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## Intellectual Property - Additional Developments - Copyright

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## ADDITIONAL DEVELOPMENTS—COPYRIGHT

### *ALS SCAN, INC. V. REMARQ COMMUNITIES, INC.*

*239 F.3d 619 (Fed. Cir. 2001)*

The Federal Circuit held that, under Title II of the Digital Millennium Copyright Act (“DMCA”), an Internet service provider may not rely on a claim of defective notice to maintain the immunity defense under the DMCA safe harbor provisions when provided with notice of infringing activity that substantially complied with DMCA.

ALS Scan, which creates and markets copyrighted adult photographs, brought suit against RemarQ, an Internet service provider (“ISP”), alleging that ALS Scan violated the DMCA and unfair competition laws. Specifically, ALS Scan claimed that RemarQ, which has the ability to filter information contained in its newsgroups and prevent its members from logging onto certain newsgroups, failed to prevent its members from posting material which violated ALS Scan’s copyrights. ALS Scan alleged that RemarQ possessed actual knowledge that the newsgroups contained infringing material but had “steadfastly refused to remove or block access to the material.” ALS Scan also alleged that it warned RemarQ about the infringing material contained in its database. In response, RemarQ stated that it was prepared to remove articles posted in its newsgroups, if the articles were specifically identified as infringing material. RemarQ further contended that it had a defense to ALS Scan’s copyright infringement claim because of ALS Scan’s failure to comply with the DMCA’s notice requirements.

The district court granted RemarQ summary judgment, stating that RemarQ could not be held liable for direct copyright infringement merely because it provided access to a newsgroup containing infringing material. Further, RemarQ could not be held liable for contributory infringement because ALS Scan failed to comply with the notice requirement set forth in the DMCA.

ALS Scan appealed, claiming that it substantially complied with the notification requirements of the DMCA and that RemarQ did not have a “safe harbor” defense to copyright infringement. The Federal Circuit affirmed-in-part, reversed-in-part, and remanded for further proceedings. The court stated that because RemarQ was given notice in accordance with the DMCA, it did not have a safe harbor defense. Title II of the DMCA, the “Online Copyright Infringement Limitation Act,” defines the limitations of liability for copyright infringement to which ISPs might otherwise be exposed. The liability-limiting provision applicable here, 17 U.S.C. § 512(c), gives ISPs a safe harbor from liability for “infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider,” if an Internet service provider meets all three of the safe harbor requirements: (1) lacks actual or constructive knowledge; (2) receives no financial benefit; and (3) responds expeditiously to remove or disable access to infringing material after receiving notification conforming with requirements under the DMCA. The court held that ALS Scan’s written notice to RemarQ met the requirements of the DMCA. The court found that the DMCA did not require ALS Scan to list every instance of infringement in its cease and desist letter as long as it provided RemarQ with a representative list.

Therefore, the Federal Circuit reversed the district court’s grant of summary judgment. Because the ruling only removed the safe harbor defense, the case was remanded for further proceedings on ALS Scan’s copyright infringement claims and any other affirmative defenses that RemarQ may have.

***FELTEN V. RECORDING INDUSTRY ASSOCIATION OF AMERICA, INC.***

*Case No. CV-01-2669 (GEB) (D.N.J. 2001)*

At issue in this case is whether Section 1201 of the Digital Millennium Copyright Act ("DMCA") violates the First Amendment by impermissibly prohibiting scientists and engineers from doing research and publishing their findings. Judge Garrett Brown of the Federal District Court of New Jersey dismissed the case without hearing arguments and without giving reasons for his judgment. The plaintiff will appeal to the Third Circuit.

The Secure Digital Music Initiative Foundation ("SDMI"), a multi-industry consortium established to create specifications for the secure delivery of digital music, invited the digital community to break into certain watermark technologies. Plaintiffs, as part of their normal scientific research, participated in the challenge, defeating most of the technologies. Plaintiffs then sought to publish their findings at a scientific conference. Prior to publication, the SDMI, and the Recording Industry of America Association ("RIAA") threatened suit under the DMCA.

Section 1201 of the DMCA prohibits the circumvention of technological measures used to protect a work that is copyrighted, except in the case of a noninfringing use. Reverse engineering of computer programs is permitted: (1) if a copy of the program is legitimately obtained, and (2) to identify and analyze those elements of the program that are necessary to achieve interoperability of an independently created computer program with other programs, and that have not previously been readily available to the person engaging in the circumvention. Encryption research does not violate the DMCA when: (1) the researcher lawfully obtained the encrypted copy, phonorecord, performance, or display of the published work; (2) the act of encryption is necessary to conduct encryption research; (3) the researcher made a good faith effort to obtain authorization before the circumvention; and (4) the act of encryption does not violate any other law.

University Professor Edward Felten and his research team brought a preemptive suit against the Department of Justice, Verance, SDMI, and RIAA before the district court seeking a declaration that publication of their scientific research regarding technologies used to protect digital music from copyright infringement is protected by the First Amendment, and not a violation of the Digital Millennium Copyright Act (DMCA). Felten argued that by forcing scientists to obtain the permission of companies whose business interests might be harmed by scientific publication before publishing their research, the DMCA thwarts society's First Amendment interest in the benefits of free scientific inquiry and discourse.

The Justice Department argued that the case should be dismissed because it was not ripe. It argued that because SDMI and RIAA no longer seek to bring suit and permitted the plaintiff and his team to publish portions of their research, and because the researchers did not plan to do further research in this area, that there was no valid claim.

The court agreed with the Justice Department and dismissed the case without ruling on the First Amendment issue.

***SUNTRUST BANK V. HOUGHTON MIFFLIN CO.***

*268 F.3d 1257 (11th Cir. 2001)*

The United States Court of Appeals for the Eleventh Circuit reviewed the District Court for the Northern District of Georgia's grant of a preliminary injunction enjoining the publication and distribution of the fictional work, *The Wind Done Gone*, a work alleged to infringe the copyrighted work, *Gone with the Wind*.

In an attempt to critique and comment on *Gone with the Wind* and Margaret Mitchell's depictions of slavery and the Civil-War era in the American South, Alice Randall created *The Wind Done Gone*. In creating her work, Randall appropriated characters, plot devices, and major scenes from *Gone with the Wind*, but told parts of the story through the eyes of Cyana, the illegitimate daughter of a plantation owner and the slave who cares for his children. After discovering the similarities between *The Wind Done Gone* and *Gone with the Wind*, SunTrust, the trustee of the Mitchell Trust, asked the Houghton Mifflin Company to refrain from publishing or distributing the second work. Houghton Mifflin refused, and SunTrust subsequently filed an action alleging copyright infringement and motions seeking a temporary restraining order and a preliminary injunction. Finding that *The Wind Done Gone* infringed the copyright of *Gone with The Wind*, the district court applied the four-factor fair use analysis: (1) the purpose and character of the use, (2) the nature of the copyrighted work, (3) the amount and substantiality of the portion of the copyrighted work used, and (4) the potential market harm. After applying these factors, the district court determined that *The Wind Done Gone* constituted an unauthorized sequel of the copyrighted work and did not warrant fair use protection. Based on these decisions, the district court granted a preliminary injunction enjoining the publication and distribution of *The Wind Done Gone*.

Houghton Mifflin appealed the grant of the preliminary injunction to the United States Court of Appeals for the Eleventh Circuit. The appellate court reversed and remanded the district court's decision to grant a preliminary injunction. In order to merit a preliminary injunction, the plaintiff must prove (1) a substantial likelihood of success on the merits, (2) a substantial threat of irreparable injury if the injunction were not granted, (3) that the threatened injury to the plaintiff outweighs the harm an injunction may cause the defendant, and (4) that granting the injunction would not disserve the public interest. Finding that the parodic and transformative nature of *The Wind Done Gone* would likely result in fair use, the appellate court did not believe that the plaintiffs showed a substantial likelihood of success on the merits. Further, the appellate court found that any harm suffered by SunTrust due to the publication and distribution of *The Wind Done Gone* was not irreparable because monetary damages could remedy the potential harm. Thus, the appellate court held that a lack of irreparable injury to SunTrust, together with the likelihood of a fair use defense prevailing, rendered injunctive relief improper. The decision of the district court was therefore vacated.

*UNIVERSAL CITY STUDIOS, INC. V. CORLEY**273 F.3d 429 (2d Cir. 2001)*

The Second Circuit addressed the constitutionality of the Digital Millennium Copyright Act's ("DMCA") anti-trafficking provisions. These provisions prohibit trafficking in computer programs which circumvent technological measures designed to secure unauthorized access to digital works that are protected by federal copyright laws. The court held that the computer code used in the programs was protected speech. Applying intermediate scrutiny, the court also found that the anti-trafficking provisions were constitutional because they were content neutral and they targeted functional aspects of speech.

The defendant posted a copy of DeCSS, a program designed to circumvent the Content Scramble System ("CSS"), the encryption technology used by motion picture studios to prevent unauthorized viewing and copying of the DVD releases of their motion pictures, on his website. Corley also included links to other web sites where copies of DeCSS could be found. Several motion picture companies sought and won injunctions against Corley in the United States District Court for the Southern District of New York. The defendants appealed to the Second Circuit, challenging the constitutionality of the DMCA's prohibitions.

The Second Circuit affirmed the district court's decision. However, the court held that computer code and programs are a form of speech and thus qualify for First Amendment protection. The court applied intermediate scrutiny and upheld the DMCA's restrictions, which were aimed at the functional aspects of DeCSS, because they were content-neutral. In addition, the court emphasized that the combination of technologies such as the Internet and DeCSS dramatically increased the amount of harm caused by copyright infringement. The court also rejected defendants' contention that the DMCA prevents the fair use of copyrighted materials such as excerpts from motion pictures on DVD.