

THE NATIONAL LAW JOURNAL

WWW.NLJ.COM

THE WEEKLY NEWSPAPER FOR THE LEGAL PROFESSION

MONDAY, DECEMBER 5, 2006

ALM

INTELLECTUAL PROPERTY

Technology and copyright tend to find equilibrium

In 'Google' case, court will likely find balance not seriously disrupted.

By Ed Dailey
and Keith Toms

SPECIAL TO THE NATIONAL LAW JOURNAL

COPYRIGHT HAS seized headlines following the U.S. Supreme Court's decision in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster*, 125 S. Ct. 2764 (2005), both in the publishing industry's copyright lawsuit against Internet darling Google Inc.

and in Sony BMG Music Entertainment's mid-November recall of about 5 million CDs after a disastrous attempt to prevent infringement through flawed copy-protection software. See Tom Zeller Jr., "CD's Recalled For Posing Risk to PC's," N.Y. Times, Nov. 16, 2005, at C1. To some, it seems as if there will never be peace in copyright again—that we are locked in an intractable struggle between the rights of the authors and the interests of the public. However, when faced with the challenges of changing technology, copyright has in the past found, and will continue to refind, its balance: The only question is how.

In *Grokster*, the most recent of a series of high-visibility copyright lawsuits involving peer-to-peer (P2P) file sharing of music and videos over the Internet, the Supreme Court had the opportunity to weigh in on the growing unrest. The decision disappointed those who have wished for, or expected, a bright-line decision declaring what is protected and what is not in the digital universe. However, such expectations misunderstand the nature of copyright. At least since the Statute of Anne, which was adopted in 1710 and marks the historic ground of copyright, it has been at its heart an attempt to

Ed Dailey is a litigation and business partner with Boston-based Bromberg & Sunstein, an intellectual property law firm. His practice includes litigation and counsel in technology, intellectual property, telecommunications and business. Keith Toms is an associate in the firm's litigation practice group.

achieve peace between artists' and the public's expectations of the use and control of copyrighted material. See, generally, Paul Edward Geller, "Copyright History and The Future: What's Culture Got to Do With It?," 47 J. Copyright Society 209 (2000). As such, copyright is a settlement and balancing act, not a static package of

rights. A successful resolution is one in which everyone has gotten enough of what they want to at least make the outcome workable.

Copyright is a dynamic balance between promotion of technology and protection of intellectual property, which is not reached simply by considering one in the context of the other, but by considering both in the context of impacts on the marketplace, the artist's expectations of rights and the public's expectations of use. And while the Supreme Court has been less than eloquent in articulating this balance, key decisions, including *Grokster*, demonstrate a consistent approach of facilitating peace between artists and the public by breaking down the barriers that keep the interests from finding a point of balance. This is an approach that also suggests a course to resolve the upcoming challenge to Google.

Balances, not bright lines

The uncertainty of copyright unrest has led to frequent calls for legislated certainty. Yet this assumes that Congress has the resources and capacity to fashion a bright-line intersection between technology and copyright; but the problem is that the legislative process responds to yesterday's technology challenges. It simply is not forward-looking. For example, Congress passed the Digital Audio Recording Devices and Media Act governing digital audio recording devices and media, 17 U.S.C. 1001 et seq., which aims to protect music from piracy. The act was directed at machines that copy music to tape or CD media. By the time the law was in place, technology was already moving to the digital universe of the Internet. There, P2P downloading and file

sharing, which are far greater infringement threats, dispense with the hard copy media covered by the digital audio recording act. In sum, Congress has been successful only in crafting a bright-line solution for an old technology.

By contrast, case-by-case resolution has been remarkably successful in sorting out the competing claims between technology and copyright through a balancing of public access and marketplace factors. And while litigation does not fashion hoped-for bright lines and is not fast or inexpensive, its deliberative consideration of complex issues leads to outcomes that have fostered technology, copyright and public access.

One of the first modern conflicts in copyright was that spurred by the technologies of radio and music recording. These technologies allowed a wide distribution of copyrighted music. However, there was a substantial dispute over how to compensate artists for the radio play of their songs. In 1939, Broadcast Music Inc. (BMI) was organized by the radio broadcasting industry and recording artists, composers and authors to settle long-standing employment disputes and infringement claims involving radio broadcast of live and recorded music. BMI established and administered a pay-for-play licensing system that struck a marketplace balance between the competing interests of broadcasters and the copyright of artists while, at the same time, assuring expansive public access for the radio broadcast industry. Through the settlement represented by BMI, radio found peace and an expansive radio broadcast market.

Together with the American Society of Composers, Authors and Publishers (ASCAP), a similar enterprise, BMI expanded its reach with the advent of the commercial television industry, effectively representing all artists, authors and composers. For years, the balance of competing interests was maintained—even in the face of a television industry that became singularly powerful. By the mid 1970s, however, CBS objected to the uniform licensing fee schedules

charged by BMI and ASCAP and filed suit to break up both organizations under the Sherman Act. *Broadcast Music Inc. v. Columbia Broadcasting System Inc.*, 441 U.S. 1 (1979). CBS prevailed in the 2d U.S. Circuit Court of Appeals, which declared that BMI and ASCAP

Supreme Court did not upset balance set by BMI and ASCAP.

were engaged in per se price-fixing. *Columbia Broadcasting System Inc. v. American Soc. of Composers, Authors and Publishers*, 562 F.2d 130 (2d Cir. 1977).

While recognizing that the licensing-fee system was a price-fixing arrangement, the Supreme Court declined to upset the balance established by BMI and ASCAP. It found that the arrangement was established and administered as a functional solution to the problem of radio and that it had been extended seamlessly to television. In an industry with a technology that provided for widespread public broadcast, there was no practical substitute for a collective licensing program. The alternative would be to restrict public access to television and radio or to penalize artists, authors and composers through loss of, or dramatic reduction in, their licensing fees.

The court also determined that the licensing system had no demonstrable adverse marketplace impact to the television industry but rather had created a stable marketplace for efficient licensing of copyright. So, even though the BMI system raised a substantial antitrust issue—at a time when antitrust really mattered—the court refrained from upsetting or disrupting a workable arrangement that balanced public access to television while preserving the copyright livelihood of artists, authors and composers. *Broadcast Music* stands then as the decision that marks the court's refusal to disrupt a workable balance reached between the players.

The 'Sony' precedent

Five years after *Broadcast Music*, the Supreme Court made it clear again that it would not impose a balance between technology and copyright even when the parties cannot reach agreement. In *Sony Corp. of America v. Universal City Studios Inc.*, 464 U.S. 417 (1984), the court wrestled with video recording technology. At the time, Sony and other consumer electronics companies manufactured and sold videocassette recording machines (VCRs), which were the hot consumer technology of the day. A VCR permitted anyone to make multiple copies of television programs and movies easily and quickly. In fact, Sony marketed its machines for this purpose. With the subsequent emergence of a market for bootleg copies, however, the movie industry brought contributory infringement law-

suits against Sony.

The court recognized that the VCR was a technology that had become "a staple article of commerce" by the time it was challenged. As such, it was of great value to the public and was used for substantial noninfringing uses that have marketplace value. This insulated Sony from contributory infringement liability—at least in the absence of some countervailing adverse marketplace impact to the copyright holders. So, like *Broadcast Music*, Sony refused to upset a balance between copyright and technology. The technology was clearly useful, and improper use of the technology was simply not of a magnitude to justify the court's intervention to impose on the balance that was being achieved in the marketplace. In short, it was left to the movie industry to find a solution to the infringing uses—either by proceeding directly against infringers or by devising technological workarounds to limit or bar piracy.

Last summer, *Grokster* largely hewed to the same theme. The defendants were engaged in using file-sharing technology for wholesale music and video piracy. Indeed, the plaintiffs were able to demonstrate a "staggering" volume of unlicensed file sharing with no purpose other than to circumvent copyright. In this circumstance, the balance was unquestionably tilted against copyright, and the court intervened—but not to disrupt file-sharing technology per se, which could be a valuable and staple article of commerce when applied in contexts such as Apple Computer's iTunes product. In *Grokster*, the court resisted the suggestion by Justice Ruth Bader Ginsburg that it should revisit *Sony* and reconsider its role and impose a balance tilting toward copyright. The court intervened only to halt the disruptive use of the technology.

Of course, *Grokster* disappoints any who hope for the ephemeral bright line to balance technology and copyright or who wish for a tilt in favor of one or the other. The decision maintains the line from *Broadcast Music* and *Sony*. And together, these decisions point the way for resolution of the copyright lawsuit against Google.

The litigation against Google

In *The McGraw-Hill Cos. Inc. v. Google Inc.*, No. 05 CV 8881 (S.D.N.Y. filed Oct. 19, 2005), the publishing industry seeks to derail the Google Book Search (<http://books.google.com>), a sophisticated, online equivalent to a library's card catalog. This suit follows on the heels of a similar action filed by the Authors Guild. *The Authors Guild v. Google Inc.*, No. 05 CV 8163 (S.D.N.Y. filed Sept. 20, 2005). Without doubt, Google has a search engine technology which is a "staple article of commerce." Indeed, Google and similar search engines are essential to many business, educational and social enterprises. Google's pursuit of its vision to be the universal digital aggregator of all information is simply a very broad extension of a technology that has been

embraced and used by the public. Google's contract to digitize the holdings of five major libraries (Harvard, Stanford, University of Michigan, Oxford and the New York Public Library) and to make a searchable catalog available on the Internet seems to offer great public benefit.

Prior to the *McGraw-Hill* lawsuit, Google attempted to avoid this dispute by agreeing to exclude any copyrighted work from the Google Book Search upon receipt of an "opt out" notice. Against this, the publishers claim an absolute right to control any use of their copyrighted works. Google has responded that fair use permits it to create and use its digital card catalog, citing the 9th Circuit search engine decision in *Kelly v. Arriba Soft*, 336 F.3d 811 (9th Cir. 2003). Both of these arguments carry just enough legal plausibility to lead the issue to stalemate.

In the digital universe, technology and copyright must be balanced, and following *Broadcast Music*, *Sony* and *Grokster*, this means the court will not disrupt the Google Book Search unless the publishers demonstrate a very substantial loss in the marketplace. The fact is that Google's technology is too much a staple article of commerce to be interfered with by the court on anything less. Absent material loss or some software hack that exposes the digital card catalog to *Grokster*-like capture and illegitimate

In 'Sony' as well, the high court refused to upset a balance.

file sharing, the publishers' claim to absolute control of their print works in digital format does not seem likely to overcome the court's reluctance to impose on a balance that develops dynamically over time.

All of this suggests that the dynamic balance between technology and copyright is not one to be struck by the court. *Broadcast Music*, *Sony* and *Grokster* demonstrate that the court does not tip the balance, that it prefers to let the players work it out, and that it will intervene in limited fashion only when the balance has been materially disrupted, as was the case in *Grokster*. All of this suggests also that the publishers and Google will work it out long before the case reaches the Supreme Court.

This article is reprinted with permission from the December 5, 2005 edition of THE NATIONAL LAW JOURNAL. © 2005 ALM Properties, Inc. All rights reserved. Further duplication without permission is prohibited. For information, contact ALM Reprint Department at 800-888-8300 x6111 or www.almreprints.com. #005-01-06-0006