe or have only “limited commercial significance other than to infringe.”\textsuperscript{408}

\begin{footnotes}
\footnote{Nimmer, \textit{supra} note 392, at 684.}
\footnote{\textit{Id.} at 686.}
\footnote{\textit{Id.} at 686.}
\footnote{112 Stat 2860, at §1201 (2) (A).}
\footnote{Nimmer, \textit{supra} note 392, at 684-5.}
\footnote{\textit{Id.} at 687.}
\footnote{\textit{Id.} at 687-8.}
\end{footnotes}
The DMCA also prescribes for an “additional violations” provision, which is separate and distinct from the basic provision, and the almost identically worded ban on trafficking provision. The “additional violations” provision states that:

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 protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof; (B) has only limited commercially significant purpose or use other than to circumvent protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof; or (C) is marketed by that person or another acting in concert with that person with that person’s knowledge for use in circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof.

The subtle distinctions among the three anti-circumvention provisions are noteworthy. The “basic provision” applies where there is prohibited access to a work protected by a technological measure, while anyone assisting a person gain prohibited access, by publicly offering a device to achieve such access, has violated the “ban on trafficking” provision. The “additional violations” provision applies where a third party publicly offers a device or service to achieve the circumvention of copyright protection that is afforded by a technological measure.

In other words, while the “basic provision” and the “ban on trafficking provision” target the initial act of gaining unlawful access to a work, they are not concerned with the

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409 Id. at 689.
410 112 Stat 2860, § 1201 (3) (b) (1).
411 Nimmer, supra note 392, at 689.
412 Id. at 689.
circumvention of copyright protection. Conversely, the "additional violations" provision is not implicated during the initial act of gaining unlawful access. It is concerned with the circumvention of copyright protection afforded by technology, through the use of devices offered to the public. The actual issue of copyright infringement would still be regulated by the provisions of the Copyright Statute, but the issue of the public offering of devices to circumvent copyright protection would be encompassed by the "additional violations" provision. It is worth mentioning that a person who engages in copyright infringement of a work to which he has obtained lawful access, does not violate any of these anti-circumvention measures, although he may be penalized under the Copyright Statute.

Under the DMCA, the circumvention of a technological measure includes descrambling a scrambled work, and decrypting an encrypted work, without the authority of the copyright owner. Further, the intentional removal or alteration of any copyright management information or the provision of false copyright management information used in connection with copies of a work, a phonorecord or a performance of a work, is also prohibited. Copyright management information means:

any of the following information conveyed in connection with copies or phonorecords of a work or performances or displays of a work, including in digital form, except that such term does not include any personally identifying information about a user of a work or of a copy, phonorecord, performance, or display of a work: (1) the title and other information identifying the work, including the information set forth on a notice of copyright; (2) the name of, and other identifying information about, the author of a work; (3) the name of, and other

413 Id. at 689.
414 112 Stat 2860 at §1201 (3) (A).
415 Id. at §1202 (b) (1) and (3) (c).
identifying information about, the copyright owner of the work, including the information set forth in a notice of copyright; (4) with the exception of public performances of works by radio and television broadcast stations, the name of, and other identifying information about, a performer whose performance is fixed in a work other than an audiovisual work; (5) with the exception of public performances of works by radio and television broadcast stations, in the case of an audiovisual work, the name of, and other identifying information about, a writer, performer, or director who is credited in the audiovisual work.\footnote{115}{Id. at §1202 (c) (1) (2) (3) (4) (5).}

The provision does not prohibit lawfully authorized activities of law enforcement, intelligence and other government agents,\footnote{116}{Id. at §1202 (d).} and liability is limited in certain prescribed analog and digital transmissions.\footnote{117}{Id. at §1202 (e) (1) and (2).} With respect to the MP3 technology, a source of concern for the music industry is that the MP3 technology does not contain a copyright management system, making it virtually impossible to trace infringers or the number of unauthorized copies of copyrighted materials.\footnote{118}{Wendy M. Pollack, Note, Tuning In: The Future of Copyright Protection For Online Music in the Digital Millenium, 68 Fordham L. Rev. 2445, 2450 (2000).}

With respect to the anti-circumvention provision of the DMCA, the prohibitions do not “affect rights, remedies, limitations, or defenses to copyright infringement, including fair use, under this title.”\footnote{119}{12 Stat 2860, §1201 (3) (2) (c) (1).} The anti-circumvention provision also prescribes specified exemptions to its provisions, including an exemption in favor of nonprofit libraries, archives and educational institutions.\footnote{120}{David Nimmer, A Riff On Fair Use In the Digital Millenium Copyright Act, 148 U. Pa. L. Rev. 673, 700 (2000).} There are also exemptions for law enforcement, intelligence and other government activities, and such other “fair uses” of a
work such as reverse engineering of a lawfully obtained copy of a computer program, and activities engaged in for the purpose of encryption research. However, it should be noted that these exemptions do not apply equally to the “basic provision,” the “ban on trafficking provision” and the “additional violations provision.”

It is suggested that three significant features of the anti-circumvention provision of the DMCA are: (1) violation of its provisions is distinct from copyright infringement under the U.S. Copyright Statute, (2) by virtue of such distinction, the anti-circumvention provision does not affect traditional limitations or defenses to copyright infringement, including the fair use doctrine, and (3) recognized “fair use” activities such as the use by non-profit libraries and institutions, reverse engineering and encryption research are safeguarded.

However, it can be argued that the practical effect of the anti-circumvention provision of the DMCA, is that it has served to strengthen the monopoly of the copyright owner, and diminish the value of other types of “fair uses” of a copyrighted work that have not been specifically set out in the legislation. This result is achieved by the copyright owner being afforded the statutory privilege of restricting access by the public to the work (barring the exceptions prescribed in the statutory provision), through the use of technological measures.

\[422\] 112 Stat 2860, §1201. See also Nimmer, supra note 421, at 700-01.
Such restriction of access to the protected work may occur even if the desired objective is to perform acts that may be considered lawful under the Copyright Statute.\footnote{Jane C. Ginsburg, Copyright Legislation For the “Digital Millenium”, 23 Colum.-VLA J.L. & Arts 137, 141 (1999).}

Two popular technological methods that are being utilized by copyright owners to restrict or deter access to their work are: (1) digital watermarking (steganography)\footnote{Rosemarie F. Jones, Comment, Wet Footprints? Digital Watermarks: A Trail To the Copyright Infringer On the Internet, 26 Pepp. L. Rev. 559, 568 (1999).} and (2) encryption technology (cryptography).\footnote{Ewan Kirk, Encryption and Competition in the Information Society, I.P.Q. 1999, 1, 37-55, 37.} Steganography is the science dealing with encoding digitized information with attributes which cannot be disassociated from the file containing the information, and digital watermarking is encompassed within this science.\footnote{Jones, supra note 424, at 568.} Digital watermarking is commonly used on paper currency. Its basic function is to encode information about the author, the copyright date and authorized uses of the material, in the digital format.\footnote{Digital watermarks are invisible when viewing a digitized image and inaudible when listening to a digitized sound recording. They become recognizable only with the use of appropriate software,\footnote{Wendy M. Pollack, Note, Tuning In: The Future of Copyright Protection For Online Music in the Digital Millennium, 68 Fordham L. Rev. 2445, 2451 (2000).} and when used in conjunction with internet tracking tools known as spiders, copyright owners can trace online infringers.\footnote{Pollack, supra note 427, at 2451.}}

While the use of digital watermarks does not deter copyright infringement, an intentional attempt to delete such marks results in the degradation of the quality of the

\footnote{\textsuperscript{423} Jane C. Ginsburg, Copyright Legislation For the “Digital Millenium”, 23 Colum.-VLA J.L. & Arts 137, 141 (1999).}
\footnote{\textsuperscript{424} Rosemarie F. Jones, Comment, Wet Footprints? Digital Watermarks: A Trail To the Copyright Infringer On the Internet, 26 Pepp. L. Rev. 559, 568 (1999).}
\footnote{\textsuperscript{425} Ewan Kirk, Encryption and Competition in the Information Society, I.P.Q. 1999, 1, 37-55, 37.}
\footnote{\textsuperscript{426} Jones, supra note 424, at 568.}
\footnote{\textsuperscript{427} Wendy M. Pollack, Note, Tuning In: The Future of Copyright Protection For Online Music in the Digital Millennium, 68 Fordham L. Rev. 2445, 2451 (2000).}
\footnote{\textsuperscript{428} Jones, supra note 424, at 569.}
\footnote{\textsuperscript{429} Pollack, supra note 427, at 2451.}
In addition, a copyright owner can trace the source of an unauthorized copy of a work protected with a digital watermark, which can expose the user to legal liability. Digital watermarks can also deter counterfeiters from making illegal copies because an imitation can be distinguished from the original. Digital watermarks can also provide important contact information about the author of a protected work such as his name and e-mail address, thus being used as a marketing tool.

Another protective technological measure that can be used is encryption or the science of cryptography. This consists of scrambling data through the use of mathematical methods which can be followed in reverse to unscramble the data. This method was originally used exclusively by the government to protect confidential information, but is now being widely used by the private industry. It operates like an electronic lock, and can prevent persons who do not possess the correct “key”, or password from gaining access to the encrypted information.

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430 Jones, supra note 424, at 569.
431 Id at 569.
432 Id. at 569.
433 Id at 570.
434 Id at 571.
435 Id at 572.
436 Id at 571.
The difficulty faced with the encryption method is that should a hacker intentionally break the lock and decrypt the encoded information, the decrypting software,\textsuperscript{438} including the correct key or password,\textsuperscript{439} can then be made widely available.

Use of the encryption method generally requires the payment of a single fee for a single use of the encrypted work, that is, a pay-per-use system. Technologies such as digital envelopes and digital wallets use the encryption method for prohibiting access to a copyrighted work. Digital envelopes operate in a similar manner to a locked box. In order to gain access to the "box", the user must pay a single fee. With respect to access to sound recordings on the internet, the user may pay a one-time listening fee, or a twenty-four-hour period listening fee. In the alternative, the user must purchase a copy of the sound recording online.\textsuperscript{440} Digital wallets employ the same system, but the amount of the required payments for use of material encoded in a digital wallet is much smaller, so that it can cost pennies to access a song for a one-time listening license.\textsuperscript{441}

It is recognized that the use of encryption technology can have serious consequences for the development of copyright law in the digital age, as it has the potential to prohibit access to works that may have fallen into the public domain. For example, digital envelopes employ a method known as "persistent encryption," which means that the content is decrypted and accessible only while specific authorized users are

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\textsuperscript{438} Jones, \textit{supra} note 424, at 572.
\textsuperscript{439} Balaban, \textit{supra} note 437, at 321.
\textsuperscript{440} Pollack, \textit{supra} note 427, at 2451.
\textsuperscript{441} \textit{Id.} at 2452.
\end{flushright}
using it for the amount of time for which they have lawfully gained access. One consequence of this method is that a work in which copyright has expired, can remain inaccessible⁴⁴² if the relevant pay-per-use license fee is not paid or has been exhausted.

One hypothetical situation which has been envisioned is where a publisher can take an old cookbook which may have fallen into the public domain, add some original material, claim copyright in the newly released whole, and then encode the work in a digital envelope. The result is that the work is effectively placed under lock and key and the publisher can charge a fee for gaining access to a work that was initially taken from the public domain.⁴⁴³

In such a scenario, it can be argued that the fair use doctrine is rendered effectively meaningless. As previously discussed, the fair use defense under the Copyright Statute is raised after copyright infringement has occurred. The anti-circumvention provision of the DMCA allows this provision of the Copyright Statute to remain intact. However, the DMCA does not apply the fair use defense (barring the prescribed statutory exceptions) to a prohibited act of anti-circumvention.⁴⁴⁴ In that situation, it is the initial act of access to the copyrighted work, protected by a technological measure, which is prohibited, as the issue of alleged copyright infringement has not yet arisen.

⁴⁴² Id. at 2452.
⁴⁴⁴ Id. at 731.
Whether or not the act of circumvention was to make a "fair use" of the work is irrelevant, as the copyright owner has been given free rein to place his work under lock and key.

These issues were explored in two recent cases that arose under the provisions of the DMCA. In the case of RealNetworks, Inc. v. Streambox, Inc., the plaintiff claimed that the defendant had violated the DMCA’s anti-circumvention provisions. The plaintiff developed software to enable owners of audio and video content to send their products to online consumers in an encoded format, with the aid of streaming technology. The defendant developed three products, the Streambox VCR, the Ripper and the Ferret which circumvented the authentication security measures encoded on the plaintiff’s software, and allowed end-users to access and download copies of the streamed files.

One of the defenses raised by the defendant was that their Streambox VCR had legitimate uses and allowed the user to make a fair use of the encoded files. The defendant therefore argued that the Sony decision was applicable. The District Court rejected this argument on two grounds. First, the court held that the Sony decision turned to a large extent on the finding that substantial numbers of copyright holders who broadcast their works either had authorized or did not object to their works being time-shifted. By contrast, the owners of the copyrighted content in the case at hand had deliberately sought to encode their products. Secondly, the Sony decision did not involve an interpretation of the DMCA, since under the DMCA:

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446 Id. at *21-22.
447 Id. at *22.
product developers do not have the right to distribute products that circumvent technological measures that prevent consumers from gaining unauthorized access to or making unauthorized copies of works protected by the Copyright Act. Instead, Congress specifically prohibited the distribution of the tools by which such circumvention could be accomplished.448

The decision in RealNetworks, emphasizes the fact that violation of the provisions of the DMCA remains separate and distinct from violations of the provisions of the Copyright Statute. While the anti-circumvention provision of the DMCA expressly states that the fair use doctrine is not affected by its provisions, it is suggested that in reality, the fair use doctrine is undermined by the legislation as a copyright holder is now authorized to prohibit the initial access to his work through the use of technology, whether or not the intended use is a “fair use.” By extension, the fair use doctrine which can only be relied on after the issue of copyright infringement has been raised, is virtually shut out because the initial act of accessing a work through the use of a circumvention method, has been forbidden.

In the case of Universal City Studios, Inc. v. Reimerdes,449 eight U.S. motion picture studios used an encryption system called CSS to prohibit access to their films, which were distributed on digital versatile disks (DVDs). The effect of the CSS encryption system was that the movies on the DVDs could only be viewed on players and computer drives that were equipped with decryption technology, licensed by the copyright

448 Id. at *22.
holders, to decrypt and play (but not copy) the movies.\textsuperscript{450} A fifteen-year old Norwegian computer hacker reverse engineered a DVD player and discovered the CSS encryption code and "key". This information was then used to create a program called DeCSS, used to decrypt, encrypted DVDs. The defendant made the DeCSS program available for download by the public on its website, and the plaintiffs sought to enjoin further posting of DeCSS, in accordance with the anti-circumvention provisions of the DMCA.

One of the defenses raised by the defendant was the fair use doctrine. The defendant argued that the DMCA could not be properly construed to make it difficult or impossible to make any fair use of the copyrighted movies, and that the DMCA did not reach their activities, which enabled users of DeCSS to make fair uses of the copyrighted works.\textsuperscript{451} The court rejected this argument, and held that the defense of fair use was inapplicable to an action for the infringement of the anti-circumvention provision of the DMCA.\textsuperscript{452}

The court observed that in drafting the legislation, Congress had taken into consideration the legitimate fair use concerns of interested parties by: (1) limiting the anti-circumvention provision to the act itself and not to consequent actions of a person who has gained authorized access to a copyrighted work; (2) delaying the effective date of the anti-circumvention provision for two years while fair use concerns were addressed; (3) creating a host of exceptions to aspects of the anti-circumvention provision that Congress

\textsuperscript{450} Id. at 303.
\textsuperscript{451} Id. at 322.
\textsuperscript{452} Id. at 322.
thought "fair", including reverse engineering, security testing, good faith encryption research, and certain uses by non-profit libraries, archives and educational institutions.\textsuperscript{453}

The court also held that \textit{Sony} was inapplicable to questions of liability under the DMCA, since \textit{Sony}'s construction of the Copyright Statute "has been overruled by the later enactment of the DMCA to the extent of any inconsistency between \textit{Sony} and the new statute."\textsuperscript{454} The court’s analysis of the effect of the DMCA on the \textit{Sony} decision, is at least arguable, since \textit{Sony} and the DMCA address different concerns. \textit{Sony} concerned the issue of copyright infringement through the use of an "infringing" device which was capable of substantial non-infringing uses. Conversely, the DMCA addresses activities which touch upon the circumvention of protective measures used for copyrighted works. In light of this distinction, it may not be wholly accurate to adopt the position that because of this difference the DMCA has overruled \textit{Sony} where inconsistent. However, the court did recognize the fundamental impact wrought by the DMCA on U.S. copyright law when it noted that by:

prohibiting the provision of circumvention technology, the DMCA fundamentally altered the landscape. A given device or piece of technology might have "a substantial non-infringing use," and hence be immune from attack under \textit{Sony}'s construction of the Copyright Act but nonetheless still be subject to suppression under Section 1201......the fact that Congress elected to leave technologically unsophisticated persons who wish to make fair use of encrypted copyrighted works without the technical means of doing so is a matter for Congress....\textsuperscript{455}

\textsuperscript{453} \textit{Id.} at 323.
\textsuperscript{454} \textit{Id.} at 323.
\textsuperscript{455} \textit{Id.} at 323-4.
In other words, it is suggested that the DMCA added to the rights afforded to copyright owners under the Copyright Statute, by allowing them the additional privilege of limiting access to their work through technological measures. Notwithstanding the fact that a potential user may wish to bypass these technological measures to make a fair use of the technologically-secured work, unless the potential use is limited to the prescribed "fair uses" allowed by the DMCA, the user who flouts the technological measures or the person who assists him in so doing, would have violated the provisions of the legislation. The license granted to copyright owners to restrict public access to their work, has been given legislative validity by the U.S. Congress.

Trinidad and Tobago has not yet ratified the WIPO Copyright Treaty or the WIPO Performances Treaty.\(^{456}\) However, this does not mean that Trinidad and Tobago legislators are not seeking to keep abreast of international technological developments and legislation for the digital age. New pieces of legislation have been enacted or proposed, to meet the challenges created by developments in electronic commerce technology.\(^{457}\) The new legislation includes the Computer Misuse Act, 2000 and the Telecommunications Bill, 2001, the latter not yet having been enacted.


\(^{457}\) Curtis Rampersad, *Maharaj: We Must Keep Abreast of Changing Technology*, Trinidad Express, May 30, 2001, *available at* [http://209.94.197.2/html1/prev/may01/may30/b3.htm](http://209.94.197.2/html1/prev/may01/may30/b3.htm) (last visited June 10, 2001) - quoting from an address by the Attorney General of Trinidad and Tobago, Ramesh Lawrence Maharaj, at a breakfast seminar hosted by the Trinidad and Tobago Manufacturer’s Association on developments in information technology.
The Computer Misuse Act, 2000, makes it an offence for any person to gain unauthorized access to a computer or a program or data held in a computer, if the person gaining access is not entitled to control access of the kind in question, or does not have consent to access the kind of program or data in question from the person who is entitled to control access.\textsuperscript{458} The objective of this Act can be compared with the objective of the DMCA in the U.S. context. Both pieces of legislation allow the creator of the protected work to restrict access through the use of technological measures, whether or not the objective of the user is to make a legitimate or “fair” use of the protected work.

The Telecommunications Bill of Trinidad and Tobago, 2001, was introduced to Parliament to de-monopolize the telecommunications industry which is controlled by the lone telecommunications provider, the Telecommunications Services of Trinidad and Tobago (TSTT). It is anticipated that one result of opening up the internet market, would be to keep Trinidad and Tobago in touch with technological developments in the international arena. It is therefore logical to assume that Trinidad and Tobago will soon join some of its larger metropolitan neighbors, like the U.S., in ratifying the WIPO Treaties and implementing its provisions in domestic legislation, in order that legislative support would be provided for technological progress.

CHAPTER V

CONCLUSION

On June 5, 2001, Napster, Inc. signed a licensing deal with the RIAA that would allow it to offer copyrighted music to its subscribers for a fee. Napster, Inc. will obtain the music from MusicNet, a company which offers its licensees downloadable and streamed music and music videos. This company is owned by RealNetworks, Warner Music group, EMI Recorded Music and Bertelsmann’s BMG Entertainment. Napster, Inc. plans to offer its new fee-charging service by the summer of 2001.459

It seems that the RIAA has scored not only a legal victory as a result of the decision in the Napster litigation, but it also scored an economic victory as it plans to use access to Napster, Inc.’s music files “as leverage to advance their own online jukebox systems.”460 However, while the problems encountered with the Napster technology appear to be over for the RIAA, new and more threatening technologies are constantly being developed and perfected, which raise even more uncertain legal issues than those raised in the Napster litigation.

Two new technologies already widely used, could further undermine the RIAA’s grip on the U.S. music industry. These are the Gnutella and Freenet software. Gnutella is

a program that was written by Justin Frankel, a former employee of Nullsoft, a subsidiary of America Online, and is freely available for download from the internet. Like the Napster technology, the Gnutella software facilitates peer-to-peer sharing of information while users are online. However, a fundamental difference between the Gnutella and Napster software is that the Gnutella program is a decentralized network, directly connecting users, without the need for an intermediary centralized server. In addition, Gnutella users are not limited to searching for MP3 music files, but can search for other types of files including movies and text documents.

The legal dilemma posed by the Gnutella program for copyright owners is that there is no single corporate entity or person that can be sued for contributory or vicarious copyright infringement, as the program is not officially owned by any one entity. Instead it is an application that is maintained by many loose-knit, non-profit entities, and is freely available on the internet. While Napster, Inc. as an incorporated company, enabled the RIAA to sue the company instead of initiating legal action against the millions of individual users, the Gnutella program creates litigation problems as there is no corporate or other legal entity that can be sued, barring the millions of potential Gnutella users.

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462 *Id.* at 1776.
463 *Id.* at 1775-6.
464 *Id.* at 1776.
465 *Id.* at 1776-7.
Another peer-to-peer system that is widely available on the internet is the Freenet program that was created by a United Kingdom programmer, Ian Clarke.\textsuperscript{466} This program also features a decentralized network like the Gnutella program, but it is arguably more threatening to copyright holders than both the Napster and Gnutella software, because it was designed to effectively conceal the source of information passing through its system.\textsuperscript{467} This poses a virtually impossible task for copyright owners to trace and identify the relevant party to be sued for copyright infringement.\textsuperscript{468} In addition, like Gnutella, the Freenet program has no physical presence on the internet beyond its software, so that there is no identifiable corporate body or other entity behind the software product.\textsuperscript{469} 

It is suggested that these technologies pose an even greater risk for the RIAA and other copyright owners in the digital age, and it will be interesting to see how copyright infringement will be addressed when the Gnutella and Freenet technologies are implicated.

One fact which is undisputed is that technology is fast outstripping traditional legal rights. The only feasible solution to the problem appears to be the current trend adopted by policy makers and legislators to strengthen the copyright owner’s legal rights, whether or not the result is detrimental to the public interest. No longer can it reasonably be argued that U.S. copyright laws are seeking to balance the interests of copyright owners and users, as the balance is clearly tipped in favor of copyright owners. While this reality

\textsuperscript{466} Id. at 1779.
\textsuperscript{467} Id. at 1779-80.
\textsuperscript{468} Id. at 1782.
\textsuperscript{469} Id. at 1787.
may be necessary to combat the effects of technological progress, it has permanently changed the landscape of U.S. copyright law and may see the demise of traditional limitations on copyright, such as the Fair Use doctrine.
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