DRM MISUSE

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Definition of DRM Misuse

- Strategic use of Digital Rights Management (DRM) systems, by which the copyright holders impose restrictions on content that should not be protected under the copyright statute.
- The content protected via DRM may include information necessary to achieve interoperability, so as to prevent competition on a secondary market.

Legal basis

- Introduction into copyright law of a legal protection for Technological Protection Measures (TPMs) by which the copyright owner prevents access to a copyrighted work.
- See Section 1201 of the Digital Millennium Copyright Act (DMCA) of 1998, which outlaws the acts of circumventing access-control measures and trafficking with tools that facilitate circumvention of either access or copy-control measures.

Main issues

- Section 1201 provides the users of TPM (and DRM) with a claim over the protected content, which is apparently independent from the existence of copyright on such content. But does this provision grant an independent “access” right?
- A related question: can “fair use” be raised as a defense in such context.

Fair use (section 107 Copyright Act)

- Affirmative defense which an alleged copyright infringer is entitled to raise, asking the court to consider:

(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.

Early cases: *Remeiders* (2001) and *Elcom* (2002)

- Posting of code: in *Remeiders* the posted code made possible the circumvention of the Content-Scrambling System (CSS) used for DVDs players, whereas in *Elcom* it allowed the circumvention of the Adobe digital e-book format.
- Both actions were alleged to constitute a violation of the anti-trafficking provisions of the DMCA, in that the code “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 “

First challenge to DMCA liability

- Defendant claimed that the DMCA was unconstitutional, for it expanded the scope of copyright and prevented the exercise of legitimate fair use, as well as the right to free speech.
- These results seemed inconsistent with the wording of section 1201 ©:

"Nothing in this section shall affect rights, remedies, limitations, or defenses to copyright infringement, including fair use, under this title."

Arguments used by the Court in support of the DMCA

- Section 1201 © is independent from the existence of fair use:

  "[it] simply clarifies that the DMCA targets the circumvention of digital works guarding copyrighted material, but does not concern itself with the use of those materials after circumvention has occurred".

Universal Studios v Corley, 273 F. 3d 429, 60 USP Q2d 1953 at 443

- Congress had recognized possible erosion of fair use by technological control on access, and for this reason balanced the interest of the authors with the competing interests of non-infringing users by including some rules in favour of this latter category (such as the narrow exceptions contained in section 1201 d-k and the identification by the Librarian of Congress every 3 years of specific classes of uses to be exempted for the next 3 years).

Towards a degradation of fair use?

- As put in *Elcom*:

  "The DMCA does not eliminate fair use nor substantially impair the fair use right of anyone […]The fair user may find it more difficult to engage in certain fair use with regard to electronic books, but nevertheless the fair use is still available"

- Some Congressmen, dissatisfied with such degradation of fair use, proposed the Benefit Authors Without Limiting Advancement or Net Consumer Expectations (BALANCE) Act and the Digital Media Consumer Rights Act (DMCRA) (H.R. 107 and 1066 , 108th Congr., 2003). Both were intended to allow the circumvention and the trafficking in a circumvention device when such a circumvention would be excused by fair use, but were eventually blocked by the majority.

First step towards the creation of a "fair access" doctrine: *Chamberlain*

- Chamberlain, a manufacturer of garage doors and garage door remote controls ("garage door openers", or GDOs), had embedded in its garage doors a computer program designed to recognize Chamberlain's GDOs, so that they would be the only tool capable of opening those doors.
- Skylink reverse-engineered the program and built its own GDOs with the same functionality
- Chamberlain sued alleging that Skylink was providing users with a tool that facilitated circumvention of a technological measure of protection (ex section 1201).

Some tidying up by the Federal Circuit

- For the first time, the court expressed its disagreement with the “access” right theory. It stated that Congress by passing section 1201 (a) merely wanted to furnish an ancillary cause of action to copyright infringement.

“17 U.S.C. 1201 prohibits only forms of access that bear a reasonable relationship o the protections that the Copyright Act otherwise affords to copyright owners. While such a rule of reason may create some uncertainty and consume some judicial resources, it is the only meaningful reading of the statute.”

Chamberlain Group, Inc. v. Skylink Technologies, Inc , at 1202

Storage Tech

- Storage Tech was a manufacturer of automated data storage machines which had incorporated the automatic request of a password in order to avoid unauthorized reconfigurations of the maintenance code. The defendant, an independent machine maintenance and repair company, bypassed the password in the course of its operations directed to repair the software.

The Federal Circuit doubles

- Defendant's activity could not amount to copyright infringement because of the specific exception provided by sections 117(c) of the Copyright Act for machine maintenance or repairing.
- This was neglected by the District court, but the Court of Appeal for the Federal circuit could not fail to see what was nothing more than an attempt to prevent via DRM the application of the copyright exception, and ruled:

"To the extent that [Appellant's] activities do not constitute copyright infringement or facilitate copyright infringement, [Appellee] is foreclosed from maintaining an action under the DMCA".

Storage Tech Corp. V Custom Hardware Engr. , 2005 WL 2030281 (Fed. Cir. 2005), at 9.

Law as it stands after *Storage Tech*

- A plaintiff needs to show, in order to validly state a claim of liability based on section 1201:

  a) the existence of an act of circumvention

  b) that the circumvention *actually* (not only *potentially*) facilitates copyright infringement.

One major unresolved issue

- What if the copyright is weak or minimal, and is used strategically only to take advantage of DMCA provisions?
- Common answer to that is “ the defendant can raise a copyright misuse defense”.
- I contend that this is not satisfactory: the doctrine of copyright misuse draws largely on antitrust principles, and this may overlook important values protected by copyright policy.

The doctrine of copyright misuse: take 1

- *Lasercomb America Inc v Reynolds* (4th Cir., 1990): no pre-requisite of antitrust violation (confirmed by the 9th cir. in 1999 with *Practice Management Information Corp. v American Medical Ass'n* and by the 5th cir. in 1997 with *Alcatel USA Inc v DGI Technologies Inc)* .
- The US Supreme Court in *US v Paramount Pictures Inc 334 US 131 (1948)* supported a public policy-approach to misuse, though suggesting the importance of the goals pursued by antitrust by declaring that "the public policy behind granting intellectual property is dependent upon a successful operation of the market mechanism*". Id,* at 157-158 .

The doctrine of copyright misuse: take 2

- Most economists advocate in favour of an antitrust-based approach, to save restraints that would appear in contrast with IP policy in the name of the common goal that eventually both antitrust and IP strive for, i.e., promoting innovation through an efficient utilization of the IP rights.
- This view has been shared by the 7th and 8th Circuit in *Saturday Evening Post Co v Rumbleseat Press Inc* (1987) , and *UnitedTelephone Co of Missouri v Johnson Publishing Co* (1988).
- But is this really what IP ultimately wants to protect?

A doctrine in search for the appropriate theory

- Not necessarily! Copyright law is designed to provide authors with the proper *ex ante* incentives, which may be different from the optimal allocation under a global-social welfare standpoint. Take, for example, price discrimination by dominant firms.
- As a result, copyright misuse should not be exclusively based on antitrust principles.

The proposed test

- Courts should first look at whether there has been a gross (or *per se*) violation of either copyright or antitrust policy.
- If not, courts should undertake a balancing test between the pro-competitive and anti-competitive effects, as well as between the private and public interests at stake which arise out of copyright law.

Dilemma: which one goes first?

- Antitrust owns no special deference to IP: see what the DC Circuit responded Microsoft's lawyers, who argued that if intellectual property rights have been lawfully acquired, their subsequent exercise cannot give rise to antitrust liability.

"That is no more correct than the proposition that use of one's personal property, such as a baseball bat, cannot give rise to tort liability".

US v Microsoft, 2001 U.S. App. LEXIS 14324 (DC Cir. 2001)

Aswer: IP, unless enforced strategically

- The ideal test should determine which public policy is more seriously offended, between antitrust and IP, in the particular case.
- This determination could be done by assessing whether the acts of IP enforcement were undertaken for strategic purposes. Although this is quite a daunting task, detecting the intention of the right-holder may be easier in the context of DRM: it will be sufficient to look at whether the imposition of a particular restriction was in fact dictated by a particular feature of the market, or rather by the objective of expanding the scope of the copyright grant.

Factors to determine whether the restriction was strategic

(1) the enhanced appeal to prospective purchasers;

(2) the commercial cost for the restriction as a proportion of the overall cost of designing and manufacturing the final good;

(3) the amount of time and efforts taken to develop this particular feature of the DRM;

(4) the commercial viability of the final good without the imposition of such restriction

Burden of proof

- It is an internationally recognized principle that "*onus probandi incumbit ei qui dicit*".
- It also generally accepted that the burden should be born by the party that is best positioned to fulfil it.
- Amongst the informations that should be examined to respond to our 4 factor-inquiry, most are possessed exclusively (and more accurately) by the copyright holder.

Conclusion

- Whenever a copyright-holder alleges that there has been a violation of the anti-circumvention provisions, courts should place the burden on him/her to prove:

  1) that there has been an act of circumvention of the TPM (or DRM), and that this circumvention actually facilitates copyright infringement (as established by the case-law since *Storage Tech*).

  2) that the TPM (or DRM) was not merely a strategic move to reach beyond the scope of copyright (as it can be inferred, absent evidence to the contrary, from the 4 factor-inquiry test proposed here).

Thank you!

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