CyberLaw

THE LAW OF THE INTERNET

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Springer

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To
my muse, Shery,
and
my amuselets,
Michal, Nicholas, and Sophie

Preface

In 1990, I joined Stanford University's Macintosh Users' Group. Already working as an attorney, I volunteered to write a monthly column on computer law. The response was very encouraging, and developed into CyberLaw™ & CyberLex™—free educational services on computer law for computer users. Both have been published for a number of years by major computer users groups, including the Boston Computer Society, BMUG (based in northern California), and the MacValley Users' Group (based in southern California), as well as commercial online services, such as America Online and the WELL.

Over the years, I've received encouraging e-mail messages from across the United States and all points of the globe. Many correspondents were working in small businesses and found the articles useful, as they could not afford access to specialized legal services and publications to keep up-to-date. I remember one gentleman from the South, who wrote to thank me for an article on copyright law. He wanted to write about hunting dogs for an Internet publication, but was concerned about losing his copyright. Something I wrote gave him sufficient comfort to have the article published, and he was very relieved. He seemed very happy to be published in the new online medium.

In 1993, online services and the Internet were just beginning their rush into popular culture. Very few people had been focusing on legal issues relating to the online world. (Lance Rose, Mike Godwin, and Lee Tien are people I recall from very early on.) Business people and corporate counsel were having great difficulty locating knowledgeable attorneys who had any experience with computers, let alone the online world. An in-house lawyer for a Silicon Valley computer company told me that his company had received a threatening letter from a person who had been "flamed" in an Internet newsgroup by a company employee who sent his posting via the company's e-mail system. The "victim" of the flame was seeking to hold the company responsible. The lawyer called one of the best-respected law firms in Silicon Valley, but was dismayed when told that they had no attorneys who

knew anything about this. A little while later, attorneys working for two of the largest commercial online services complained to me that they simply could not find attorneys to call about online issues who could answer their questions without embarking on forty-hour research projects at their expense.

Similar comments led to this book. It is written for business men and women seeking an introduction to the various areas of law applicable to the online world. Included are descriptions of the different substantive topics, from copyright to tax law. Accompanying these descriptions are articles on court decisions and legal developments that appeared in CyberLaw, supplying an in-depth discussion of the key issues. To provide context and a feel for how the law has developed, there is also a section devoted to important legal news reported over the past five years. In this latter section, you can see trends develop—such as the crackdown on hackers, the government's push to expand police powers over the online world, and the clash between free-speech advocates and publishing interests—as well as many issues that were resolved short of final court decision. And you'll find hundreds of footnotes.

One reason for the footnotes is to allow further access to key legal decisions governing the online world. Other court decisions are noted to assist the reader in navigating uncharted territory. Also referenced are legal arguments and rulings made in a number of controversies that were settled. Although these arguments and rulings may have no value as precedent, much time and money was spent in their preparation and they provide good insight into the state of the law and where it might be headed.

In sum, this book is for business people—and perhaps a number of lawyers. It is intended to provide a picture of the legal landscape as it now exists, along with sufficient additional information to enable the reader more fully to evaluate new developments and what their impact may be.

Jonathan Rosenoer
Greenbrae, California
May 1996

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A number of people and organizations have helped me produce CyberLaw™ and CyberLex™ as free educational services and should be recognized. Principal among them are David Hayes of Fenwick & West, in Palo Alto, California; BMUG; Boston Computer Society; MacValley Users Group; America Online; The WELL; Best Internet Communications; Portal Information Network; InterNex; the former Stanford University Macintosh Users Group. Other key people were Bill Fenwick of Fenwick & West, who encouraged me to switch to my first Macintosh computer; John Perry Barlow, who made me think; Mike Godwin and Lance Rose, lawyers who helped the people who really built the online world; Steve Brill, Barbara Johnson, David Johnson, and Peter Scheer, who gave me the opportunity to work in the online world with Counsel Connect; Dr. Martin Gilchrist and Springer-Verlag, who gave me the opportunity to write this book; Alan Morelli and Geoff Berkin at Manatt, Phelps & Phillips, in Los Angeles, who have provided much sound advice and assistance; and Chuck Marson, who painstakingly read this book in draft and offered many helpful comments.

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Contents

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Copyright

A. Exclusive Rights

In general terms, copyright provides an author with a tool to protect a work from being taken, used, and exploited by others without permission.[1] The owner of a copyrighted work has the exclusive right to reproduce it, prepare derivative works based upon it, distribute copies by sale or other transfer of ownership, to perform and display it publicly, and to authorize others to do so.[2]

For a company that depends upon intellectual property for its livelihood, such as a software company or an Internet-based publisher, copyright law provides a framework that ensures that the company can compete in the marketplace. The importance of copyright is illustrated by comparing what happens to an appliance company when a refrigerator is stolen with what happens to a software company when its source code is stolen. The refrigerator company will simply have one less item of merchandise to sell and a loss reflected by the refrigerator's price. The software company, however, will suddenly be faced with the prospect of a market flooded with exact copies of its product—sold or given away by another. Without the ability to prevent unauthorized copying, sale, and distribution of its product, the software company will not be able to survive.

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[1] 17 U.S.C. § 106.

[2] There are, of course, some important exceptions and limitations. "Fair use" is one important limitation. Another provides that copyright protection is not available for any work of the U.S. government. 17 U.S.C. § 105.

B. Subject Matter of Copyright

Copyright law protects "original works of authorship." Sheer hard work alone will not suffice[3]—a modicum of creativity is required.[4] The work does not have to be the first of its kind, or novel—it just has to be the independent product of the author, not copied from another source.[5] Copyright, in fact, does not protect against independent creation of similar or identical works.

Certain items are excluded from copyright protection. Section 102(b) of the Copyright Act states,

> In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.[6]

A number of important court decisions explain how these limitations relate to computer software, interfaces, and the "look and feel" of a program. (Software elements that cannot be copyrighted may, in fact, be eligible for patent protection.)

Copyright is held by an author upon a work's creation and "fixation" in tangible form, so that it can be perceived directly or with the aid of a machine or other device.[7]

If a group creates a work, the copyright may be held jointly. An independent contractor may hold the copyright in a work made for someone else if there is no express agreement to the contrary. But an employer will be the "owner" of a work created by an employee within the scope of employment. Persons seeking to build Internet sites with the help of others should be sure to acquire the

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[3] See *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 359–60, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991) (rejecting argument that effort expended on creating a publication, in this case a directory, can translate into copyright protection).

[4] See *West Publ. Co. v. Mead Data Central, Inc.*, 799 F.2d 1219, 1226–27 (8th Cir. 1986), *cert. denied*, 479 U.S. 1070, 107 S.Ct. 962 (1987) (West's arrangement of legal decisions entails enough intellectual labor and originality to receive copyright protection)

[5] See *Grand Upright Music, Ltd. v. Warner Bros. Records, Inc.*, 780 F.Supp. 182 (S.D.N.Y. 1991) (use of digitized sample in song may infringe copyright).

[6] Importantly, there is also no copyright in government works. 17 U.S.C. § 105.

[7] Notably, the U.S. Court of Appeals for the Ninth Circuit, has decided that a copy of a computer program loaded into RAM is "fixed" for purposes of copyright protection. *MAI Sys. Corp. v. Peak Computer*, 991 F.2d 511, 518–19 (9th Cir. 1993), *cert. denied*, 114 S.Ct. 671 (1994); see also, *Advanced Computer Servs. v. MAI Sys. Corp.*, 845 F.Supp. 356, 362–64 (E.D. Va. 1994).

rights to the materials that are the basis for the site, or they will face difficult issues down the road.[8]

C. Formalities

Previously, persons seeking to protect works under copyright law had to take certain steps to avoid having them fall into the public domain, where they are freely available to all comers. The primary step was to include a copyright notice (e.g., "© 1995 Jonathan Rosenoer"). But since the United States joined the Berne Convention, it is no longer strictly necessary to so do. Virtually everyone, however, continues to use the notice, and a recent ruling by a federal court states that a simple copyright notice may be sufficient to support a demand that an Internet provider or bulletin board service (BBS) operator remove an infringing copy from its system and prevent its transmission to the Internet.[9] As many seem to hold the mistaken belief that information placed on the Internet is free for the taking, perhaps the continued use of such notices is the wiser course—if only for educational value. In certain countries, the notice "All rights reserved" is required.

Registering a work with the Copyright Office is a critical step to be taken in protecting a work under copyright law. While time and money costs are involved, significant benefits are gained by completing the registration process in a timely manner. These benefits include statutory damages (between $500 and $20,000 for each work infringed, and up to $100,000 if the infringement was willful) as well as attorneys' fees.[10] A registration certificate also provides prima facie evidence of copyright ownership and validity,[11] and is required to enforce copyrights in works of U.S. origin, among others.

To protect a work from the date of first publication, it must be registered within 3 months of that time.[12] The work may be registered by the owner or an exclusive licensee. There is a "mandatory" deposit requirement, but it is not a condition of copyright protection.[13]

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[8] See *Tasini v. New York Times Co.*, 93 Civ. 8678 (S.D.N.Y. filed Dec. 16, 1993) (suit by freelance writers over reproduction of articles on online services without consent).
[9] See *Religious Technology Center v. Netcom On-Line Communication Serv.*, 907 F.Supp. 1361 (N.D. Cal. 1995) ("Where works contain copyright notices within them, it is hard to argue that a defendant did not know the works were copyrighted.")
[10] 17 U.S.C. § 504(c).
[11] Ibid. § 410(c).
[12] Ibid. § 412(2).
[13] Ibid. § 407(a).

D. Infringement

1. Direct Infringement

A copyright is infringed when one of the exclusive rights of the copyright holder is violated.[14] These include the right to reproduce a copyrighted work, prepare derivative works based upon it, distribute copies by sale or other transfer of ownership, to perform and display it publicly, and to authorize others to do so.[15]

In an infringement action, a plaintiff is required to "prove ownership of the copyright and 'copying' by the defendant."[16] Proof of a defendant's intent to infringe is not an element of the plaintiff's case.[17] A defendant, for example, cannot escape liability on the grounds of unconscious copying or of basing a work on that of third person who has, in fact, unlawfully copied from another. And, similarly, a publisher cannot escape liability simply by publishing infringing material provided by a third party.

In a decision over the unauthorized posting of copyrighted *Playboy* photographs on a BBS, the court ruled that

> Intent to infringe is not needed to find copyright infringement. Intent or knowledge is not an element of infringement, and thus even an innocent infringer is liable for infringement; rather, innocence is significant to a trial court when it fixes statutory damages, which is a remedy equitable in nature.[18]

But a federal court in California distinguishes that decision over *Playboy* photographs by finding it to be over liability for violating the plaintiff's "right to publicly *distribute and display* copies of its work," as distinct from a case in which an Internet service provider is claimed to be "liable because its computers in fact made copies" of a copyrighted work.[19] This latter case, involving published and unpublished

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[14] Ibid. § 501(a).
[15] Ibid. § 106.
[16] *Sid & Marty Krofft Television Prods. v. McDonald's Corp.*, 562 F.2d 1157, 1162 (9th Cir. 1977).
[17] See *Costello Publ. Co. v. Rotelle*, 670 F.2d 1035, 1044 (D.C. Cir. 1981).
[18] *Playboy Enters. v. Frena*, 839 F.Supp. 1552, 1559 (M.D. Fla. 1993) (there are indications in the trademark part of the opinion, however, that the system operator was not an innocent third party without a hand in what was going on); see also, *D.C. Comics Inc. v. Mini Gift Shop*, 912 F.2d 29, 35 (2d Cir. 1990) ("[A] finding of innocent infringement does not absolve the defendant of liability under the Copyright Act. . . . The reduction of statutory damages for innocent infringement requires an inquiry into the defendant's state of mind to determine whether he or she 'was not aware and had no reason to believe that his or her acts constituted an infringement'").
[19] *Religious Technology Center v. Netcom On-Line Communication Serv.*, 907 F.Supp. 1361 (N.D. Cal. 1995).