SURGICAL SAFE HARBORS: THE FAMILY MOVIE ACT AND THE FUTURE OF FAIR USE LEGISLATION

By Alison R. Watkins

The development of digital media technology has brought with it a corresponding evolution in consumer utilization of and interaction with new media. Consumers want increased access to and control over traditional forms of entertainment and educational media, such as books, magazines, music, movies, and television. Digital technology provides copyright industries with new modes of distribution, but also exposes them to higher levels of piracy due, in part, to the manipulability of the digital format. In response, courts and Congress must grapple with determining the appropriate level of control for copyright owners over consumer use of and access to copyrighted works granted by copyright’s limited monopoly.

Commentators have criticized Congress’s various attempts to respond to the digital age for moving away from codifying general principles to instead regulating specific industries and technologies. Specifically, commentators point to legislation like the Audio Home Recording Act (AHRA), the Digital Performance Right in Sound Recordings Act, and the Digital Millennium Copyright Act (DMCA) as needlessly complicating copyright law to the point of incomprehensibility, and lessening its predictability. This complexity can make the law less coherent, less transparent, and thus more susceptible to private interest manipulation. More than merely complicating copyright law, recent legislation has diminished the public domain in favor of protecting private property rights. These efforts

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3. Nimmer, supra note 2, at 1331-32, 1336-39, 1342-43; see also JESSICA LITMAN, DIGITAL COPYRIGHT 25, 29 (2001) (noting that copyright law is difficult for individuals to understand and apply to everyday activities because they are constructed by lawyers for specific use in specific contexts).

4. Liu, supra note 2, at 135-136.

5. See Shubha Ghosh, Deprivatizing Copyright, 54 CASE W. RES. L. REV. 387, 475 (2003) (“The DMCA is arguably just another example in copyright’s long history of the
to protect private property interests conflict with copyright’s purpose “to promote Progress in Science and the useful Arts” by interfering with technological innovation.\[^7\]

The response of the courts has been, at times, equally problematic. Courts can take years to reach a final verdict in a copyright case.\[^8\] Courts interpret copyright requirements, like the fixation requirement for derivative works,\[^9\] differently. They can also create a new theory of liability, as the Supreme Court did recently in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*\[^10\] This lack of predictability can have a significant impact on existing technologies as well as those that might be developed.

Recently, the advent of new technologies forced Congress to confront these issues again. The introduction of a new digital media technology, which modifies playback of DVDs, gave rise to the *Huntsman v. Soderbergh* litigation. In response, the Family Movie Act\[^12\] ("FMA") resolved

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\[^6\] U.S. CONST. art. 1, § 8, cl. 8.

\[^7\] Menell, *supra* note 1, at 197 ("The effort to curtail piracy in the digital age has reveal an inherent conflict in Congress’s mission "to promote the Progress of Science and the useful Arts": regulating digital devices in the name of content protection hinders progress of digital technology.").


\[^9\] See infra Section I.B.1 for a discussion of derivative works.

\[^10\] 125 S. Ct. 2754 (2005).

\[^11\] No. 02-M-1662, 2005 WL 1993421 (D. Colo. 2005).

the disputed issue in *Huntsman* by creating a statutory “surgical safe harbor” for the technology that made imperceptible limited portions of motion pictures for home use. The term “surgical safe harbor” refers to a tailored legislative exemption from liability of a particular technology, use or class of users. The success of the FMA, and of Congress’s previous surgical safe harbors, suggests that Congress could employ surgical safe harbors more frequently to resolve fair use questions.

This Note discusses the benefits and limitations of the FMA in resolving the issues presented in *Huntsman*. It then suggests how and when legislation similar to the FMA—in the form of a surgical safe harbor from infringement liability—could provide for a fruitful determination of fair use issues arising in the future. Part I explains the technology at issue in the FMA and reviews the *Huntsman* litigation and the legal issues involved. Part II examines the Family Movie Act, its text, evolution, and impact as a surgical safe harbor resolving the issues in the *Huntsman* litigation. Part III analyzes the potential benefits and risks of using surgical safe harbor to resolve fair use cases. This Note concludes that surgical safe harbors may be a useful, if imperfect, ongoing tool for Congress to use in its efforts to maintain copyright’s balance between the interests of authors and those of the public.

I. DIGITAL FILTERING AND ITS LEGAL IMPLICATIONS

Representatives Lamar Smith and Randy Forbes introduced the Family Movie Act in Congress in 2004 in response to technology recently developed by a number of private companies that removed offensive scenes or language, including violence, sexual situations, nudity, and hard language, from films for home viewing. Consumers control over movies they watched, evinced by the growing market for “e-rated” movies. Firms in the e-rated business either used conventional mechanical editing techniques to remove the offending scenes or dialogue or used digital techn-
nology to skip, mute, mask, or otherwise filter the offending scenes or dialogue. These two methods resulted in separate litigation with distinct legal issues. Litigation concerning the digital filtering technology, which was the subject of the FMA and this Note, gave rise to two copyright law issues: derivative works and fair use. The first Section below discusses the types of digital filtering technology and the second Section details how the technology implicates derivative works and fair use, focussing on the Huntsman litigation.

A. Digital Filtering Technology

In contrast to the mechanical editing firms, the digital filtering business model did not create a new fixed version of the film or change the physical copy of the movie owned by the customer. Instead, the customer purchased software (or a DVD player with the software built in to it) that filtered R or PG-13 content while the movie played. The software worked by referring to a file created previously by the firms offering the product whose employees viewed the movie frame by frame and created commands to skip scenes and images or mute language. Thus, firms providing this software created distinct files for each movie. ClearPlay, for example, offered nearly 600 films. Home users were unable to decide what to filter out, although some firms allow its customers to choose

consumers to rent or purchase. If purchasing, the consumer must send in a purchased copy of the movie (either DVD or VHS) and the editing company would returned the altered version in the same box as the original. Depending on the company, the consumer would receive the original back as well.

16. In their briefs the companies utilizing digital filtering software (ClearPlay, Family Shield, and Trilogy Studios) referred to themselves as the “Player Control Parties” whereas the motion picture studios referred to them as the “Electronic Editing Parties.” Player Control Parties’ Corrected Opening Brief in Support of Their Motion for Summary Judgment, Huntsman v. Soderbergh, No. 02-M-1662 at 3 (D. Colo. 2002) [hereinafter Summary Judgment Motion]; Motion Picture Studio Defendants’ Response Brief in Opposition to Electronic Editing Parties Motion for Summary Judgment, Huntsman v. Soderbergh, No. 02-M-1662 at 3 (D. Colo. 2002) [hereinafter Response Brief]. Both names arise out of the parties’ legal arguments about what the companies do with their technology. In trying to find a more neutral term, I have chosen “filtering companies,” and will use it to refer to those companies for the remainder of the Note. The companies who rented or sold edited versions of movies will be referred to as the “editing companies.”


19. Merrill, supra note 17.

among filters with varying levels of "Language," "Violence," or "Sex & Nudity." In addition to muting dialogue and skipping scenes, at least one company inserted images to mask nudity, most famously adding clothing to Kate Winslet's character in the sole nude scene in the movie Titanic.

B. **Huntsman v. Soderbergh: Derivative Works & Fair Use**

The motion picture studios and the directors disapproved of third party companies making unauthorized changes to their works and objected to the possibility that consumers were watching modified versions unaware that the changes were unauthorized. Consequently, they prepared a lawsuit against both the mechanical editing and digital filtering companies. Pre-empting the lawsuit, the mechanical editing and digital filtering companies filed a suit seeking a declaratory judgment that their conduct did not infringe either the copyright or trademarks held in the motion pictures. The Directors Guild of America (DGA) and motion picture studios responded by filing counterclaims alleging trademark and copyright infringement against both the mechanical editing and digital filtering firms. The motion picture studios alleged copyright infringement under the theory that both the filtering companies and the editing companies had created unau-

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22. Id. at 622.

23. Huntsman v. Soderbergh, No. 02-M-1662, 2005 WL 1993421 (D. Colo. 2005). One of the filtering companies, Trilogy Studios, previewed the technology for representatives of the film industry who were unhappy about it. The editing and filtering companies were alerted to the Directors Guild of America's plans to sue them when they posted their litigation announcement on their website. Michael P. Glasser, "To Clean or Not to Clean": An Analysis of the Copyright and Trademark Issues Surrounding the Legal Battle Between Third Party Film Editors and the Film Industry, 22 CARDOZO ARTS & ENT. L.J. 129, 139 (2004).

24. The trademark infringement claims alleged that, because the directors' and studios names were displayed on the altered DVDs, a viewer might not know the film differed from its original version, or that neither the director nor the studio had authorized the changes to the film. Directors Guild of America Defendant in Intervention Proposed Amended Counterclaim, Huntsman v. Soderbergh, No. 02-M-1662 (D. Colo. 2002); Response Brief, supra note 16. These trademark issues are beyond the scope of this Note.
authorized derivative works. The following subsections discuss the derivative works and fair use issues implicated by the filtering technology.

1. Derivative Works

The motion picture studios’ primary copyright infringement claims alleged that the digital filters were unauthorized derivative works of their motion pictures. The right to make derivative works is one of the six exclusive rights held by copyright owners. A derivative work is defined in §101 as “a work based upon one or more preexisting works,” or “consisting of editorial revisions, annotations, elaborations, or other modifications, which, as a whole, represent an original work of authorship.” Examples include “translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation,” as well as more generally “any other form in which a work may be recast, transformed, or adapted.”

Relying on the Ninth Circuit’s decision in *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.* and *Micro Star v. FormGen, Inc.*, the filtering companies argued that neither their software filter files nor the audio-visual display viewed by the consumer using the software were derivative works because they were not “fixed.” The Ninth Circuit first enunciated the fixation requirement for derivative works in *Galoob*, in which the court construed the copyright statute to require that a derivative work must “incorporate a protected work in some concrete or permanent form.”

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25. Id.
26. The first sale doctrine was also implicated by the technology to the extent that consumers were modifying playback of a DVD they legally purchased. The first sale doctrine, however, is not significant because it would not be a defense if the consumers were indeed found to be making derivative works. See, e.g., *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988). If the digital filtering were not a derivative work, then the consumers would not be liable for infringement and would not have need for the first sale defense.
30. Id.
31. 964 F.2d 965, 967 (9th Cir. 1992).
32. 154 F.3d 1107 (9th Cir. 1998).
33. Summary Judgment Motion, supra note 16, at 27.
35. *Galoob*, 964 F.2d at 969.
Galoob court held that the product at issue, the Game Genie, which ran concurrently with a copyrighted video game to alter the speed of play and never incorporated any of the underlying game, was not a derivative work. Six years later, the Ninth Circuit in Micro Star affirmed the requirement that a derivative work must incorporate the underlying work in concrete or permanent form and, with it, that the derivative work itself must exist in a concrete or permanent form. The court found that, in contrast to the Game Genie, the product in Micro Star—a CD containing enhancements to a copyrighted video game—met the fixation requirement because the enhancements contained detailed descriptions of the audiovisual displays of the original games.

In Huntsman, the studios claimed that the filtering software was more like the product in Micro Star than that in Galoob and, thus, met the requirement of "fixation." In addition, the studios disputed the fixation requirement, citing the statutory language and a Seventh Circuit case, Midway Manufacturing Co. v. Artic International, Inc. The defendants in that case sold "speed-up cards" which permanently replaced the original chips inside video arcade games and increased the speed of the games, making them more challenging for players. The Seventh Circuit reasoned that, although the video games at issue were merely enhancements of the original games, the increased demand for the sped-up videogames created additional value to the plaintiff's copyrighted work. Thus, the sped-up videogames were a "substantially different product from the original game"—one for which consumers were willing to pay extra, thereby providing an incentive for vendors to market them separately. These "new" videogames constituted derivative works. Under similar reasoning, the studios claimed in Huntsman that the filtered versions of the

36. Id.
37. Micro Star, 154 F.3d at 1111.
38. Id. at 1111-12 ("This raises the interesting question whether an exact, down to the last detail, description of an audiovisual display . . . counts as a permanent or concrete form for purposes of Galoob. We see no reason it shouldn't. What, after all, does sheet music do but describe in precise detail the way a copyrighted melody sounds?").
40. Id. at 25.
41. 704 F.2d 1009 (7th Cir. 1983).
42. Id. at 1010-11.
43. Id. at 1013.
44. Id. at 1014.
45. Id.
copyrighted movies were a substantially different product from the original and, thus, were derivative works.\(^{46}\)

2. Fair Use

Fair use did not play a significant part in the Huntsman litigation. However, if the court had determined the digital filtering technology created a derivative work, the court would have turned next to whether it was protected by fair use, as the courts did in Galoob and Micro Star.\(^{47}\) Section 107, which codified fair use, permits unauthorized use of a copyrighted work for limited purposes and provides four factors for courts to weigh in making their determination: (1) the purpose and character of the use, including whether it is for commercial or educational purposes; (2) the nature of the copyrighted work itself; (3) the amount of the copyrighted work that is used and how significant a portion of the work that amount represents; and (4) the effects of the allegedly infringing work on the value of or market for the copyright work, including potential market.\(^{48}\)

Even though the Galoob court determined that the Game Genie was not a derivative work, it discussed Galoob's fair use argument, finding that the Game Genie was also protected by fair use.\(^{49}\) Because Nintendo had alleged only contributory infringement, the Ninth Circuit relied on the Supreme Court's analysis in Sony Corp. of America v. Universal City Studios, Inc.\(^{50}\) The Ninth Circuit ignored Galoob's commercial purpose because the alleged underlying infringers were consumers, using the Game Genie in the privacy of their homes and, thus, made private and noncommercial uses of the allegedly infringing device.\(^{51}\) The court also determined that the Game Genie's alteration of Nintendo's games did not rise to the level of copying in Sony and that Nintendo could not demonstrate significant economic harm. Game Genie could only be used with Nintendo's game console, and Nintendo had not intended to market versions of its games with the features of the Game Genie.\(^{52}\)

In contrast, FormGen alleged direct infringement by Micro Star because the files creating the game enhancements encompassed the underlying game and were themselves derivative works; thus, the Galoob analysis

\(^{46}\) Response Brief, supra note 16, at 24.

\(^{47}\) Galoob, 964 F.2d at 970; Micro Star, 154 F.3d at 1113.


\(^{49}\) Galoob, 964 F.2d at 970.


\(^{52}\) Galoob, 964 F.2d at 970.
was not determinative. The court found all of the factors weighed against fair use: Micro Star's use of FormGen's protected expression was made purely for financial gain, FormGen's game was fictional rather than factual, both the quantity and importance of the material Micro Star used were substantial, and, finally, Micro Star had impinged on FormGen's ability to market new versions of the game.

Although the filtering companies raised the affirmative defense of fair use in their original complaint and in their answers to the motion picture studios' counterclaims, neither party argued fair use in the briefs regarding the filtering companies' motion for summary judgment. Academic articles about Huntsman and the technology, however, often discussed the application of fair use. Those analyses turned primarily on the fourth factor—the effect of the filtering technology on the market for the copyright movies. Because use of the filtering software required an original copy of the motion picture to be playing simultaneously, the digital filter was not serving as a market replacement for the original movie. Moreover, customers who used the filtering software might not otherwise watch the movie if they could not filter it. However, as discussed in both Galoob and Micro Star, the modified versions could serve as market replacements for edited versions that the motion picture studios might intend to release themselves.

53. Micro Star, 154 F.3d at 1113.
54. Id.
55. Id.
56. Id.
57. Id.
58. Second Amended Complaint and Jury Demand, Huntsman v. Soderbergh, No. 02-M-1662 (D. Colo. 2002); ClearPlay Reply to Counterclaims at 10, Huntsman v. Soderbergh, No. 02-M-1662 (D. Colo. 2002); and Huntsman Reply to Counterclaims at 8, Huntsman v. Soderbergh, No. 02-M-1662 (D. Colo. 2002); Summary Judgment Motion, supra note 16; Response Brief, supra note 16.
59. Fair use in the Huntsman litigation has been the subject of at least ten articles, student notes, or comments. See, e.g., Ashley Kerns, Comment, Modified to Fit Your Screen: DVD Playback Technology, Copyright Infringement or Fair Use?, 24 LOY. L.A. ENT. L. REV. 483, 509-14 (2004); Michael Kurzer, Comment, Who Has the Right to Edit a Movie?: an Analysis of Hollywood's Efforts to Stop Companies from Cleaning up Their Works of Art, 11 UCLA ENT. L. REV. 41, 72-77 (2004); Christine McCarroll, Morals, Movies, and the Law: Can Today's Copyright Protect A Director's Masterpiece from Bowdlerization?, 5 J. HIGH TECH. L. 331 (2005).
60. See, e.g., Kerns, supra note 59.
61. See, e.g., Kerns, supra note 59.
62. See, e.g., Kerns, supra note 59.
The Colorado district court did not rule on the motion while the parties tried to negotiate a settlement agreement. In its final judgment, in August 2005, after the FMA had been enacted, the court declared the claims moot because "Congress ha[d] made a policy decision that those who provide the technology to enable viewers to edit films for their private viewing should not be liable to the copyright owners from infringing their copyright protections or to the directors for the Lanham Act claims."63

II. THE FAMILY MOVIE ACT

The purpose of the Family Movie Act was to protect the rights of parents "to shield their children from violence, sex, and profanity."64 The Act only addressed digital filtering technology and intended to preserve the availability of digital filtering technology.65 In addition to family values advocates,66 proponents of consumer rights favored the act as supporting consumers' right to control private home viewing of media they purchase.67

Opponents of the bill in the House Judiciary Committee criticized the legislation primarily on three grounds.68 First, they argued that the legislation inappropriately interfered with the settlement talks connected with the Huntsman litigation.69 Second, they maintained that the bill benefited one set of for-profit companies—the filtering companies—at the expense of another—the copyright holders and creators of the motion pictures.70 Third, opponents pointed out that the FMA did not allow families to do

65. Id.
66. Rep. Smith was the chairman of the Subcommittee on Courts, the Internet and Intellectual Property at the time. Co-sponsors of the bill included Rep. Rick Boucher (D-VA), Rep. Roy Blunt (R-MO), and Rep. Joseph R. Pitts (R-PA). With the exception of Rep. Boucher, these co-sponsors have not sponsored other copyright-related legislation. The remainder of the legislative agenda indicates that their support for the bill comes from the interest in allowing individuals to censor movies for themselves or their families.
68. Id. at 41. The Committee Report included a statement of the dissenting views which was signed by Representatives John Conyers, Jr. (D-MI), Howard L. Berman (D-CA), Robert C. Scott (D-VA), Sheila Jackson Lee (D-TX), Maxine Waters (D-CA), William D. Delahunt (D-MA), Robert Wexler (D-FL), and Tammy Baldwin (D-WI).
69. Id. at 28.
70. Id. at 20.
anything they were not already allowed to do, albeit without the aid of this technology, and that the copyright holders already produced edited versions of movies for television or airplane viewing.  

The sponsors in the House added the FMA to the Piracy Deterrence and Education Act, which was passed by the full House. The Senate, however, chose to include the Family Movie Act, as well as a few other provisions from the Piracy Deterrence and Education Act, in the Family Entertainment and Copyright Act of 2004. The Senate passed the Family Entertainment and Copyright Act late in the legislative session; however, the House failed to act upon it before the end of the 108th Congress. In January 2005, Senator Orrin Hatch reintroduced the Family Entertainment and Copyright Act in both the House and Senate with just four of the provisions from the previous version including the Family Movie Act. With no substantive amendments, it quickly passed both the House and the Senate. It was signed by President Bush and became law in April 2005.

The following Sections will describe the FMA and how it addressed the copyright issues raised by the digital filtering technology. The first Section describes what activities the FMA protects from copyright liability, and the limits of those protections. The second Section explains how the FMA, as a surgical safe harbor, resolved the copyright issues and avoided some of the criticisms levied at modern copyright legislation.

A. The Text of the FMA

The FMA amended § 110, which exempts "certain performances and displays" from the exclusive rights of the copyright holder. The FMA expands the listed exemptions to include skipping audio and video content in motion pictures in private home viewing. The exemption is defined primarily in the new paragraph below:

(11) the making imperceptible, by or at the direction of a member of a private household, of limited portions of audio or video

71. Id. at 18 (citing the testimony of Marybeth Peters, Register of Copyrights).
73. 150 CONG. REC. H7654-60 (daily ed. Sept. 28, 2004).
76. Id.
77. See supra notes 2-7 and accompanying text.
79. Id.
content of a motion picture, during a performance in or transmitted to that household for private home viewing, from an authorized copy of the motion picture, or the creation or provision of a computer program or other technology that enables such making imperceptible and that is designed and marketed to be used, at the direction of a member of a private household, for such making imperceptible, if no fixed copy of the altered version of the motion picture is created by such computer program or other technology.  

The plain language of this new paragraph allows individuals to alter motion pictures they are viewing in their home by excluding limited portions of audio or video content—in essence, skipping or muting scenes or words. The FMA also protects those companies or individuals who create and provide the software or technology that allows consumers to make these alterations at home. In terms of the Huntsman litigation, the statute protects the filtering companies, but not the editing companies.

These alterations, however, are limited in three ways: (1) the filtering must occur during the viewing; (2) a tangible edited version (a “fixed copy”) cannot be created; and (3) the only place the filtered films can be seen is in a “private home” (i.e., no public performances of the version are permitted). The FMA also specifies that the term “making imperceptible” does not include “the addition of audio or video content that is performed or displayed over or in place of existing content in a motion picture.” The statute does not authorize broader activities like adding new material or rearranging the order of scenes or dialogue of the original work.

Despite the relatively precise and narrow language of the exemption, the FMA could be interpreted to allow more significant or creative changes to the work than merely muting or skipping curse words, sexual conduct, and violent actions. For example, in the legislative debate, opponents of the legislation cited examples of edited versions that did not show the racial conflict between the police and African-Americans in The Hurricane or the graphic violence of Saving Private Ryan. Although prop-

81. Id. (“making imperceptible, by or at the direction of a member of a private household, . . . during a performance in or transmitted to that household for private home viewing”).
82. Id.
83. Id. (“For purposes of paragraph (11), the term ‘making imperceptible’ does not include the addition of audio or video content that is performed or displayed over or in place of existing content in a motion picture.”).
ments of the bill described it primarily in terms of protecting parents' ability to modify the content of motion pictures for their children's consumption, the House Committee rejected an amendment that would have limited the FMA to apply only to modifications made for the benefit of minor children.

It is important to note here that the Copyright Act defines the term "motion picture" more broadly than in the common vernacular, where the term refers to movies only. Section 101 defines a motion picture as "audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any." In fact, the prospect that the FMA could legalize automatic skipping commercial advertisements (as motion pictures themselves) was of great concern to Congress during the legislative process. The Register of Copyrights stated that the FMA would not permit commercial-skipping because each commercial was considered a separate "motion picture" for purposes of the FMA and skipping the entirety of an ad would go beyond the bill's authorization to make limited portions imperceptible. One of the FMA sponsors, Senator Orrin Hatch (R-UT), reiterated this analysis, noting in his statement introducing the bill that "[a]n advertisement, under the Copyright Act, is itself a 'motion picture,' and thus a product or service that enables the skipping of an entire advertisement, in any media, would be beyond the scope of the exemption." He concluded: "the phrase 'limited portions' is intended to refer to portions that are both quantitatively and qualitatively insubstantial in relation to the work as a whole."

B. The FMA as a Surgical Safe Harbor

As a piece of legislation, and specifically as a surgical safe harbor, the FMA brings some advantages over other possible resolutions to the issues raised by digital filtering; in particular, it provided clarity and certainty to the parties and interested firms. First, the FMA promotes efficient resolution of disputes between content producers and digital filtering companies. Second, the FMA achieves this effect while minimizing impediments on future innovation through a narrow modification of copyright law.

85. Id. at 18-19.
86. Id. at 29. A three-year sunset provision was also rejected in committee.
89. See Letter from Marybeth Peters, Register of Copyrights, to the Honorable F. James Sensenbrenner, Jr., and the Honorable Lamar Smith (Nov. 15, 2004).
91. Id.
1. Efficient Resolution

The Family Movie Act provided a timely and definitive answer regarding the legality of the filtering technology, which was binding on all copyright holders and developers or users of the technology. The speed with which Congress enacted the FMA compared favorably against the uncertainty and slow pace of litigation. The Huntsman case was filed in 2002 and continued into 2005 when the FMA was eventually passed. Even if the litigation had reached a verdict at the trial court level, the losing party likely would have appealed the verdict. It could have taken years before any company utilizing or interested in the technology would have certainty that the procedure was legal. In the meantime, the technology might have become obsolete or the companies might have gone out of business, unable to continue with legal fees or unwilling to take on the risks of losing both their investment and any statutory damages that could be imposed.

The FMA struck a balance between the competing interests of the parties by permitting the technology to be distributed while allowing the copyright holders to retain significant rights. Although the FMA did not give the motion picture studios the exclusive right to distribute the filtering product, they were free to enter the market for filtering products themselves, and any consumer wishing to use a third party's filtering software was still required to rent or purchase an authorized copy of the motion picture. The legislation also required the firms providing the service to give notice to consumers using digital filtering that any changes made to the motion picture were not authorized by the director or copyright holder. This notice provision addressed—although it did not entirely alleviate—the moral rights and trademark concerns of the directors. In contrast, the court in Huntsman would have been limited in its holding: finding either no infringement (or fair use) with no allowance for the moral rights or other legitimate concerns of the directors and copyright owners, or finding infringement (and no fair use), thereby putting an end to the industry and further narrowing the rights of consumers.

The FMA bypassed expensive drawn-out litigation or private settlement, benefiting both existing and prospective digital filtering companies (in contrast to the powerful major copyright holders) for whom delays and expenses of litigation could have made it difficult or impossible to take

92. The plaintiffs in Huntsman filed the initial complaint in August 2002. Complaint and Jury Demand, Huntsman v. Soderbergh, No. 02-M-1662 (D. Colo. 2002). The case ended when the court declared the claims mooted by the changes to the law introduced by the FMA. Huntsman v. Soderbergh, No. 02-M-1662, 2005 WL 1993421, at *2 (D. Colo. 2005).

advantage of the new technology. More generally, for the purpose of providing assurances to business, a legislative solution was also preferable to private settlement because it bound all developers of the technology and all copyright holders, not simply the parties to the settlement. Because a private settlement would not have resolved the legal issues surrounding the technology, anyone developing similar technologies would have risked the uncertainty of future lawsuits. In this regard, the FMA could be described as too narrow, because it did not provide certainty to firms other than the digital filtering industry.

In addition, the FMA’s resolution of the issues in Huntsman anticipated the most likely legal outcome of the litigation. It is beyond the scope of this Note to analyze anew the legal positions of the parties prior to the FMA; however, some commentators believed that the filtering software was not a derivative work, nor did use of it by consumers in their private homes create a derivative work because the filtering did not meet the fixation requirement established in Galoob. The Register of Copyrights, testified in the FMA hearings that she believed the conduct protected by the FMA was already lawful. To that extent, the FMA merely clarified the law with regard to the digital filtering firms without addressing the fixation requirement.

2. Narrow Exemption

The FMA sidestepped both the derivative work and fair use questions by enacting a separate exemption from infringement for “making imperceptible . . . limited portions of . . . a motion picture . . . for performance in

94. The Huntsman case has been the subject of a several academic articles and numerous student notes and comments, the majority of which predicted that the filtering software would not constitute a derivative work because it did not meet the fixation requirement of Galoob and Micro Star. See, e.g., Nokes, supra note 14. Some commentators have disagreed with the Ninth Circuit’s interpretation of the fixation requirement and have determined instead that derivative works were created. See, e.g., Gail H. Cline, On a Clearplay, You Can See Whatever: Copyright and Trademark Issues Arising From Unauthorized Film Editing, 27 HASTINGS COMM. & ENT. L.J. 567, 596-605 (2005).

95. Family Movie Act of 2004: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Prop. Of the House Comm. on the Judiciary, 108th Cong. 8-14 (2004) (statement of Marybeth Peters, Register of Copyrights) (“[T]here is every reason to believe that the proposed Family Movie Act is a solution to a problem that does not exist. . . . [I]t seems reasonably clear that such conduct is not prohibited under existing law. The exclusive rights of the copyright owner that might arguably be implicated are the reproduction, distribution, public performance and derivative work rights, but . . . it seems clear that there is no infringement . . . of those rights.”)
a private home." 96 The legislation did not refer to derivative works or fair use but simply added another exemption to § 110, joining the myriad other exemptions of certain performances and displays from copyright holders' exclusive rights. 97 The FMA also explicitly limited the effect of the safe harbor on any other sections of the Copyright Act: "Nothing in paragraph (11) shall be construed to imply further rights under section 106 of this title, or to have any effect on defenses or limitations on rights granted under any other section of this title or under any other paragraph of this section." 98

By avoiding derivative works or fair use, Congress missed an opportunity to clarify the fixation requirement, which would have provided certainty to firms beyond just those interested in digital filtering. As mentioned by the Register of Copyrights in her testimony on the FMA, Congress could have taken this opportunity to revisit the derivative work right or at least the fixation requirement rather than merely clarifying existing law for the benefit of one industry. 99 Drafting legislation regarding derivative works generally or even the fixation requirement, however, likely would have been significantly more difficult and time-consuming, and thus, detracted from its efficiency.

In addition to providing greater efficiency, creating a narrow exemption reduced the risk of interfering with technological development through over-regulation, a habit that plagued previous Congressional copyright legislation, such as the AHRA. 100 Similar to the FMA, the AHRA created a safe harbor for home audio recording using digital audio tape ("DAT") recorders in response to litigation over the introduction of those digital recording devices. The DAT recorders were predicted to become widely used by consumers in their own homes and, thus, to cause considerable losses for the music industry. 101 Under the regime set out by the AHRA, consumers were allowed to make unlimited analog and digital copies of music; however, all DAT recorders had to include a specific anti-copying technology that restricted consumers' ability to make copies

97. 17 U.S.C. § 110. ("Limitations on exclusive rights: Exemption of certain performances and displays")
100. Nimmer, supra note 2, at 1333.
101. Menell, supra note 1, at 130-31; Nimmer, supra note 2, at 1333.
beyond first generation copies.\textsuperscript{102} Congressional interference in this market turned out to be unnecessary and damaging to the technology market as DAT recorders failed to become a common consumer item. Instead, development occurred in the area specifically excluded from the AHRA—sound recordings accessed by computer.\textsuperscript{103}

In contrast to the AHRA, the FMA did not attempt to regulate the digital filtering technology while creating an exemption for consumer use. Instead, the FMA set out the exemption through the description of the permitted activities and the use of technology-neutral limitations. Moreover, it described the permitted digital filtering technology in general terms such as "a computer program or other technology."\textsuperscript{104} By being primarily permissive rather than regulatory, the FMA did not interfere with technological advances. The precision of the language of the narrow exemption preserved the flexibility of courts and of Congress to consider anew copyright implications of digital technologies as they might arise.

\section{SURGICAL SAFE HARBORS \& FAIR USE}

A surgical safe harbor like the FMA can avoid many of the problems of modern copyright legislation raised by Professors Nimmer and Liu by being permissive rather than regulatory, by narrowly addressing a single issue, and by using precise language so as not to create substantially more confusion or incoherence in copyright law. Furthermore, as discussed above, a surgical safe harbor has the added benefit of providing certainty and an efficient resolution, while retaining more flexibility for future development than traditional copyright legislation. The 1976 Act provides a second (and earlier) example of a surgical safe harbor to protect fair use: §108 which provides libraries and archives limited reproduction rights.\textsuperscript{105} Like the FMA, libraries’ reproduction rights are limited, but exemption extends only to libraries with no effect on fair use copying generally.\textsuperscript{106}

\begin{footnotes}
\item[102] 17 U.S.C. § 1008 (2000). The AHRA also imposed a royalty on the sale of devices and blank recording media as a means of compensating copyright owners from perceived inevitable lost revenue due to the copying devices, which were tied to the sale of devices and products that could be used to engage in copying the underlying copyrighted works rather than to actual songs being copied. \textit{Id.}

\item[103] Indeed the only case brought under the AHRA was the Recording Industry Association of America (RIAA) v. Diamond Multimedia Systems, Inc., 180 F.3d 1072 (9th Cir. 1999), in which the RIAA unsuccessfully challenged the legality of a portable MP3 player.


\item[106] \textit{Id.}
\end{footnotes}
Like the FMA, § 108 merely exempted specific activities from liability and in doing so provided clarity and certainty to libraries and archives without precluding flexibility insofar as courts remain free to create additional fair use exceptions.  

A. Balancing Certainty and Flexibility

A surgical safe harbor presents a promising option to cope with the unpredictable nature of fair use cases. Judges possess individual theories about fair use, and the outcome of particular cases can vary greatly depending on the opinion of the judge about the alleged infringer or the value of the infringing activity. The outcome of cases involving similar technologies can vary based on the jurisdiction, and fair use decisions are often overturned on appeal. The potential for great economic loss from losing litigation inhibits investment in the development of new technologies. A business would rationally prefer legislation that permits the use of their product; however, even knowing what is not allowed (e.g., a fixed copy) informs a business in making investment decisions. As in Huntsman, the uncertainty of adjudication encourages interested parties to advocate for a legislative decision, particularly if a party believes it can obtain a favorable one.

To quote Judge Kozinski, “Fair use is conceptually a hard-edged box; either you’re in it or you’re out of it.” Unlike Congress, courts lack the ability to craft a solution that balances the interests of both parties, because they are restricted to binary holdings: either a use is fair or it is infringing. In this respect, Congress is better positioned than courts to achieve fairness by balancing the equitable considerations involved in a particular clash of interests. To the extent a fair use case arises out of a

107. Liu, supra note 2, at 106-07.
110. See Leval, supra note 108, at 1105.
112. See id.
113. For example, the Second Circuit in Salinger v. Random House, Inc., 811 F.2d 90, 92 (2d Cir. 1987) and New Era Publications International, ApS v. Henry Holt & Co., Inc., 873 F.2d 576, 583 (2d Cir. 1989) both found that the unpublished nature of the work weighs against fair use because it is unpublished. Consequently, lobbied by the publishing industry, Congress added a sentence to § 107 which overruled the presumption excluding unpublished works from fair use: “Fair Use in Unpublished Works Provision” (“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.”). See 17
market failure, as with the digital filtering technology and the market for e-rated movies, a surgical safe harbor potentially provides an efficient resolution to that narrow and specific issue.\footnote{114}

Of course, even as a surgical safe harbor might present a possible or preferable alternative to litigation, it fails to resolve every fair use question. Digital copyright issues present specific challenges to the use of surgical safe harbors because the issues, technologies, and markets are often indeterminate and in flux, making less clear the case for market failure that would justify limiting a copyright holder's exclusive rights.\footnote{115} The case for fair use and a surgical safe harbor weakens without a clear understanding of a new technology and its effect on existing copyright laws and markets.

As discussed in the context of the FMA, reliance on legislation can risk locking in a benefit or restriction that ceases to be appropriate as new technology develops; a particularly salient concern in the case of fair use legislation. Like most judge-made doctrines, the concept of fair use is flexible,\footnote{116} and this flexibility represents one of its benefits. Were Congress to become the de facto arbiter of fair use questions, courts might begin to rely on Congress to make those decisions, thus losing some of that flexibility.

Furthermore, judicial deference to Congress on the question of fair use might lead to a presumptive negative inference that the activity or technology subject to the safe harbor was not fair use—otherwise it would not have needed a special safe harbor. Although this presumption wouldn't affect the activities protected by the safe harbor, it could influence the analysis of related or similar activities or technology. If Congress were to make more frequent fair use determinations, courts could to draw a second negative inference that, absent a Congressional designation of fair use, a new activity or technology was not protected by fair use.

Courts might begin to extrapolate more general rules regarding the boundaries of fair use based on these surgical safe harbors despite Con-

\footnote{115} See Liu, \textit{supra} note 2, at 142.
\footnote{116} See Patry & Posner, \textit{supra} note at 1645.
gress's stated intent to the contrary. Presumably Congress could address this problem by continuing to include a clause in the safe harbors provision, like that in the FMA and other recently-proposed legislation, stating explicitly that the safe harbor does not affect the other rights and defenses provided in of the Copyright Act. Previous exemptions for fair use, including those for libraries and archives, for unpublished works, for criticism or educational purposes, have not precluded flexibility in fair use analysis; courts and Congress have remained free to craft additional exceptions through fair use.

Despite their benefits, surgical safe harbors should not take the place of studied, comprehensive changes to copyright law. Rather, they provide an opportunity for Congress to clarify discrete questions.

B. Political Asymmetry

Interest groups can exert more pressure on the legislative process than on judicial interpretation, especially at the federal level where judges have secure tenure. Were Congress to become the primary arbiter of copyright disputes, interest groups would have greater opportunity to seek favorable treatment. And, with few exceptions, the pressures exerted by copyright owners overwhelms that exerted by consumers, technology companies, or public-domain publishers. Since the 1976 revisions, copyright legislation has consistently followed an expansive conception of copyright and a concomitant diminished scope of fair use. This fact isn’t surprising: both common sense and public choice theory predict that where a number of firms have aligned interests and deep pockets, they will be more effective in lobbying Congress to enact the stronger protections for their interests than the general public.

117. Intellectual Property Protection and Courts Amendments Act of 2004, H.R. 3632 108th Cong. 2d Sess. (2004) ("[§103](b) Fair Use.—The amendments made by this title shall not affect the fair use, under section 107 of title 17, United States Code, of a genuine certificate, licensing document, registration card, similar labeling component, or documentation or packaging described in paragraph (4) or (5) of section 2318(b) of title 18, United States Code, as amended by this title.")
119. Id.
Copyright owners, however, have not gotten all of the legislation that they wanted; the INDUCE Act,122 the PIRATE Act,123 and Consumer Broadband and Digital Television Promotion Act124 all failed to become law. Certainly, many factors influence the enactment of copyright legislation,125 but the mobilization against the content industries’ aggressive attempts to expand copyright protection has had a significant impact. A growing number of organizations opposed to these bills advocate for a range of public interest issues affecting copyright legislation.126 Although these organizations do not wield the equivalent political influence of the content industries, they have had increasing success in raising public awareness through high-publicity litigation, policy papers, and op-ed pieces.127 Technology companies and business associations advocate more actively for their interests in Congress, although they, too, have yet to rival the content industries’ ability to lobby effectively.128

Pro-consumer legislation has enjoyed no more success. The strongest consumer-rights legislation introduced in the past few years, the Digital

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124. Consumer Broadband and Digital Television Promotion Act of 2002. Sponsored by Rep. Fritz Hollings (D-SC), the Act was an attempt to increase the amount of digital content available to households via television and internet, thereby creating an increase in the number of subscribers to cable and digital media services by forcing device makers (i.e. tv set makers) to add content security capabilities to their devices. These devices would make digital content creators more comfortable in creating and disseminating digital media.
125. William F. Patry, Copyright and the Legislative Process: A Personal Perspective, 14 CARDOZO ARTS & ENT. L.J. 139, 144-45 (1996) (discussing the difficulties in passing copyright legislation, including reduced staff size, lack of expertise within Congress and its staff, and copyright law’s discretionary nature).
126. These organizations include the Electronic Frontier Foundation (EFF), Public Knowledge, Public Citizen, Center for Democracy and Technology, Electronic Privacy Information Center, DigitalConsumer.org, Consumer Federation of America and the Home Recording Rights Coalition.
127. Menell, supra note 1, at 186-87.
Media Consumers' Rights Act ("DMCRA"),\(^{129}\) has been reintroduced into Congress three times without success.\(^{130}\) The DMCRA would partially repeal the controversial anti-circumvention rules enacted in the DMCA by creating a fair use exception for "scientific research into technology protection measures" and in circumstances in which "such circumvention does not result in an infringement of the copyright of the work."\(^{131}\) The fair use section of the bill also would codify the Sony "significant noninfringing use" standard.\(^{132}\) The other main section of the legislation would require digital audio compact discs with copy controls on them to carry labels alerting consumers to the copy controls.\(^{133}\) The most recent hearing on the legislation, however, indicated that other members of Congress would prefer not to use legislation to address the issue of fair use.\(^{134}\)

The FMA does not provide a good example of the balance of those forces in Congress currently. The FMA may seem like an example of the content industry's waning power, but as discussed earlier, the FMA was bolstered by its narrow scope, precise language and a coalition of supporters that went beyond the usual battle lines. Specifically, the narrow scope and precise language of the FMA—that it only regulates technology used for modifying the playback of motion pictures—limited the list of those who might oppose it to copyright owners. In addition, proponents of the legislation came from three camps: those asserting parental control, those

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\(^{130}\) Declan McCullagh, *Tech Heavies Support Challenge to Copyright Law*, CNET NEWS.COM (June 21, 2004), http://news.com.com/Tech+heavies+support+challenge+to+copyright+law/2100-1028_3-5242774.html. This legislation was sponsored by Rep. Rick Boucher (D-VA) and was initially supported by a coalition of consumer groups and technology companies, including a new alliance (called the Personal Technology Freedom Coalition or PTFC) formed to coordinate lobbying efforts in opposition to the anti-circumvention section of the DMCA. Members included Sun Microsystems, Verizon Communications, SBC, Qwest, Gateway, BellSouth, Philips Consumer Electronics North America, the Consumer Electronics Association, the American Library Association, the Electronic Frontier Foundation, Consumers Union, the Consumer Federation of America, Public Knowledge, the American Foundation for the Blind, the United States Telecom Association, and the Computer and Communications Industry Association. More recently, the PTFC has opposed the same legislation on the grounds that it fails to provide enough clarity on fair use.


\(^{132}\) *Id.*

\(^{133}\) *Id.*

favoring consumer rights, and those protecting the interests of technology companies. The involvement of the legislators in favor of parental controls, legislators not often involved in disputes over copyright legislation, was a strong force in getting the FMA passed. Moreover, the FMA’s proponents strategically attached it to legislation also supported by the FMA’s proponents.

IV. CONCLUSION

Congress passed the FMA as a reaction to the Huntsman litigation that exemplified the current conflict among consumer groups, the technology industry, and the content industries over access and control of copyrighted works. By amending copyright law to allow individuals to alter the performance of motion pictures in their private homes, the FMA provided certainty and clarity to the parties. By limiting the exemption to only that activity the FMA preserved the flexibility of copyright law to adapt to future technological development. The features embodied in the FMA—clarity, precision, and equity—exemplify a model of a surgical safe harbor that shows promise for addressing narrow questions of fair use.

135. Co-sponsors of the bill included Rep. Rick Boucher (D-VA), Rep. Roy Blunt (R-MO), and Rep. Joseph R. Pitts (R-PA). With the exception of Rep. Boucher, these co-sponsors have not sponsored other copyright-related legislation. The remainder of the legislative agenda indicates that their support for the bill comes from the interest in allowing individuals to censor movies for themselves or their families.

136. In the House, the FMA was initially combined with the Piracy Deterrence and Education Act, which included provisions heavily favored by the motion picture industry. H.R. 4077, 108th Cong. (2004); H.R. REP. No. 108-805, at 121 (2005). The Piracy Deterrence and Education Act would have strengthened penalties for infringement, counterfeiting, and trafficking in counterfeit goods and increased government spending on enforcement and education regarding counterfeiting and infringement. The bill was sponsored by Rep. Howard Berman, one of the strongest opponents of the FMA. Id. A similar strategy was employed in the Senate, however, the Family Movie Act and other provisions from the Piracy Deterrence and Education Act were included instead in a bill titled the Family Entertainment and Copyright Act of 2004. S. 3021, 108th Cong. (2004) The Senate version of the Family Entertainment and Copyright Act of 2004 also included provisions to reauthorize the National Film Preservation Board, for the preservation of orphan works, the CREATE Act, and a Boxing Safety Act. Id. The Family Entertainment and Copyright Act was re-introduced in both the House and Senate in January of 2005 and was passed by both the House and Senate by April of 2005. S. 167, 109th Cong. (2005). Because the Senate did not pass the Family Entertainment and Copyright Act until late in the legislative session, there was no opportunity to reconcile it with the House Piracy Deterrence and Education Act. The 2005 Family Entertainment and Copyright Act contained just four of the provisions from the previous version: the ART Act, the Family Movie Act, the Re-authorization of the National Film Preservation Archive and the Preservation of Orphan Works.
If the course of common law rulemaking is thought too slow or too fraught with uncertainty, or if placing the burden of proof on the fair use claimant is thought too great a deterrent in light of the asymmetry of stakes to which we have pointed, then serious consideration should be given to a statutory solution. 137

Large-scale reform of the Copyright Act is unlikely to occur soon, yet new legal questions regularly arise with the expansion and development of digital technology. 138 As this Note demonstrates, many of these issues would be well-served by Congressional action that is carefully designed to provide a precise resolution without significantly changing the existing rights and defenses under copyright law.

137. Patry & Posner, supra note 5, at 1659.
138. Liu, supra note 2, at 134 (“[A]s the prospect of another wholesale revision of the copyright act grows dimmer, this type of complex political compromise may be the only way to effect change in the future.”).