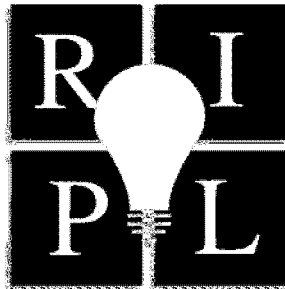


# THE JOHN MARSHALL REVIEW OF INTELLECTUAL PROPERTY LAW



COPYRIGHT & PRIVACY – THROUGH THE LEGISLATIVE LENS

NOVEMBER 18, 2004

HON. MARYBETH PETERS

ABSTRACT

The Honorable Marybeth Peters, who has served since 1994 as the Register of Copyrights for the United States Copyright Office of the Library of Congress, presented a post-election report on the legislative agenda in Washington, D.C. regarding rejected, pending and future amendments to the copyright law of the United States. Register Peters also discussed the current policy role of the United States Copyright Office and several court actions that contest the constitutionality of various provisions of the copyright law.

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## COPYRIGHT & PRIVACY – THROUGH THE LEGISLATIVE LENS\*

NOVEMBER 18, 2004

HON. MARYBETH PETERS

REGISTER PETERS:<sup>1</sup> Within a few months, I will be celebrating my fortieth anniversary at the Library of Congress, which is hard to believe; I only intended to stay for a couple of years. I am very pleased to be here, and I want to thank Prof. Knopf and The John Marshall Law School for inviting me here today.

I was asked to focus on what is going on in the legislative and policy arenas. When this conference was set up, I thought there would be some very definitive announcements to make because the legislative session would be over. However, that has not happened; Congress is still in session. Last night, a bill passed that significantly reforms the Copyright Arbitration Royalty Panel (“CARP”) system. This is the only bill that has passed both houses of Congress. I will discuss what has passed, what will not be considered and what is still on the table that could pass within the next couple of days—and it really is the next couple of days.

I will start with the Copyright Royalty and Distribution Reform Act of 2004.<sup>2</sup> This amendment replaces Chapter 8 of the copyright law, which sets out the CARP system.<sup>3</sup> This was the second system adopted by Congress. The first system was the Copyright Royalty Tribunal, which was abolished in 1993. The new system is the

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\* Adapted from presentations delivered on November 18, 2004 at the Standard Club in Chicago, Illinois as part of a conference entitled *Copyright & Privacy: Collision or Coexistence?* and hosted by The John Marshall Law School Center for Intellectual Property Law. Please note that the statements made in this article are based upon a transcript of the aforementioned conference and are not necessarily verbatim. In addition, while efforts have been made to ensure accuracy, the nature of the transcription process is such that the statements made in this article are subject to errors and omissions.

<sup>1</sup> The Honorable Marybeth Peters has served since 1994 as the Register of Copyrights for the United States Copyright Office of the Library of Congress. From 1983–1994, Register Peters held the position of Policy Planning Advisor to the Register. Register Peters has also served as Acting General Counsel of the Copyright Office and as Chief of both the Examining and the Information and Reference divisions. A frequent speaker on copyright issues, Register Peters is the author of *The General Guide to the Copyright Act of 1976*. Register Peters received her undergraduate degree from Rhode Island College and her law degree, *with honors*, from The George Washington University Law Center. Register Peters is a member of the Bar of the District of Columbia. Register Peters is an active member of The Copyright Society of the U.S.A. Register Peters is also a member of the Intellectual Property Section of the American Bar Association, the District of Columbia Bar Association, including the Computer Law Section, the DC Computer Law Forum and the Computer Law Association, where she is a member of the board of directors. Register Peters has served as a lecturer in the Communications Law Institute of The Catholic University of America Columbus School of Law and as adjunct professor of copyright law at both the University of Miami School of Law and the Georgetown University Law Center. Register Peters served as a consultant on copyright law to the World Intellectual Property Organization in Geneva, Switzerland from 1989–1990.

<sup>2</sup> Copyright Royalty and Distribution Reform Act of 2004, Pub. L. No. 108-419, 118 Stat. 2341 (2004).

<sup>3</sup> See 17 U.S.C. §§ 801–810 (2000).

Copyright Royalty Judge (“CRJ”) program. The CARPs deal with statutory licenses; specifically, they deal with the numerous terms and conditions of the statutory licenses, as well as the rates of these licenses. The Copyright Office collects the royalties in three of the licenses; when the various copyright claimants to the royalty pools cannot agree on how that money is to be divided up, a CARP conducts a distribution proceeding. One of the tasks that the Copyright Office is very pleased to relinquish deals with the claims filed by people who believe that they are entitled to this money. Several years ago, two major studios, MGM and Universal, did not file timely claims for their share of the money from retransmission of their programs by cable systems. The Office rejected those claims, and the studios sued. The Office prevailed. The Court of Appeals for the D.C. Circuit recently heard the studios’ appeal.<sup>4</sup> Millions of dollars are at stake.

Now I would like to discuss a little bit about some of the changes in the Copyright Royalty and Distribution Reform Act. There will be three judges, one of which will be the Chief Judge.<sup>5</sup> The appointment made by the Library of Congress is for six years.<sup>6</sup> All have to be lawyers, and the Chief Judge has to have five years of experience in adjudications, court trials or proceedings similar in nature.<sup>7</sup> In addition, the law specifies that one judge has to have significant knowledge of economics, and one judge has to have significant knowledge of copyright law.<sup>8</sup> One of the Office’s concerns is the role of the Register versus the role of the CRJs. As originally drafted, the CRJs could actually determine the scope of the licenses and novel questions of law. This could have resulted in forum shopping, where some would ask the Office to conduct a rule-making proceeding, and others would go to the Royalty Judges. As enacted, the Register retains the authority to decide novel questions of law.<sup>9</sup> Additionally, the Register has the ability to review the decisions of the royalty judges, and if the Register disagrees with the judges’ decision as a matter of law, the Register has the authority to actually say what the law is and what the decision should be.<sup>10</sup> If there is an appeal, then the Royalty Judges can go to court to defend their position, but the Register can also participate to defend her position.<sup>11</sup> This law will go into effect 180 days after President Bush signs the bill (May 31, 2005). Our current concern is the budget (money) for this new activity. Currently, the parties pay the arbitrators; in the new system, public funds must cover the costs of the CRJ program. Besides the three judges, there will be one GS-15 attorney, one GS-14 attorney and one GS-11 support person.<sup>12</sup> In case you get the feeling that Congress enacted very detailed legislation here, you are right.

What will not pass? What will not pass is database legislation. There was an agreement in the House between the Commerce Committee and the Judiciary Committee to work together on this issue. However, when Mr. Tauzin stepped down,

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<sup>4</sup> Universal Studios, LLLP v. Peters, 308 F. Supp. 2d 1 (D.D.C. 2004).

<sup>5</sup> Copyright Royalty and Distribution Reform Act of 2004 § 801(a), 118 Stat. at 2341.

<sup>6</sup> *Id.* § 802(e), 118 Stat. at 2345.

<sup>7</sup> *Id.* § 802(a)(1), 118 Stat. at 2345.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* § 802(f)(1)(B), 118 Stat. at 2346.

<sup>10</sup> *Id.* § 801(f)(1)(D), 118 Stat. at 2347.

<sup>11</sup> *Id.* § 801(b), 118 Stat. at 2345; *id.* § 801(e)(2)(A)–(C), 118 Stat. at 2346.

<sup>12</sup> *Id.* § 801(b), 118 Stat. at 2345.

it fell apart, and each committee passed its own bill. Therefore, I will not see database protection for the non-original elements of databases.

Something else that you will not see this year is the so-called ‘Induce Act.’<sup>13</sup> This bill, introduced by Senators Hatch and Leahy, would have created a separate cause of action against those who induce others to violate the copyright law. The Office played a significant role with this bill in the sense that after the Senate hearing, we were asked to see if we could get the parties to come together with some kind of solution to address the problem that the Senators had identified: i.e., peer-to-peer (“P2P”) services that essentially were profiting by encouraging or inducing people to commit copyright infringement. It was a very interesting experience: many parties participated. There were many proposals from the people who participated, and at the end of the day, Senator Hatch promised to deal with the issue in the next Congress. Therefore, you will not see a bill resolving this issue.

You also will not see something I had hoped we would see: a reform of § 115 of the copyright law, which provides a statutory license for digital phonorecord deliveries of musical compositions.<sup>14</sup> The problem is that § 115 really does not work. We worked with the record industry, the music industry and the Digital Media Association throughout the summer to see if the parties could agree on solutions. Although progress was made, ultimately none of the identified thirteen major issues were resolved. So, work will continue on this issue.

Obviously, you also are not going to see any bills creating a fair-use exception to the prohibition on circumventing access controls, such as Mr. Boucher’s bill, H.R. 107,<sup>15</sup> or Ms. Lofgren’s bill, the Public Domain Enhancement Act.<sup>16</sup>

So, what is on the table? There are two pieces of legislation. One is a statutory license for satellite carriers to carry television programming into distant markets.<sup>17</sup> The players are the National Association of Broadcasters and the satellite carriers: specifically, EchoStar and DirecTV. Our concern is that the statutory license must be reauthorized before December 31, 2004, the date the license is scheduled to expire. We support another five-year extension. However, there is an issue about the scope of this license. The battle is over how digital signals will be handled—several proposals are on the table. I heard that both the House and the Senate were working last night to come up with a solution. If they do come up with a solution, then you will see a full bill that includes a rate increase for copyright owners. If they do not resolve it, you probably will see a one-year extension.<sup>18</sup>

Another important bill consists of a compilation of many bills: H.R. 2391, which is an omnibus bill known as the Intellectual Property Protection Act of 2004 (“IPPA”).<sup>19</sup> The IPPA contains seven titles with broad provisions covering patents,

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<sup>13</sup> Inducing Infringement of Copyrights Act of 2004, S. 2560, 108th Cong., 2d Sess. (2004).

<sup>14</sup> 17 U.S.C. § 115 (2000).

<sup>15</sup> Digital Media Consumer Rights Act of 2003, H.R. 107, 108th Cong. (2003).

<sup>16</sup> Public Domain Enhancement Act, H.R. 2601, 108th Cong. (2003).

<sup>17</sup> Satellite Home Viewer Extension and Reauthorization Act of 2004, H.R. 4518, 108th Cong., 2d Sess. (2004).

<sup>18</sup> See Satellite Home Viewer Extension and Reauthorization Act of 2004 *in* Consolidated Appropriations Act, 2005, Pub. L. No. 108-447, Div. J, Title IX, Title I, § 101(a), 118 Stat. 2809, 3394 (2004) (extending statutory license five years); see also Rate Adjustment for the Satellite Carrier Compulsory License, 70 Fed. Reg. 3656 (proposed Jan. 26, 2005) (to be codified at 37 C.F.R. § 258).

<sup>19</sup> Intellectual Property Protection Act of 2004, H.R. 2391, 108th Cong., 2d Sess. (2004).

counterfeiting and copyrights. Parts of this bill are extremely controversial. As we speak, work on the various provisions of this bill continues. I will take you through some of them. There is a fifty-percent chance that this bill will pass. If it does, the unresolved controversial provisions will drop out of the bill.

Let me talk about some of the copyright issues. Title II of the IPPA is the Piracy Deterrence and Education Act; section 202 of this title contains congressional findings about the internet.<sup>20</sup> The bill encourages federal law enforcement agencies to actively pursue criminals who pirate copyrighted works, and it gives the Department of Justice the task of educating the public on copyrights and the internet.<sup>21</sup>

Section 210 of Title II deals with the enhancement of criminal copyright infringement<sup>22</sup> and would amend § 506 of the copyright law,<sup>23</sup> strengthening this section in general. A separate provision regarding infringement by knowing distribution—which includes offering content for distribution with reckless disregard of the risk of further infringement—would be added.<sup>24</sup> The provision takes effect when one-thousand or more copies are made, if one copy has a value of ten-thousand dollars or if one copy is pre-released.<sup>25</sup> Pre-released works are works that are being prepared for commercial distribution but are copied and distributed, causing enormous damages.

Pre-registration is another feature.<sup>26</sup> This would provide for ‘pre-registration’ before the official release of a work being prepared for commercial distribution. The Register is given one-hundred-eighty days from the date the provision is enacted to put regulations in place. The Register, by regulation, will determine which classes of works have a history of infringement prior to authorized, commercial distribution. I can suggest three such classes: motion pictures, software and sound recordings. To perfect a pre-registration, the copyright owner must register the work within three months after the first publication or one month after the copyright owner learns of the infringement.<sup>27</sup> Therefore, you pre-register the work, and then you must complete the registration at a later point.

Also included in H.R. 2391 is the Family Movie Act, which remains controversial—although the target of the controversy keeps shifting.<sup>28</sup> This is a bill that would allow making portions of the audio or the audio-visual content of a movie imperceptible for private, in-home viewing, as long as the person in the private home has a legitimate, authorized copy. It also creates an exception for the creation of computer programs or technology that enables such action as long as it is designed

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<sup>20</sup> Intellectual Property Protection Act of 2004, H.R. 2391, 108th Cong., 2d Sess., Title II § 202 (2004).

<sup>21</sup> *Id.* § 202(6).

<sup>22</sup> *Id.* § 210.

<sup>23</sup> 17 U.S.C. § 506 (2000).

<sup>24</sup> H.R. 2391, Title II § 210(a).

<sup>25</sup> *Id.*

<sup>26</sup> *Id.* § 210(c).

<sup>27</sup> *Id.*

<sup>28</sup> *Id.* § 212.

and marketed for private, home use.<sup>29</sup> Additionally, you would not be able to have a fixed copy of the altered version of the work.<sup>30</sup>

The current issue is whether this legislation covers the skipping of commercials. The question is specifically: “Does this legislation prevent software that drops out entire ads which appear on television in the middle of a movie?” The Office was asked this question the other day; our answer was “No.” A commercial is a work separate and apart from the motion picture per se, and this legislation only deals with limited portions. You could, under this bill, drop out limited portions of the ad, but I do not think that is what the bill is about.

Another controversial provision is Title III, which protects intellectual property rights against theft and expropriation.<sup>31</sup> Actually, this creates a new section in the copyright law, § 506A, to allow the government to bring a civil action for the offenses specified in § 506. The civil standard of proof would be by a preponderance of the evidence, rather than the criminal standard: beyond a reasonable doubt. There are many who oppose this provision.

Then there is Title VI, which has some interesting and important provisions.<sup>32</sup> Section 602 deals with harmless errors in certificates of registration.<sup>33</sup> It says that if there is a harmless error, the error should have no effect whatsoever. When you are in a trial and someone raises this issue, the court should basically disregard the error unless it is the type of error that would have caused the Copyright Office to refuse registration.<sup>34</sup> It suggests that the court, if it thinks that might be the case, should ask the Copyright Office whether it was a harmless error: “Would the Office register the copyright anyway or not?”

Section 603 of the bill<sup>35</sup> would amend § 504 of the copyright law,<sup>36</sup> which deals with statutory damages and how to compute them. This amendment addresses a problem concerning compilations and derivative works. If you have, for example, a musical play that includes twenty songs, for purposes of statutory damages there would be only one work. If someone separately infringes fifteen of the songs, because they appeared in a play they would be considered one work. The amendment gives a court discretion to determine that parts of a work are separate if it concludes that they are distinct works, having independent economic value.<sup>37</sup>

As you can see, there are elements of the bill that would be very helpful and then there are others that are very controversial. We will know within the next few days what—if anything—passes.

Let me conclude with some policy activities. I think most of you know that occasionally I get sued, but most suits are against the U.S. government. Today there are many challenges to the constitutionality of various copyright statutes. This is amazing. There have been a lot of copyright lawsuits, but until now they did not allege that the copyright law was unconstitutional.

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<sup>29</sup> *Id.* § 212(c).

<sup>30</sup> *Id.* § 212 (b).

<sup>31</sup> *Id.* Title III.

<sup>32</sup> *Id.* Title VI.

<sup>33</sup> *Id.* § 602.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.* § 603.

<sup>36</sup> 17 U.S.C. § 504 (2000).

<sup>37</sup> H.R. 2391, Title VI § 603.

This trend started with the *Eldred* case, which dealt with the extension of the copyright term by twenty years.<sup>38</sup> Since then, there have been challenges to the constitutionality of various provisions of the Digital Millennium Copyright Act.<sup>39</sup> One case that deals with an ISP issue is ongoing, *RIAA v. Charter Communications, Inc.*<sup>40</sup> The case is in the Court of Appeals for the Eighth Circuit, and the government has entered as an intervener and amicus curiae.

Then there are three additional cases that the government is involved in, the first of which is *Luck's Music Library v. Ashcroft*.<sup>41</sup> In this case, the plaintiff is not only challenging copyright-term extension, but also the Uruguay Round Agreements Act restoration provisions,<sup>42</sup> which restores copyrights to foreign copyright holders whose works have entered the public domain in the U.S. because, for example, the work was not renewed or lacked proper notice. In 1995, the law was changed, and beginning in 1996 all of those foreign works that were still protected in their country of origin automatically had the copyright restored for the term that they would normally get under the U.S. copyright law. This meant that many works that had been in the public domain became subject to protection. There are many provisions in § 514 with regard to those who have used such works relying on the fact they were in the public domain. People have created derivative works and wish to continue to disseminate them.<sup>43</sup> Displeased with the twenty-year extension, people who were publishing public-domain material are now challenging this law. In the *Luck's Music* case, the District Court for the District of Columbia held that congressional enactment of the Uruguay Round Agreements Act did not violate the First Amendment and did not exceed congressional power under the Intellectual Property Clause of the Constitution. The court relied heavily on *Eldred*.

The second case was called *Golan v. Ashcroft*, but it is now *Golan v. Ashcroft & Peters*.<sup>44</sup> The issue is the same as in *Luck's Music*; i.e., the dispute is over the Uruguay Round Agreements Act restoration provisions and the Sonny Bono Copyright Term Extension Act.<sup>45</sup> We were served with interrogatories and requests for discovery.

Another interesting case is *Kahle v. Ashcroft*.<sup>46</sup> This case challenges four statutes: (1) the Copyright Act of 1976;<sup>47</sup> (2) the Berne Convention Implementation Act;<sup>48</sup> (3) the Copyright Renewal Act of 1992, which made renewal automatic;<sup>49</sup> and

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<sup>38</sup> *Eldred v. Ashcroft*, 537 U.S. 186 (2003).

<sup>39</sup> See Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified as amended in scattered sections of 17 U.S.C.).

<sup>40</sup> *Recording Indus. Assoc. of Am. v. Charter Communications, Inc.*, No. 03-3802, 2005 U.S. App. LEXIS 31 (8th Cir. Jan. 4, 2005) (vacating district court's order enforcing subpoenas and remanding).

<sup>41</sup> 321 F. Supp. 2d 107 (D.D.C. 2004).

<sup>42</sup> Uruguay Round Agreements Act, Pub. L. No. 103-465, § 514, 108 Stat. 4809, 4976-81 (1994) (codified as amended at 17 U.S.C. § 104A (2000)).

<sup>43</sup> *Id.*

<sup>44</sup> 310 F. Supp. 2d 1215 (D. Colo. 2004).

<sup>45</sup> Sonny Bono Copyright Term Extension Act, Pub. L. No. 105-298, 112 Stat. 2827 (codified as amended in scattered sections of 17 U.S.C.).

<sup>46</sup> *Kahle v. Ashcroft*, No. C-04-1127, 2004 U.S. Dist. LEXIS 24090 (N.D. Cal. Nov. 19, 2004).

<sup>47</sup> Copyright Act of 1976, 17 U.S.C. §§ 101-810 (2000).

<sup>48</sup> Berne Convention Implementation Act, Pub. L. No. 100-568, 102 Stat. 2853 (codified as amended in scattered sections of 17 U.S.C.).



(4) the Sonny Bono Copyright Term Extension Act.<sup>50</sup> I understand that there should be hearings on that soon. We have filed a motion to dismiss, so we will see what happens with that motion.<sup>51</sup>

As you can see, we are actually busy with many policy issues. I am going to end with our efforts to re-engineer our office. We are in the final stages of a reengineering project to make all of our services electronic. We hope to get the material electronically, but, if not, we are going to scan it. At the very least, the application, the fee, and, as much as possible, the deposit copy of the work itself will come in electronically. We are also changing our organizational structure, all of our information technology systems, the application form and a number of regulations. The only way we can do this is to move most of the 530 people out of our current building; you cannot do this in phases, it must be done all at once. We will move off-site in December 2005 for about one year. While we are off-site, we will test all of the systems and make sure they work; we will also continue to process incoming materials using our existing systems. This will be challenging, but we will get through it. Thank you very much.

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<sup>49</sup> Copyright Renewal Act of 1992, Pub. L. No. 102-307, 106 Stat. 264 (codified as amended in scattered sections of 17 U.S.C.).

<sup>50</sup> Pub. L. No. 105-298, 112 Stat. 2827 (1998).

<sup>51</sup> *Kahle*, 2004 U.S. Dist. LEXIS 24090, at \*50 (finding that none of the laws violated the Constitution and granting motion to dismiss).