CYBERLAW: PROTECTING COPYRIGHT ON THE WORLD-WIDE WEB

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ABSTRACT

The impact of the Internet's digital environment on copyright law is the subject of intensifying controversy. The Internet's digital medium, known for its global network and instantaneously tranmissible data, assimilates the features of a computer, a photocopier, a facsimile machine, and an electronic mailing system. This is a disturbing development to copyright advocates, who believe that traditional protection accorded to copyright may be eroded.

The premise underlying this discussion is the belief that reasonable protection should be accorded to intellectual property - whether existing in tangible form or in the Internet's digital code. Since the application of the copyright holder's exclusive rights has traditionally been applied to physical works, the study will analyze how this protection translates to digitized works on the Internet. In line with this, compelling reasons for excluding the application of traditional concepts in copyright law to the Internet will be made clear. To complete the study, the need for uniform international copyright protection will be demonstrated, and standards of liability for copyright infringement delineated.

Within the framework of existing laws, the discussion will demonstrate the manne in which copyright may be protected on the Internet; perhaps not in the same manner as that for the typical printed, audio and video media, but to the most effective degree possible and appropriate for this medium.

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INTRODUCTION

A. Background

The first statute to recognize copyright dates back to the Statute of Anne, enacted in 1895 by the English Parliament in response to the invention of Gutenberg's printing press.[1] More than a hundred years later, and several technological leaps separated from simple print media, copyright law has adapted to technological advances in order to extend its protection to digital technologies. Recently, the emergence of Internet's digital medium has generated intensifying controversy. The Internet's digital medium, known for its global network and instantaneously transmissible data, assimilates the features of a computer, a photocopier, a facsimile machine, and an electronic mailing system. This is a disturbing development to copyright advocates, who believe that traditional protection accorded to copyright may be eroded.

In concrete terms, the Internet is a "federation of computer networks that speak the same protocol."[2] The U.S. Supreme Court, in a landmark decision striking down an anti-obscenity statute regulating the medium, defined the Internet as "an international network of interconnected computers."[3] While the Internet today is known as the world's largest public computer network, its original blueprint was drawn up with more limited operations in mind: The Internet's precursor, the ARPAnet,[4] was the brainchild of the U.S. Defense Department,[5] conceived in 1969 by U.S. military intelligence in answer to a perceived need for a communications medium that would not be severed in the event of a partial power outage or the elimination of a communications channel in a military attack.[6]

By linking together radio and satellite channels with the existing military network to provide alternative points of contact, the ARPAnet provided the desired defense system.[7] Internet protocol was initially devised as a uniform digital language through which the ARPAnet's remote computers, of same or different makes, could

1 ROBERT LATMAN ET AL., COPYRIGHT FOR THE NINETIES: CASES AND MATERIALS 1-4 (3d ed. 1989). The law introduced a term on copyright to curtail the monopoly on the part of publishers. *Id.*

2 CRICKET LIU ET AL., MANAGING INTERNET INFORMATION SERVICES 1 (1994).

3 Reno v. ACLU, No. 96-511, slip op. at *5 (U.S., 26 June 1997) <http://www.findlaw.com> (accessed 27 October 1997).

4 An acronym for "Advanced Research Projects Agency." RICHARD SMITH & MARK GIBBES, NAVIGATING THE INTERNET 5 (1994).

5 *Id.*

6 ED KROL, THE WHOLE INTERNET 13 (2d ed. 1994).

7 Connectivity not being dependent on a single host. Id. The four computers forming the original ARPAnet were located in the University of Utah, the University of California at Santa Barbara, the University of California at Los Angeles, and Stanford Research Institute (SRI) International. *Id.*

communicate with each other. It was this experimental protocol that later became the basis for the Internet's digital code.[8]

Today, the concept of an emergency network has evolved into the Internet's gigantic electronic web. Through this network, millions of people around the world have access to a vast pool of information, products and resources accessible by means of remote computers.[9] The Internet's exploding population of subscribers is largely attracted by its diverse uses: In its dual capacities as information storehouse and communications medium, the applications of the Internet vary from those that are private or recreational, such as electronic mail[10] and real-time chat, to educational, as in its use as a digital library.

It is, however, the untapped commercial potential of the Internet's global marketplace that continues to fuel its dramatic growth. From a modest user population of 300 in 1981, the global Internet market peaked at five million users in 1992.[11] According to conservative estimates, by the year 2000, one billion users will have connected to the network.[12] In the Philippines alone, 60,000 users have access to the Internet.[13] The fusion of existing and future communications technologies[14] with information resources into a massive network, is commonly referred to as the *information superhighway* or the *global information infrastructure.*

Despite its size and increasing number of users, the Internet is still largely unregulated by governments, but it is generally understood that existing laws apply to the Internet medium. Where deficiencies exist, the enactment of Internet-specific legislation is anticipated.[15] The term *cyberlaw* was coined to refer to an emerging field of law and jurisprudence specially applicable to the regulation of activity online.[16] Legal concerns that have arisen regarding Internet transactions involve the freedom of speech, the right to privacy, choice of laws, the regulation of contracts, and the protection of intellectual property.

8 *Id.* at 6-7. A digital code is a set of binary numbers, for example, "01," representing the letter "A." AMERICAN HERITAGE DICTIONARY, DICTIONARY OF COMPUTER WORDS: AN A-Z GUIDE TO TODAY'S COMPUTERS 143 (rev. ed. 1995).

9 *See* Appendix A for information on modes of access to the network. (ED'S NOTE: APPENDIX A IS NOT PUBLISHED IN THIS VOLUME]

10 A message sent via electronic mail; can refer to a feature that lets a computer user send a message to someone at another computer or terminal. AMERICAN HERITAGE DICTIONARY, *supra* note 8, at 87.

11 *ACLU*, No. 96-511, slip op. at # 5.

12 KROL, *supra* note 6, at 20.

13 Internet-Manila, Internet-Manila Information Sheet 5 (August 1997) (Pasig, Metro Manila).

14 Such as telephone, facsimile machine, television and satellite media.

15 An example of Internet-specific legislation is U.S. federal bill H.R. 2180, also known as the "Online Copyright Liability Limitation Act," 105th Cong., 1st Sess. (1997) (introduced in House) <http://www.thomas.loc.gov/cgi-bin/query/D?c105:26/temp/~c105k8cX::> (accessed 10 January 1997); *See also* "No Electronic Theft (NET) Act," H.R. 2265, 105th Cong., 1st Sess. (1997) (enrolled bill sent to the President). Available at <http://thomas.lov.gov/cgi-bin/query/D?c105:25/temp/~c105k8cX::> (accessed 10 January 1997).

16 By means of a computer or computer network. AMERICAN HERITAGE DICTIONARY, supra note 8, at 195.

Some of the most debated issues arise in copyright law. Internet content,[17] which is coded in digital[18] form, permits identical copies of a work to be immediately accessed, transmitted and reproduced. As a result, copyright infringement is simplified by the close availability of both subject matter and means to the perpetrator. Some copyright authorities advance the theory that intellectual property laws must be amended to fit the Internet. This view has secured influential supporters: Large software manufacturers, publishing firms and entertainment companies spearhead an interest bloc that is apprehensive about the risks of cyberpiracy, but nonetheless continue to covet the global Internet market.

On the other end of the spectrum, intellectual property experts resist movements for amendatory legislation. They maintain that revisions to copyright law are unnecessary, or at best premature, since market forces will naturally produce extra-legislative solutions. It is pointed out that individual contracts can be made by copyright holders, and that technological devices, such as encryption,[19] will provide adequate protection measures. A strong public interest group, which campaigns for information to be "free" on the Internet, on the premise that copyright law should not be applied in cyberspace, has also been identified.[20]

Around the world, pending legislation for more effective protection of online copyright signals the importance and timeliness of this discussion. The Clinton Administration, alerted by the economic potential of the Internet as an information infrastructure, tasked a working group[21] to consolidate support for revisions to U.S. copyright law. The working group's product was the controversial "White Paper."[22] Thus far, endeavors to introduce changes advanced by the White Paper through bills in U.S. Congress have been stymied by solid opposition from a group of lawyers and academicians. Some of the White Paper's recommendations, however, are mirrored in a WIPO Copyright Treaty concluded at a winter conference[23] in Switzerland last year.[24] The document, also known as the "Geneva

17 Material or resources available online.

18 *See supra* note 8.

19 The process of enciphering or encoding data so that it is inaccessible to unauthorized users. AMERICAN HERITAGE DICTIONARY, *supra* note 8, at 87.

20 *See generally* **John Perry Barlow**, *The Economy of Ideas: A Framework for Rethinking Patents and Copyrights in the Digital Age*, WIRED 2.03 <http://www.spp.umich.edu/spp /courses/744/docs/ economy-ideas.html> (accessed 12 April 1997) (A popular article which argues against the application of copyright law on the Internet. Copyright law, which protects the medium of expression of a work, never contemplated the Internet's digital vehicle. The author likens intellectual creation to wine and copyright to bottles. Analogizes works on the Internet to 'wine without the bottles.')

21 Referring to the Information Infrastructure Task Force (IITF) for the National Information Infrastructure (NII) Working Group on Intellectual Property Rights, chaired by Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, Bruce A. Lehman.

22 Information Infrastructure Task Force, Working Group on Intellectual Property Rights, Intellectual Property and the National Information Infrastructure: The Report of the Working Group on Intellectual Property Rights (1995) <http://www.iitf.nist.gov/ documents/committee/infopol /ipnii.html> (accessed 10 April 1997) [hereinafter White Paper].

23 The conference was held from December 2 to 20, 1996. *Travaux preparatoires* available at <http://www.wipo.org/eng/diplconf/index.htm> (accessed on 15 November 1997).

24 Implementing Legislation of the WIPO Copyright Treaty is pending in U.S Congress, H.R. 2281, 105th Cong., 1st Sess. (1997) <http://thomas.lov.gov/cgi-bin/query/ D?c105:25/temp/~c105k8cX::> (accessed 9 January 1997).

Protocol to the Berne Convention,"[25] envisions more effective protection of copyright for digital works.

Members of the European Union (EU) have likewise considered revisions to copyright law. In 1993, the European Council called for a study on the legal implications of technological advances in the information infrastructure. The fruit of these efforts was known as the "Bangemann Report", its recommendations to serve as a guide to Member States of the Union for the formulation of a common program for the information infrastructure. More recently, the EU issued a Directive concerning the protection of copyright in digital technology.[26]

A dynamic state of copyright law has also been observed in our country. In June last year, Congress enacted the Intellectual Property Code of the Philippines, which revises and codifies existing copyright legislation. The new Code signifies early compliance with our obligations under the TRIPS Agreement. While the Code provides more vigorous protection to traditional works, several questions concerning Internet technology are left unanswered.

B. Objectives of the Study

The premise underlying this discussion is the belief that reasonable protection should be accorded to intellectual property, whether existing in tangible form or in the Internet's digital code. Accordingly, the study will draw a framework within which copyright law may be understood to operate on the Internet. Since the application of the copyright holder's exclusive rights has traditionally been applied to physical works, the manner in which this protection translates to works on the Internet will be analyzed.

In line with this, the application of traditional concepts in copyright law to the Internet will be re-evaluated. To complete the study, the need for uniform international copyright protection will be demonstrated, and standards of liability for copyright infringement proposed. The proponent will concretize recommendations in the discussion, and conclude with rules and regulations for the copyright provisions of the Intellectual Property Code of 1997.

C. Scope and Limitations of the Study

While the Internet encompasses a diverse range of content and applications, the discussion will be confined to the context of a digitized image[27] placed on the

25 Referring to the Berne Convention for the Protection of Literary and Artistic Works, Brussels Act, 1 August 1951 [hereinafter Berne Convention].

26 Document available at <http://www.bna.com/e-law/docs/ecdraft.html> (accessed 10 November 1997).

27 Contemplating an image file created by means of scanning equipment. Digitized images can be transmitted on the Internet in digitized format, but the recipient must possess appropriate software to be able to view and manipulate these files. GIF (graphics interchange format) is a standard format used for digitized photographic images. EDWARD WILDING, COMPUTER EVIDENCE: A FORENCSIC INVESTIGATIONS HANDBOOK 208 (1997).

World-Wide Web.[28] Selected issues in substantive copyright law, including the aspect of liability,[29] will be addressed. The study will exclude conflict of laws and the special copyright problems pertaining to computer programs, music files, multimedia, databases, and domain names.[30] Procedural matters, such as venue, jurisdiction, and matters concerning enforcement will not be taken up.

Considering the paucity of local jurisprudence in the field of online copyright, reference will be made to key decisions by U.S. courts involving copyright on the Internet, mainly to indicate possible domestic treatment of the subject matter. An exposition on U.S. copyright law or jurisprudence is, however, not intended. The study will incorporate recommendations made in the WIPO Copyright Treaty.[31]

I. COPYRIGHT IN A DIGITAL ENVIRONMENT

A. Copyright Protection for Digitized Works

Essentially, copyright is a grant by the government to authors of original literary and artistic works of control over the uses to which their work may be applied. This grant stems from the recognition of the State that "an effective intellectual and industrial property system is vital to the development of domestic and creative activity, . . . attracts foreign investments, and ensures market access for our products."[32] Copyright serves twin objectives of fostering the arts and letters by encouraging the creation of new original work, while bearing a social function of diffusing "knowledge and information for the promotion of national development and progress and the common good."[33]

[28] The World-Wide Web is a search format for delivering information on the Internet, which allows hypertext links. This simply means that a document can have embedded links to another document anywhere within the text. KROL, *supra* note 6, at 15.

[29] The discussion will presuppose that Internet access is achieved by means of an intermediary (not by direct access). *See* Appendix A for modes of access to the network.

[30] On the Internet, an alphanumeric string, usually two or three letters, preceded by a period at the end of a communications address. There are usually several domain names in one address, separated by a period, following a string ending in "@" (for example, "ames@arc.nasa.gov"). Domain names are organized in a given hierarchy, with the most specific (computer name) at the left to the most general, top-level domain to the right. BRENT HESLOP & DAVID ANGELL, THE INSTANT INTERNET GUIDE, HANDS-ON GLOBAL NETWORKING 4 (1994). Domain names are more properly taken up under the subject of tradenames, not copyright.

[31] WIPO Copyright Treaty, 20 December 1996 <http://www.wipo.org/eng/diplconf/distrib/94dc.htm> (accessed 21 December 1997).

[32] An Act Prescribing the Intellectual Property Code and Establishing the Intellectual Property Office, Providing for its Powers, Functions, and other Purposes, Republic Act. No. 8293 § 2 (1997).

[33] *Id.*

[34] R.A. 8293 § 172.1 Notably, the enumeration ends with a catch-all phrase, "other literary, scholarly, scientific and artistic works." Hence, even if a work is excluded from the enumeration, it may still be entitled to copyright protection.

The law does not define the works entitled to copyright protection; instead, it lists a diverse selection of items that fall under the term "literary and artistic works." This enumeration includes subject matter traditionally considered as literary or artistic work, such as letters, drawings and paintings, and extends to computer programs and audio-visual works.[34]

It is submitted that the panoply of rights accorded to tangible works is conferred to digital works on the Internet. Under Section 172.2 of the law, intellectual property is protected irrespective of its "mode or form of expression".[35] The term "mode or form of expression" is sweeping enough to include works online. Digitized works on the Internet do not differ markedly from the subject matter entitled to copyright protection in a non-digitized setting. For instance, text files can be considered "electronic analogues" to print,[36] and image files equivalent to drawings, paintings, or photographs.[37] Any two-dimensional work, such as a letter, an image, or the contents of a book, can be translated into digital code[38] and circulated on the Internet. This simply means that a work is transformed into computer-readable format, as by scanning an image.

In order to be regarded as protected work, intellectual creation must be original, that is, "not copied, imitated or reproduced, underived, first hand."[39] While neither publication[40] nor ingenuity[41] are required for copyright to attach, the work must be fixed,[42] in order for copyright to be enforceable. For works to pass the threshold of fixation, they should not be "purely evanescent or transient, such as a picture shown momentarily on a television cathode ray tube."[43] In interpreting this standard of fixation, a reproduction in random access memory (RAM)[44] has been considered

[35] R.A. 8293 § 172.2 provides that "[w]orks are protected by the sole fact of their creation, irrespective of their mode or form of expression, as well as their content, quality and purpose." *Id.*

[36] LANCE ROSE, NETLAW: YOUR RIGHTS IN THE ONLINE WORLD 102-106 (1995). An e-mail message is also a text file. In the same manner as printed documents, text files are fully copyrightable. *Id.* Electronic mail (e-mail) messages are data messages exchanged over a computer or communications network. AMERICAN HERITAGE DICTIONARY, supra note 8, at 85.

[37] *Id.* at 99-104.

[38] A series of binary numbers by means of which data is transferred from one computer to another. AMERICAN HERITAGE DICTIONARY, supra note 8, at 143.

[39] IGNACIO S. SAPALO, BACKGROUND READING MATERIAL ON THE INTELLECTUAL PROPERTY SYSTEM OF THE PHILIPPINES 140 (1994), *citing* Co San v. Lian Bio (Decision No. 108, 15 March 1905).

[40] For digitized image files on the Internet, it is proposed that placing a document on the World-Wide Web be understood to be equivalent to a 'publication' of such work. In Section 171.7 of the Code, 'published' works means "works, which, with the consent of the authors, are made available to the public by wire or wireless means in such a way that members of the public may access these works from a place and time individually chosen by them." Provided, "[t]hat availability of such copies has been such, as to satisfy the reasonable requirements of the public, having regard to the nature of the work." The placement of a text file on the Internet to make it available to the public is, therefore, such publication. Unpublished work is generally entitled to a higher level of protection than is published work.

[41] Interview with Atty. Christopher L. Lim, Partner at Quisumbing, Torres and Evangelista Law Offices, professorial lecturer on Intellectual Property at the Ateneo de Manila University School of Law, in Makati, Metro Manila (5 January 1997). *See also* SAPALO, *supra* note 39, at 139.

[42] Interview with Atty. Christopher L. Lim, *supra* note 41. *But see* SAPALO, supra note 39, at 139.

[43] White Paper, *supra* note 22, at 20 n.66.

[44] RAM is a volatile memory bank that can be accessed at high speed, such as when programs are loaded from disk into RAM where they are executed. No information is retained in RAM when a computer is

adequate under U.S. law.[45] The Clinton administration's White Paper also cites case authority to the effect that "[e]lectronic network transmissions from one computer to another, such as e-mail," which may "only reside on each computer in RAM (random access memory) . . . ha[ve] been found to be sufficient fixation."[46]

From the moment of creation, the copyright holder is entitled to exercise certain economic and moral rights over the work, itemized in Section 177 of the Code as the following:

Copyright shall consist of the exclusive right to carry out, authorize, or prevent the following acts:

177.1. Reproduction of the work or substantial portion of the work;
177.2. Dramatization, translation, adaptation, abridgement, arrangement, or other transformation of the work;
177.3. The first public distribution of the original and each copy of the work by sale or other forms of transfer of ownership;. . .
177.5. Public display of the original or a copy of the work;
177.6. Public performance of the work;
177.7. Other communication to the public of the work.[47]

By virtue of his economic rights, the copyright holder is given the exclusive prerogative to control and prohibit certain uses of his work.[48] It is, however, understood that copyright has never conferred on the author complete control over all possible exploitation of his work,[49] and has made realistic accommodations for reasonable use by third persons. Traditionally, this has been made possible by specific exemptions. The new Code retains specific exemptions to copyright, and has introduced the fair use provision to demarcate permissible use by third persons of copyrighted work.[50]

switched off. AMERICAN HERITAGE DICTIONARY, *supra* note 8, at 234.

45 *See* MAI Computer Systems Corp. v. PEAK Computer, Inc. 991 F. Supp. 511 (9th Cir. 1993).

46 White Paper, *supra* note 22, at 23 n.65, *citing* Advanced Computer Services of Michigan Inc. v. MAI Systems Corp., 845 F. Supp. 356, 363 (E.D. Va. 1994) (conclusion that program stored only in RAM is sufficiently fixed is confirmed, not refuted by argument that it "disappears from RAM the instant the computer is turned off; "if power remains on (and work remains in RAM) for "only seconds or fractions of a second, the resulting RAM representation of the program arguably would be too ephemeral to be considered fixed); the White Paper also cites Triad Systems v. Southeastern Express Co., 1994 U.S. Dist. LEXIS 5390, at *15-19 (N.D. Cal., 18 March 1994) (copyright law is not so much concerned with the temporal 'duration' of a copy as it is with what that copy does, and what it is capable of doing, while it exists. 'Transitory duration' is a relative term that must be applied in context.) *Id.*

47 R.A. 8293 § 177.

48 *Id.*

49 Harper &. Row v. Nation Enters, 85 L.Ed.2d 600- 602 (1985) (holding that use of a former U.S. president's memoirs for quotes and paraphrases not fair use, primarily in view of its intended commercial purpose of supplanting the copyright holder's right to control first publication).

50 R.A. 8293, § 185 (1997).

1. THE REPRODUCTION RIGHT

Of the copyright holders' economic rights, it is perhaps the application of the reproduction right to transient copies made incidental to file transfers on the Internet that is most controversial. A copyright holder's control of the making of copies of his work is considered by some as the backbone of the copyright regime,[51] but application of this right to electronic documents on the Internet is proving difficult, in light of the fact that a digital copy, also called a *cache*,[52] is made virtually every time a user views a document from a remote computer on his screen.[53]

Any Internet user is familiar with industry standard browsers,[54] such as *Netscape Navigator* and *Internet Explorer*, which conduct quick selective searches on the Internet's giant database. Essentially, the user activity of 'browsing' involves viewing documents, accessed from a remote computer, on the user's own computer. This transmission requires the user's computer to store data either in its random access memory (RAM)[55] or in its hard drive.

This data archive, also called a *cache*, is retained for a more or less temporary period and can be tapped by the user's computer when the document is reloaded, without need of accessing the data from the remote computer anew. Once a computer is shut off, data in cached copy stored in RAM is irretrievable. A cache that is stored in the hard drive or in ROM is retained even for subsequent access. The creation of an archive is an inherent feature of industry standard browsers, made in order to accelerate the flow of information on the network, since the user's computer, which can access the cached copy, dispenses with the time spent reloading data.

Some copyright authorities claim that the creation of a cached copy is an infringement on the copyright holder's exclusive right to make reproductions of his work. The reproduction right of the copyright holder is defined by law as "the making of one (1) or more copies of a work . . . in any manner or form."[56] Technically speaking, caching is the making of such a copy "in any manner or form." The

51 *See generally* Cyberspace Law Institute, *Copyright Law on the Internet: the Special Problem of Caching and Copyright Protection*, September 1995 <http:// www.cli.org/Caching.html> (accessed 27 April 1997). The Cyberspace Law Institute is a group of prominent intellectual property lawyers and academicians in the United States <http://www.cli.org/> (accessed 3 December 1997). The Institute has been noted for its establishment of a Virtual Magistrate Pilot Project (an online arbitration system) <http://vmag.vcilp.org.> (accessed 3 December 1997).

52 Copying of a web page, made incidental to the first access of the page, and storage of that copy for the purpose of speeding up subsequent access. Cyberspace Law Institute, *supra* note 51, at 4 n.4. Thus, a data cache is "data storage, in memory, which precludes the need for data to be continually read from and written to disk." WILDING, *supra* 28, note 201 (1997).

53 Cyberspace Law Institute, *supra* note 51, at 1.

54 A browser is a program, usually with a graphical interface, that allows one to find and access documents from any site on the Internet. AMERICAN HERITAGE DICTIONARY, *supra* note 8, at 30.

55 Random Access Memory (RAM) refers to the main memory of a computer. Due to the fact that RAM allows random access, the central processing unit can access the data it needs faster than through memory that requires sequential access. AMERICAN HERITAGE DICTIONARY, *supra* note 8, at 234.

56 R.A. 8293 § 171.9.

placement of copyrighted material into another computer's memory is a reproduction of that work, because the data in memory is, in the law's terms, the making of a copy in any form or manner. Consequently, the digital cache can be construed to infringe on a copyright prerogative.[57]

This 'expansive' definition of the reproduction right does not simply promote a clever technical theory, thought up to augment the reach of the copyright holders' right of reproduction. In *MAI Systems Corp. v. Peak Computer*,[58] the Ninth Circuit of the U.S. Court of Appeals already had occasion to rule that, for purposes of copyright law, a 'copy' is made when a computer program is transferred to a computer's random access memory.

Clinton's Working Group on Intellectual Property Rights, drafters of the provocative White Paper, agree with this legal interpretation. The White Paper explains that the U.S. Copyright Act of 1976, its legislative history, the CONTU[59] Final Report, and court decisions make it clear that in each of the instances set out below, one or more copies are made:

(1) When a work is placed into a computer, whether on a disk, diskette, ROM, or other storage device or in RAM for more than a very brief period, a copy is made.[60]
(2) When a printer work is 'scanned' into a digital file, a copy – the digital file itself – is made. . . .
(3) Whenever a digitized file is 'uploaded' from a user's computer to a bulletin board system (BBS) or other server, a copy is made.
(4) Whenever a digital file is 'downloaded' from a BBS or other server, a copy is made;
(5) When a file is transferred from one computer network user to another, multiple copies generally are made.
(6) *Under current technology, when an end-user's terminal is employed as a 'dumb' terminal to access a file resident on another computer such as a BBS or Internet host, a copy of at least the portion viewed is made in the user's computer. Without such copying into the RAM or buffer of the user's computer, no screen display would be possible.*[61] (emphasis added)

Accordingly, the White Paper observes that:

[57] *Id.*

[58] MAI Computer Systems Corp. v. PEAK Computer, Inc. 991 F. Supp. 511 (9th Cir. 1993).

[59] Referring to the National Commission on New Technological Uses of Copyrighted Works (CONTU) formed by Congress and representing library, author and publisher organizations. The body came out with guidelines for permissible reproductions in copyright law, embodied in the Final Report of the National Commission on New Technological Uses of Copyrighted Works in 1979, and has been cited in U.S. court decisions. While the document does not refer to Internet technology, it is referred to as authoritative by the White Paper.

[60] *PEAK*, 991 F.2d 519.

[61] White Paper, *supra* note 22, at 64.

> [b]ecause of the nature of computer-to-computer communications, [the right of reproduction] will be implicated in most NII[62] transactions. For example, when a computer accesses a document resident on another computer, the image on the user's screen exists . . . only by virtue of the copy that is reproduced in the user's computer memory. It has long been clear under U.S. law that *the placement of copyrighted material into a computer's memory is a reproduction of that material, which then may be, in the law's terms, "perceived, reproduced or communicated . . . with the aid of a machine or device."*[63] (emphasis added)

It comes as no surprise that there is opposition to this definition of the right of reproduction. This resistance is impelled, perhaps, by a perceived threat to legitimate public use of Internet content. The temporary storage of digital copies by computers is a built-in feature of Internet technology, and if a cache is to be considered a copy under copyright law, the reproduction right will necessarily be involved in most Internet transactions. This definition may theoretically lead to curtailment of user rights, since infringement could be charged in practically every transfer of data on the network, including a user's commonplace acts of viewing.

On a positive note, in the case of *Religious Scientology v. Netcom*,[64] a federal court in California, in passing upon the liability of an access provider vis-à-vis temporary digital copies, remarked that servers should not be "held liable for incidental copies automatically made on their computers using their software as part of a process initiated by a third party."[65] Where the actions of a provider are automatic and indiscriminate, said the court, "the infringing subscriber is directly liable for the same act[;] it does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet."[66] This case provides a measure of relief to Internet service providers and bulletin board systems similarly situated.[67] It does not, however, resolve questions with regard to the liability of the Internet user, who initiates the reproduction; to the contrary, the opinion suggests that the Internet user should be held primarily liable for the copies.[68]

Copyright 'minimalists' contend that this definition (including digital caching in the copyright owner's right of reproduction) inflates the copyright holders'

[62] Acronym for national information infrastructure. *See* White Paper, *supra* note 22.

[63] White Paper, *supra* note 22, at 70 n. 202. The White Paper cites CONTU Final Report, which states that "the introduction of a work into a computer memory would, consistent [with] the current law, be reproduction of the work." (CONTU Final Report 40) (alteration in original).

[64] Religious Technology Center v. Netcom On-Line Communication Services 907 F. Supp. 1361 (N.D. Cal. 1995) (reporter not available) <http://www.loundy.com/cases /rtc_v._netcom.html> (accessed 10 November 1997).

[65] *Id.* at 4.

[66] *Id.* at 7.

[67] Where the provider knew or should have known of infringing conduct, but fails to act on it, it may be held contributorily liable for infringement, but direct infringement still does not lie. *Id.*

[68] *Id.*

exclusive rights. According to one view, this would give the copyright holder the additional right to control "reading by the public."[69] An Internet user who browses through data on the Internet, it is argued, is similarly situated to a shopper in a bookstore; the shopper does not violate copyright law by perusing a copyrighted book. An attempt to control the creation of a digital archive, then, would be tantamount to handing to the copyright holder control over the user's right to read. This result, it is stressed, could not have been intended by the law.

A U.S. copyright attorney explains that "from the public's vantage point, the fact that copyright owners are now in a position to claim exclusive 'reading' . . . rights is an accident of drafting: When Congress awarded authors an exclusive reproduction right, it did not mean what it may mean today."[70] The criticism, in this instance, targets certain proposals made by the Green Paper[71] to include digital copies within the scope of the reproduction right. Since the enactment of U.S. Copyright Law dates back to 1976, it is maintained that legislative intent could not have contemplated the Internet medium (and digital copies) when it defined the right of reproduction.

Another contention that defends public use is the theory of implied consent. Custom on the Internet is said to lay the basis for an 'implied license,' which allows the user to make a digital archive for purposes of viewing a document. Content providers[72] are presumed to be cognizant of how web browsers operate and place material on the Web with the end in view of gaining as sizeable an audience as possible. An author who places his work on a website with the end in view of attracting as many readers as possible, must be attributed with knowledge of the operation of Internet technology. Consequently, copyright holders must be deemed to have permitted the creation of digital copies.

This theory admits that the interpretation of a digital cache may be defined as a copy under copyright law, but removes the possibility of infringement by interposing the affirmative defense of an implied license. The line of argument, however, does not take into account the eventuality that copyrighted works will be placed on the Internet without the copyright holders' consent. In the latter context, the implied consent theory fails. Consent can only be imputed if the copyright holder has acquiesced to the placement of his work online.

[69] *See* Jessica Litman *The Exclusive Right to Read*, 13 CARDOZO ARTS & ENT. L.J. 29 (1994). <http://yu1.yu.edu/csl/journals/aelj/articles/13-1/litman.html> (accessed 5 May 1997).

[70] *Id.*

[71] The Draft Report of the IITF Working Group is known as the Green Paper, available at <http://www.iitf.nist.gov/ipc/ipc-files/iprog/ipwg-draft.html> (accessed 10 April 1997). This Report was the precursor of the White Paper, see supra note 22. This should not be confused with the "Green Paper on Copyright and Related Rights in the Information Society," a report issued by the Commission of the European Communities in July 1995. COM(95)382 final, 19 July 1995, draft available at <http://www.bna/com/e-law/docs/ecdraft.html>

[72] Content provider is a term used to refer to a persons or an entity that makes material, resources and services on the Internet (Internet content, that is) available to the public.

A traditional lack of recognition of a 'right to read' by the public militates against the proposition that the reproduction right excludes digital copies. In fact, nothing prevents a copyright holder, such as the publisher, from prohibiting private reading of books which it distributes to bookstores.[73] The 'right to read' proposition apparently has the end in view of safeguarding the Internet user's free exploitation of material on the Internet; proponents balk at an interpretation of copyright law that would threaten the user's acts of merely viewing a document on his computer screen. While laudable in its objectives, this standpoint is infirm because it is basically suggestive of policy.

The theory of an implied license is more attractive: it interprets the copyright holder's reproduction right in accordance with the legal definition, and at the same time recognizes Internet user's legitimate interests. Thus:

> [E]ven if one believed that caching involves a prima facie infringement of the Web page owner's exclusive right to produce 'copies' of the Web page in question, *it seems reasonable and appropriate to describe basic forms of caching . . . as impliedly authorized by the content provider, inasmuch as they merely facilitate access to, and utilization of, the information placed on the Web by the content provider – to assert, in other words, that the context in which these transactions take place, and the custom and usage of the relevant community, provide sufficient authorization for basic caching transactions.*[74] (emphasis added)

Nevertheless, the implied agreement angle has been assailed as being too ambiguous an exception. Difficulties arise "in trying to distinguish the privileged caching of this kind from acts of copying less clearly authorized and in determining whether – and to what extent – the owner of a web page may expressly override such implied authorization and conditions on such caching."[75]

The theory of an implied agreement proves unsatisfactory, as the Internet user is not categorically protected. In copyright law, once infringement is established, the burden of proof is on the alleged infringer to point to an exception in the law. It should be noted that under this theory, the act of infringement is admitted.

To make matters worse, even the copyright holder is sold short. The imputation of consent to all manner of transient digital copying on the Web may result in a strained and overreaching user privilege. "Simply extending the privilege to all cached copies merely to facilitate retrieval of the same material in the future is likely to prove overbroad, because such a privilege could frustrate a content

[73] In any case, this activity is conducted with the agreement of the copyright holder. More likely part of marketing strategy, directed at closing a sale; in no case a legally demandable obligation.

[74] Cyberspace Law Institute, *supra* note 51, at 1.

[75] *Id.* at 1-2.

provider's legitimate interests."[76] As pointed out previously, if the content provider places works on the Web without the consent of the copyright holder, the Internet user cannot contend that consent exists.[77]

Fundamentally, the application of copyright on the Internet is not refuted: Even a rejection of an expansive definition of the reproduction right is compatible with the recognition of other copyright prerogatives. On a purely technical plane, it should nevertheless be clear that a digital copy may be embraced under the legal definition. The language of the law supports an expansive, not restrictive, interpretation of the right of reproduction.

A reproduction defined under the law as a copy "made in any manner or form"[78] can plainly encompass digital copies. In fact, the language used could not have been broader.[79] This is akin to the observation made by the Chairman on the Committee of Experts to the 1996 WIPO Diplomatic Conference when he discussed Article 9 of the Berne Convention. Article 9 of the Berne Convention uses similar language in defining the right of reproduction as the "exclusive right of authorizing the reproduction of . . . works, *in any manner or form.*"[80]

The Chairman states that

> [t]he scope of the right of reproduction is . . . broad. *The expression 'in any form or manner'*[81] *could not have been more expansive in scope. It clearly includes the storage of a work in any electronic medium;* it likewise includes such acts as uploading and downloading a work to or from the memory of a computer. Digitization, i.e. the transfer of a work from an analog to a digital one constitutes always an act of reproduction.[82] (emphasis added)

The entire disagreement, it would seem, springs from an appreciation of the *effects* that a strict application of the reproduction right would have on the Internet user. But then, this is a question of policy.

Our legislature was well aware of Internet technology when it passed the Intellectual Property Code on 6 June 1997. In her Explanatory Note on the proposed law, Senator Gloria Macapagal-Arroyo stated that the Code *"considers recent technological developments* that have not been taken into account when the existing copyright law was promulgated 24 years ago."[83] A copyright authority notes that "[o]ur legislators saw a need to modernize our intellectual property laws. This has been achieved, as the Code provisions on copyright now take into account *technological developments such as multimedia works, digitization rights, the Internet* and other wire and non-wire modes of transmitting or communicating works to the public."[84]

The Committee of Experts to the Geneva Protocol, in considering the effects of digital works on copyright law, skirted the dilemma by providing for a specific exemption regarding the right of the Internet user to browse a document. The draft provision reads:

> [I]t shall be a matter for legislation in Contracting Parties to limit the right of reproduction in cases where *a temporary reproduction has the sole purpose of making the work perceptible* or where the *reproduction is of transient or incidental nature,* provided that such reproduction takes place in the course of use of the work that is *authorized by the author or permitted by law.*[85] (emphasis added)

In the draft treaty, a digital copy was considered part of the copyright holder's reproduction right, but exemption of transient digital copies, as by caching, was to

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[76] *Id.* This contemplates a system wherein a service provider (such as Skyinternet, Internet Manila, Philworld), desiring to provide its subscribers with the most rapid access possible to Web documents, designs its client software to include a web browser function that would provide for caching of material retrieved through the web on the service provider's host, such that if another subscriber wishes to retrieve the same material, the second subscriber can do so without the host having to retrieve the material again across the Internet. *Id.*

If a content provider were to attempt to impose restrictions on the content published on the Web (charging a fee, for example, for access to certain material), potential users might find it convenient to access the material on the intermediary host's computer, thus avoiding payment. Or, the consumer might pay once for an access to the content server, but then obtain another copy from a cached version on the provider's host and make prohibited copies of that second cached copy, arguing that the restrictions applicable to the original cached material do not apply to material accessed from the provider's host. Or caching might be used to circumvent any system on a Content Server that records 'hits' from a consumer. *Id.* at 2 n.6

[77] It should be noted at this juncture that a fair use finding is irrelevant under the theory of an implied agreement. The determination that a third party's use, as by reproduction, of copyrighted work is non-actionable *presupposes* the absence of an implied agreement. In other words, there will be no occasion to speak of fair use, where the copyright owner has given his consent by implied agreement. Fair use is a defense raised only where the use is unauthorized.

[78] R.A. 8293 § 171.9.

[79] This is the same observation made in the Memorandum of the Chairman on the Committee of Experts with regard to Article 9 of the Berne Convention. Memorandum of the Chairman on the Committee of Experts on the Basic Proposal for the Treaty on Certain Questions Concerning the Protection of Literary and Artistic Works to be Considered by the Diplomatic Conference 13, 30 August 1996 <http://www.wipo.org/eng/diplconf/4dc_all.htm> (10 November 1997).

[80] Berne Convention, *supra* note 25, art. 9.

[81] *Cf.* R.A. 8293 § 171.9.

[82] Memorandum by the Chairman of the Committee of Experts, *supra* note 79, at 13.

[83] *See* Christopher Lim, *Developments in Philippine Copyright Law,* 42 ATENEO L. J. (forthcoming February 1997) (manuscript at 4, on file with author). Copy of the explanatory note is available at Senator Roco's office, Roxas Blvd., Mla (copy on file with author).

[84] *Id.* at 3.

[85] Draft, WIPO Copyright Treaty art. 7, 13 December 1996 <http://www.wipo.org/eng/diplconf/4dc_all.htm> (accessed 29 November 1997).

be decided on the basis of a national exception. It may be significant to note that the foregoing definition received the endorsement of the Philippine delegation.[86]

In the end, the final version of the Treaty eliminated the aforementioned provision, as the issues were considered to be more properly treated "on the basis of existing international norms on the right of reproduction, and the possible exceptions to it, particularly under Article 9 of the Berne Convention."[87] Ironically, the standard of "existing international norms on the right of reproduction" set by the WIPO conference could not have been more obscurely stated. The goal of the conference had, in fact, been to set such an international norm. The sacrifice of clarity was, in all likelihood, made in diplomatic accommodation of divergent views.

Diplomatic tact notwithstanding, in the Agreed Statements concerning accompanying the WIPO Copyright Treaty, the conference participants emphasized that "[t]he reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, *fully apply in the digital environment, in particular to the use of works in digital form.* It is understood that the *storage of work in an electronic medium constitutes a reproduction* within the meaning of Article 9 of the Berne Convention."[88]

It should be noted that legal action to enforce the right of reproduction, as it particularly relates to caching, is remote. The controversy will remain, to a large part, within the confines of academic discourse. Be that as it may, the debate is fierce, since the concession that the reproduction right is inclusive of digital caching is regarded as a touchstone for copyright on the Internet. If a digital cache qualifies as a reproduction under copyright law, the protection of intellectual property on the Internet becomes concrete. Conversely, if a digital copy is excluded from the ambit of the reproduction right, the operation of copyright law becomes uncertain, and renders more invasive public exploitation of works on the Internet possible.

[86] Summary of Minutes, WIPO Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, 26 August 1997 <http:www.wipo.org/ eng/diplconf/index.htm> (accessed 20 November 1997). The Philippine representatives to the WIPO Diplomatic Conference were the following: Delegation Head Lilia R. Bautista, Ambassador, Permanent Representative, Permanent Mission, Geneva; Alternate Head Jaime Yambao, Deputy Permanent Representative, Permanent Mission, Geneva; Emma C. Francisco, Director, Bureau of Patents, Trademarks and Technology Transfer (BPTTT), Department of Trade and Industry, Manila; Jorge Cesar M. San Diego, Assistant Director, Bureau of Patents, Trademarks and Technology Transfer (BPTTT), Department of Trade and Industry, Manila; Maloli Manalastas, President, National Association of Broadcasters, Makati; Dennis B. Funa, Executive Director, Videogram Regulatory Board, Manila; Maria Rowena Gonzales, Law Reform Specialist III, Institute of International Legal Studies, University of the Philippines Law Center, Manila; Advisor Leo J. Palma, AttachÈ, Permanent Mission, Geneva. *Id.*

[87] 106 WIPO Press Release 1, WIPO Diplomatic Conference, 20 December 1996 <http://www.wipo.org/ eng/diplconf/distrib.press.htm> (accessed 29 November 1997). The Berne Convention allows national legislation to "permit the reproduction of works in certain special cases, provided that such reproduction does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author." Berne Convention, supra note 25, art. 9.

[88] Agreed Statements Concerning the WIPO Copyright Treaty, WIPO Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, 23 December 1996 <http://www.wipo.org /eng/ diplconf/distrib/96dc.htm> (accessed 21 November 1997).

An U.S. intellectual property expert, however, cautions that

> [i]f Congress should move selectively in bringing new subject matter into copyright, it should move promptly and comprehensively to bring new technological uses of literary and artistic works under copyright control. The reason lies in the politics of entrenchment. Once a technology is widespread, and individuals get accustomed to using it for free, it is virtually impossible to get Congress to prohibit its use.

And when Congress equivocates on liability, the Supreme Court will refuse to interpret ambiguous statutory language as encompassing new technological uses. But markets for new uses can substantially, if not completely, displace markets for old uses. Uncontrolled use in new markets not only can deprive producers of the revenues they need to continue doing their work, but may also muffle the signals they need to hear about popular preference. No one, not even the most ardent copyright pessimist, has sought to rebut the argument that the production and consumption of information are connected, and that there is no better way for the public to indicate what they want than through the price they are willing to pay in the marketplace. Uncompensated use usually dilutes these signals.[89]

It may be interesting to note that the White Paper allots summary treatment to the operation of fair use on the Internet. The White Paper, a copyright advocacy document, minimizes discussion on the fair use aspect for use of works, possibly fearing an expansive application of fair use.[90]

The proponent is, however, of the view that the incidental creation of a digital cache may be understood to be embraced under the fair use doctrine. Bruce Lehman, beleaguered Chairman of the IITF Working Group, also U.S. Secretary of Commerce and Commissioner of Patents and Trademarks, in defending his *chef d'ouevre*,[91] vaguely indicated that this was a possibility:

> [J]ust because a copy is made does not necessarily mean that an infringement has occurred. If copying is authorized by the copyright owner, *exempt from liability as a fair use*, or otherwise exempt under the Copyright Act, or of such a small amount as to be *de minimis*, then there will be no infringement liability. Therefore, the mere fact that a Web browser is copying copyrighted material does not necessarily mean that the browser is a copyright infringer.[92] (emphasis added)

[89] PAUL GOLDSTEIN, COPYRIGHT'S HIGHWAY: THE LAW AND LORE OF COPYRIGHT FROM GUTENBERG TO THE CELESTIAL JUKEBOX 216 (1994).

[90] *See generally* Anne K. Fujita, The Great Internet Panic: How Digitization is Deforming Copyright Law, 2 j. TECH. L. & POL'Y 1 (1996) <http://journal.law.ufl.edu/~techlaw/ 2/fujita.html> (accessed 5 April 1997); *see also* Litman, *supra* note 69, at 2.

[91] Referring to the White Paper, *see supra* note 22.

[92] Response by Bruce A. Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks to Law Professors' Open Letter, 28 February 1996 <http://www.clark.net/pub/rothman/ boyle.htm> (accessed 10 April 1997).

In part, the mixed reviews that the White Paper has received spring from the fact that it champions the copyright holders' interests, but is silent with respect to users' rights, save in the case of certain special exemptions applicable only to select groups.[93]

a. Fair Use

Although the term fair use is first encountered in our jurisdiction in Section 177 of the new Code, it is not an alien concept. Fair use is essentially a defense against a claim for copyright infringement, or a limitation on copyright. The old copyright law, Presidential Decree No. 49, provided for such limitations on copyright.[94] The new law retains special exceptions, but takes this a step further by adopting *verbatim*[95] the wording of the U.S. Code on fair use.[96] It is significant to note that this adoption enables us to refer to U.S. jurisprudence on fair use as persuasive authority.

Fair use allows for reasonable and carefully delimited use of copyrighted work by the public but, as its name suggests, the use that is permitted is generally fair and reasonable. Under the operation of this doctrine, a third party's use of property, which would otherwise constitute infringement of the copyright holder's exclusive rights, must be tolerated by the owner. Since copyright infringement occurs when unauthorized use of the work is made by a third party, fair use is a defense to a claim for copyright infringement. For instance, fair use of "copyrighted work for criticism, comment, news reporting, teaching, including multiple copies for classroom use, scholarship, research, and similar purposes"[97] is not considered an infringement of copyright.

In determining whether the use of a work in a particular case is fair use, the factors to be considered include: first, the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes; second, the nature or the work; third, the amount and substantiality of the portion used in relation to the work as a whole; and finally, the effect of the use upon the potential market for or value of the work. Fair use is certainly available as a defense to defeat a claim for infringement with respect to digitized works on the Internet. Fair use, for instance, will permit one to quote or copy a small part of another's electronic mail message.

93 *See generally* Fujita, supra note 90; and Litman, *supra* note 69.

94 Special exceptions to copyright holder's exclusive rights still exist in order to balance copyright prerogatives against protection for special groups; thus, education, scientific research, public information and handicapped groups are allowed exceptions to copyright as extraordinary sources of information. Although numerous, these various specialized exemptions are narrow and only apply to special groups. These provisions do not adequately justify digital reproductions made by browsers.

95 The adoption of the U.S. Code's provisions on fair use was recommended by Atty. Christopher L. Lim (Partner at Quisumbing, Torres, and Evangelista Law Offices and professorial lecturer in intellectual property law at the Ateneo de Manila University School of Law), also thesis adviser of the proponent. Interview with Atty. Christopher L. Lim, *supra* note 41.

96 United States Copyright Act of 1976, 17 U.S.C.A. § 107.

97 R.A. 8293 § 185.

The fair use doctrine calls for a case-by-case analysis, in which all of the aforementioned factors "are to be explored and the results weighed together, in light of the purposes of copyright."[98]

i. Purpose and Character of the Use

The first factor evaluates the purpose and character of the defendant's use, distinguishing between commercial and nonprofit or educational purposes. Generally, when the work is used for commercial purposes, a presumption of unfair use exists.[99] The presumption, however, is rebuttable.[100] Notably, the commercial nature of the use is not of itself determinative. Thus, if the use, "though commercial, also benefits the public in allowing for the functioning of the Internet and the dissemination of other creative works,"[101] then this factor may be appreciated in favor of the defendant.

Application of this factor supports a finding of fair use. Incidental digital copies created to make a document perceptible to the Internet user, in itself represents no commercial value. While the Internet user benefits in the sense that he is thereby allowed to view the document, this is not the kind of commercial or financial gain that should be excluded by the fair use provision.[102]

ii. The Nature of the Work

This factor provides that "the closer the copyrighted work is to the core of intended copyright protection, the more difficult it is to establish the fair use defense."[103] In weighing this factor, one consideration is whether the copyrighted work is informative or creative,[104] published or unpublished.[105] U.S. courts have, in certain cases,[106] made the determination that the precise nature of the work copied

98 Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994) (reporter not available) <http:www.findlaw.com/scripts/getcase...26&linkurl=http://fairuse.stanford.edu> (accessed 20 November 1997).

99 Sony Corp. v. Universal City Studios, 464 U.S. 417, 451 (1984). "The Sony presumption was of greatest applicability in the context of verbatim copying," greater leeway being given to "commercial but transformative uses." White Paper, *supra* note 22, n.237.

100 *Sony*, 464 U.S. 451.

101 Religious Technology Center v. Netcom On-Line Communication Services 907 F. Supp. 1361, *12-13 (N.D. Cal. 1995) (reporter not available) <http://www.loundy.com/cases/ rtc_v._netcom.html> (accessed 10 November 1997).

102 *Netcom*, 907 F. Supp. 1361, at *12 . Where the Internet user incurs no liability, as a rule, there is no reason for holding the bulletin board systems operator liable for infringement. In the case of an access provider, it has been held that if "its financial incentive is unrelated to the infringing activity and [it] receives no direct financial benefit from the acts of infringement," then it should not be held liable for its activities. *Id.*

103 *Acuff-Rose*, 510 U.S. 569, at *8.

104 Mere data as such is not protected by copyright. R.A. 8293 § 175. Hyper-text links (likened by some copyright specialists to street signs) are not creative expression; consequently, the placement of links on a web page will not give rise to liability for copyright infringement.

105 *Netcom*, 907 F. Supp. 1361, at *13. E.g. some fair use exceptions apply only to published work.

106 *See id.; see also* Sega Enters. v. Accolade, 977 F.2d 1510 (9th Circ. 1992).

is irrelevant. This was the case for a U.S. Internet service provider, due to the court's determination that it had merely facilitated the posting of certain works to a Usenet.[107]

A similar conclusion may be anticipated for digital caching since the reproduction is made incidental to the viewing of a document. In other words, the digital form in which the work is handled requires that it be viewed by means of the creation of a digital cache. This particular purpose should, however, be differentiated from other uses to which the work may be applied, which may or may not be an infringement of copyright.

iii. Amount and Substantiality of the Portion Used

The third factor addresses the percentage of the work that was copied and whether that portion constitutes the 'heart' of the work.[108] As a rule, no more of a work may be copied than is necessary for the particular use.[109] The copying of an entire work will ordinarily militate against a finding of fair use, although this is not *per se* determinative.[110]

In certain cases, copying of the entire work has been permitted by U.S. courts. For instance, in *Sony v. U.S.*,[111] total copying was allowed in the context of time-shifting television shows by home viewers. Likewise, in *Sega v. Accolade*,[112] the court made a finding of fair use, despite total copying which necessary to carry out the defendants' purpose of reverse engineering software to capture the ideas underlying the source code.

The finding of fair use in *Accolade* argues strongly in favor of a similar determination in the case at bar. While a cached copy contains a replica of all the data in the document (there is total copying), this factor does not in and of itself preclude a finding of fair use.[113] In *Accolade*, it was held that disassembly of copyrighted object code was fair use, considering that disassembly was the only

[107] A Usenet has been described as a community of electronic BBSs closely associated with the Internet community. The messages in Usenet are organized into thousands of topical groups. As a Usenet user, you read and contribute ('post') to your local Usenet site. Each Usenet site distributes its users' postings to other Usenet sites based on various implicit and explicit configuration settings, and in turn receives postings from other sites. DANIEL P. DERN, THE INTERNET GUIDE FOR NEW USERS 16 (1994).

[108] Harper & Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 564-65.

[109] Sony, 464 U.S. 449-450.

[110] *Id.*

[111] *Id.*

[112] Sega Enters. Ltd. v. Accolade, Inc., 977 F.2d 1510 (9th Circuit 1992) (fair use found despite total copying where total copying was necessary to carry out the defendants' beneficial purpose of reverse engineering software to get at the ideas found in the source code).

[113] *Id. Cf.* R. A. 8293 § 185. Reverse engineering is a process whereby the manufacture or construction of an item is deduced without the reverse engineer having access to its design plans or originator. Often applied in attempts to pirate technology. WILDING , supra note 28, at 214 (1997).

means of access to those elements of the code that were not protected by copyright.[114] In much the same way, it may be argued that the digital technology of the Internet requires that the user's computer create a digital copy, which is the only means available to the Internet user for viewing documents on the Web.

In *Accolade*, the court noted the beneficial purpose subserved by the total copying of the work;[115] in the case of digital caching, a specific public interest objective may likewise be observed. We note that the creation of a digital cache is inherent in the technology of industry standard web browsers; it has the end in view of accelerating the flow of information on the Internet and minimizing network traffic. Since the Internet is a vehicle for ensuring "market access for our products,"[116] and diffusing "knowledge and information for the promotion of national development and progress and the common good,"[117] the beneficial purpose is clearly present.

iv. Economic Effect of the Use

The fourth factor relates to the "extent of market harm caused by the alleged infringer" and "whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market for the original."[118] U.S. courts have identified this as the weightiest consideration.[119] It is important to note that this factor is applied not only when a current market exists for a particular use, but also when a potential market could be exploited by the copyright owner.[120] "Harm in either market will, in most instances, render a use unfair."[121]

Application of this factor also supports a finding of fair use. The creation of a digital cache for private viewing of a document will not affect the economic value of the market for the work,[122] as it is, again, necessary in order to make digitized work perceptible, as well as to hasten the flow of information on the Internet. While the digital cache is an incident to the transfer of information on the network, and does not bar a fair use determination, this must be distinguished from other instances of digital reproduction.

Conceivably, the user can create a hard copy of the document, which he can reproduce and sell to third parties. In this case, the reproduction right of the copyright holder will, in all likelihood, have been infringed, not by reason of the

[114] *Accolade*, 977 F.2d 1510, 1526-27.

[115] *Id.*

[116] R. A. 8293 § 2 (1997).

[117] *Id.*

[118] *Acuff-Rose*, 510 U.S. 569, at *10.

[119] Harper &. Row v. Nation Enters, 85 L.Ed.2d 588, 566 (1985).

[120] White Paper, *supra* note 22, at 73 n. 251.

[121] *Harper &. Row*, 85 L.Ed.2d 588, 569.

digital cache, but by virtue of the subsequent acts of reproduction (print-out and photocopies, but not the cached copies) and distribution.[123]

v. Balancing of Factors

The fair use provision is not an undeviating test. In appreciating fair use, the factors "are to be explored and the results weighed together, in light of the purposes of copyright."[124] The purpose of copyright in this case being its beneficial social function, to which end the state shall "promote the diffusion of knowledge and information." Considering the foregoing evaluation, and in line with the beneficial objective of diffusing information, a determination in favor of fair use is in line with the purposes of copyright law. In sum, infringement should not be charged in digital reproductions, where digital caching is made incidental to the perception of documents on the network.

b. Recapitulation

The preceding discussion has advocated recognition of the copyright holder's reproduction right on the Internet. It specifically proposes that a reproduction in "any form or manner" should encompass the digital cache made incidental to viewing documents on the Web.

Concededly, legitimate public interest must also be safeguarded. Persuasive arguments have been advanced with this end in view. Short of endorsing the abolition of all copyright on the Internet,[125] the theories of implied consent and a public right to read have been deemed by some copyright writers as palatable alternatives.

However, it is the exclusion of digital caching from the copyright holder's exclusive by applying the fair use exception that proves convincing. Within the framework of fair use, public use is safeguarded by law, while copyright prerogatives are not compromised.

2. THE DISTRIBUTION RIGHT

a. Convergence of Rights

It has been shown that digital copies may be considered as electronic analogues to traditional reproductions. Taking this a step further, it has been argued that electronic transmissions should be considered equivalent to acts of 'distribution'.[126]

[122] *But see supra* note 76.

[123] The sale, however, will affect not the reproduction, but the copyright holder's distribution right.

[124] *Acuff-Rose*, 510 U.S. 569, at *5.

[125] *See generally* Barlow, *supra* note 20.

The authors of the White Paper press for an amendment of copyright law to reflect this interpretation. They explain that:

> [t]he proposed amendment does not create a new right. It is an express recognition that, as a result of technological developments, the distribution right can be exercised by means of transmission.[127]

While the White Paper recommends statutory amendment, it submits that legislative revision is not a prerequisite.[128] The White Paper seeks to clarify that there is no reason to treat works that are distributed in copies by means of transmission differently than works distributed in copies to the public by other, more conventional means. Copies distributed via transmission are as tangible as any distributed material over the counter or through the mail.[129] This statement, deceiving in its simplicity, is loaded with legal implications.

The White Paper's interpretation appears to have found support in the discussion of a Florida district court in *Playboy Enterprises v. Frena*.[130] The court's opinion is instructive on the reach of the copyright holder's distribution right relative to electronic transmissions on the Internet.

The defendant in this action was George Frena, the operator of a bulletin board system (BBS) named *Techs Warehouse BBS*, while the plaintiff, Playboy Enterprises, Inc. (PEI), held copyright to some 170 adult pictures.[131] PEI alleged that Frena had infringed its copyright, by allowing subscribers to upload[132] and download[133] its works on the bulletin board. The judge interpreted the unauthorized downloading of digitized photographic images by subscribers of a bulletin board system as an infringement on the copyright holder's *distribution right*, and held the operator of the service accountable. The court also concluded that the display rights of PEI had been infringed upon by Frena.[134]

Despite this ruling, in *Sega Enterprises Ltd. v. MAPHIA*,[135] a California district court construed the use of a bulletin board system for the distribution of copies of

[126] *See e.g.* ROSE, *supra* note 36, at 85.

[127] White Paper, *supra* note 22, at 213.

[128] *Id.*

[129] *Id.*

[130] Playboy v. Frena, 839 F. Supp. 1552 (M.D. Fla. 1993) (reporter not available) <http://seamless.com:80/rcl/playb.html> (accessed 19 July 1997).

[131] *Frena*, 839 F. Supp. 1552, at *5.

[132] A process whereby data is transferred electronically from a "host" computer to a terminal or PC. In this case, the process of transferring the image from one's personal computer to the bulletin board. Frena, 839 F. Supp. 1552, at *2 n.1.

[133] The process of transferring the image from the bulletin board to one's personal computer. *Frena*, 839 F. Supp. 1552, at 2 n.3.

[134] *See infra*, discussion on the right of public display, at p.50.

[135] Sega v. MAPHIA, 857 F. Supp. 679 (N.D. Cal. 1994) (F. Supp. not available) <http://www.Loundy.com/

copyrighted video games to be an infringement on the *reproduction* (not the distribution) right. According to District Judge Wilken, "copies were made when the Sega game files were uploaded to or downloaded from Scherman's BBS. Thus, copying by someone is established."[136]

It is apparent from a reading of these cases that the exclusive rights of the copyright holder are not easily differentiated when applied to digital works. On similar facts, two judges identified different copyright prerogatives to have been involved. Since in both cases, infringement had been established, it was theoretically unnecessary to make neat distinctions. The need for exercising greater care in differentiating the rights of the copyright holder will soon become clear.

It appears from a reading of these cases, that apart from the right of *distribution*, the copyright owner's exclusive right of *reproduction* is implicated on the occasion of an electronic transmission. In the process of transmitting a file to a remote computer, the sender's computer will retain the original document, although an identical copy of the file will reach the recipient's terminal.

Transfers of physical objects are unlike electronic transfers. With physical objects, the transfer necessarily deprives the holder of possession of his copy. In contrast, the transferor in an electronic transmission retains his original copy when he makes a transfer to another. In the latter case, the sender actually creates a digital copy of the work. It is this copy that is transmitted to the recipient. Hence, it is said that an electronic transmission implicates both the reproduction and the distribution rights.

b. The First Sale Doctrine

The convergence of the distribution and reproduction rights in an electronic medium specially complicates the application of the "first sale doctrine." In practical terms, the first sale doctrine enables transfers (subsequent to the initial distribution) to be made from wholesalers to retailers to consumers and to more consumers, all without permission from the copyright owner. While a material object, like a book, can only be passed on by the first purchaser as the same tangible object, in the case of Internet technology, the same digitized book can be transmitted instantaneously to any desired number of Internet users in identical form, while the sender retains the file in his own system. In a single transmission, two identical copies are created where before only one file.[137]

The distribution right is defined in Section 177.3 of the Code as the copyright owner's control of the "first public distribution of the original and each copy of the work by sale or other forms of transfer of ownership."[138] Digitized work transmitted to others on the Internet is considered 'distributed' for purposes of copyright law. Accordingly, "[e]verytime a file is moved within or between computer systems, it

CASES/Sega_v_MAPHIA.html> (accessed 24 December 1997).

[136] *Id.* at 12.

[137] White Paper *supra* note 22 at 95.

results in . . . 'distributing' that file to other systems. Every message and file maintained on an online system for online system users can be considered "massively" distributed to all those users."[139]

The distribution right is restricted to the first public distribution. Stated differently, the copyright holder has the right to control the initial distribution of his work, but once ownership of a particular copy has been transferred, the copyright holder's rights with respect to the same copy is extinguished. This limitation is also known as the first sale doctrine. The first sale doctrine is a limitation on the copyright holder's control of the distribution of his work.

The first sale doctrine is meant to operate as a reasonable limitation on the distribution right, but the doctrine makes significant inroads on this prerogative when applied to the Internet's digital network.[140] By virtue of the first sale doctrine, an Internet user who legally obtains a copy of a document is permitted to transmit it to others without infringing on the distribution right of the copyright owner. Theoretically, the first sale doctrine would enable the sender to retransmit reproductions of the same document any number of times, while still retaining his original copy. An author explains:

> [i]f everyone who downloads a file of a copy to their own computer is equivalent to the buyer of a book, then the first sale doctrine could give them the right to freely redistribute those copies to everyone else on the Net, at any price or for free. This means that every new online work could spread like wildfire through the Net, and the copyright owner would lose all ability to charge a fee or money for it.[141]

The copyright holder's distribution rights will have been weakened, due to the emergence of a market for 'second-hand' items, to which copyright has been extinguished.

For example, writers of popular books will have to live with the fact that, thanks to the first sale doctrine, an aftermarket of used books will eventually arise to compete with new editions of their works. This puts a limit on the profits a copyright owner can wring out of his or her work, while the public gets the continuing ability to recirculate existing copies.[142]

It is important to note that, unlike in the case of tangible objects, where copies of works are generally inferior in quality to the original, digitized works on the Internet are transmitted in identical copies. High quality "second hand" items can be circulated on the global network at virtually no cost to the users, albeit at the

[138] R.A. 8293 § 177.3.

[139] ROSE, *supra* note 36, at 85.

[140] *Id.* at 67.

[141] *Id.*

expense of creators. This appears to be contrary to the intent of the law to afford protection to creators of intellectual property, although the social objective of the law is overwhelmingly satisfied.

Copyright advocates, displeased with this development, assert that first sale exemption should not apply to works found on the Internet.[143] The White Paper avers that the first sale [doctrine] . . . should not apply with respect to distribution by transmission, because transmission by means of current technology *involves both the reproduction of the work and the distribution of that reproduction.* In the case of transmissions, the owner of a particular copy does not "dispose of the possession of that copy . . . ." A copy of the work remains with the first owner and the recipient of the transmission receives another copy of the work.[144]

Since an electronic transmission implicates both the distribution and reproduction rights, it is argued that the first sale doctrine (which is a restriction on the distribution right alone) does not permit the creation of digital reproductions as well.

The WIPO Copyright Treaty, in side-stepping this issue, makes resolution thereof a domestic concern. Thus:

> (1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing the making available to the public of the original and copies of their works through sale or other transfer of ownership.
>
> (2) Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, *under which the exhaustion of the right in paragraph (1) applies after the first sale or other transfer of ownership of the original copy of the work with the authorization of the author.*[145]

While the Treaty's language succeeds in accommodating disparate views with regard to the first sale doctrine and Internet technology, it is remiss in its contribution towards achieving a uniform international standard of protection for copyright.

It should be underscored that the first sale doctrine restricts the right of distribution alone (unlike the fair use provision, which cuts through the panoply of exclusive rights). As the White Paper would emphasize, the first sale doctrine permits the transmission of the work, but not the reproduction thereof. Consequently, while there is no infringement of the distribution right when a copy of a document is transmitted subsequent to the first sale, the reproduction right is a prerogative that the copyright holder has not been ceded by virtue of this first transfer.

The courts in *Frena* and *Sega* selected which particular aspect of copyright to

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142 *Id.*

143 *See id.* at 85-86.

144 White Paper, *supra* note 22, at 93.

measure infringement against, to the exclusion of other copyright attributes. In these instances, it appears that possible infringement of other rights had no bearing on the court's decision, since an infringement of any one of the copyright holder's rights would have sustained the same outcome. Nevertheless, the fact that any one right had been infringed should not mean that only this one right is applicable.[146] It has been shown that in Internet transactions, such as in downloading and uploading of documents, more than one right may be involved. In the case of an electronic transmission, the rights of reproduction and distribution are implicated. Infringement must be appraised on the basis of both rights.

It is true that the intellectual property serves an underlying social function.[147] Arguably, digital technology opens up a wider market base for works, and these works can be distributed at lower production cost. As a result, there is some level of compensation to the copyright holder for any diminution of his distribution rights in this medium. The burgeoning growth of the Internet is evidence that content providers[148] have not been dissuaded from providing Internet content for want of a more aggressive copyright campaign. Nevertheless, it is submitted that intellectual creation is entitled to reasonable protection on the Internet. Even if creators will create without recompense, some form of recognition is legally and morally due.

The application of the first sale doctrine on the Internet produces an erosion of copyright. Unlike in the case of digital caching previously discussed, wherein the diminution of public use is rescued by the fair use provision, the first sale doctrine would allow untrammeled public access to an aftermarket of works identical in content and quality to the original.

> While it is true that every file transfer on would be within the copyright holder's control, there are other factors that will keep files moving on the Net[,] [such as], . . . the continuing use and development of shareware and other file distribution schemes that depend on wide distribution, rather than strict control, to achieve the copyright owner's goals.[149]

Consequently, the proponent supports the position that the first sale doctrine should not apply to digitized works on the Internet. The reason is that the first sale doctrine, which may well limit the *distribution right*, likewise does not permit an Internet user to distribute legitimately acquired copies to subsequent users.

To illustrate this point, an Internet user who legitimately acquires a copy of copyrighted work (e.g. by downloading a file for a fee at the official web site), then creates a print-out, reproduces and distributes copies of the material will, as a rule, be considered liable for infringing the reproduction right. His liability with regard

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145 WIPO Copyright Treaty, *supra* note 31, art. 6.

146 White Paper, *supra* note 22, at 211.

147 R.A. 8293 § 2.

148 Content providers are those persons who make resources, information and services available on the Internet. Material placed on the Internet is defined as 'Internet content.'

to the first sale doctrine depends on its applicability: if the first sale doctrine applies to protected works on the Internet, the user will not be liable for the subsequent *distribution* of the work. Conversely, if first sale is not applicable, the Internet user will also be liable under the distribution right. In any case, infringement may be charged for a violation of the *reproduction* right of the copyright owner.[150]

Undoubtedly, creators may and do donate work to the public domain for unrestricted public use. Further, there is a vast collection of works to which copyright has been extinguished, or to which copyright has never attached, such as any "idea, procedure, system, method or operation, concept, principle, discovery or mere data as such, news and items of press information, the official text of a legislative, administrative or legal nature."[151] There are other provisions exempting use of works by selected groups. Traditionally, use of these works is unregulated by copyright; this privilege equally applies to digitized works on the Internet.

With regard to protected works, the law should not be construed in such a manner as to undercut the legitimate protection and profits of the copyright owner in favor of openhanded public use. In line with the basic premise of protecting copyright, the first sale doctrine should not apply to protected works on the Internet.

c. The Importation Right

Corollary to the discussion on the distribution right, it may be appropriate to raise the question of whether the importation right may be implicated when a copy of a work is transmitted via international communication channels.[152] The importation right can be appreciated as an outgrowth of the distribution right, referred to in Section 177.3, which establishes the right to the first public distribution.[153]

An existing ambiguity must first be clarified: While Section 177.3 refers to an exclusive right of first distribution, this right also includes the right of importation, which appears to be the intended goal.[154] Reference can be made to Section 190, which establishes a limited exception to the importation right,[155] although the

[149] ROSE, *supra* note 36, at 86.

[150] Fair use, which undercuts all exclusive rights (i.e. may excuse the exercise of both reproduction and distribution rights), may nevertheless be a viable defense on a case to case basis.

[151] R.A. 8293 § 175.

[152] White Paper, *supra* note 22, at 221.

[153] Note the limited exception to the importation right in Section 190 of the Code. Actually, the exception permitting an importation for personal purposes is a limitation on the distribution right (R.A. 8293 § 177.3) and not the public performance right (R.A. 8293 § 177.6) despite the erroneous cross-reference thereto.

[154] Memorandum from Steven Metalltz to Sean Murphy et al., 31 July 1997, on Issues and Proposals on Implementing Rules and Regulations for R.A. 8293 (on file with the writer) [hereinafter Memorandum, Metalltz].

[155] Referring to importation for personal purposes. R.A. 8293 § 190. Also called "suitcase" importations.

statutory cross-reference is to Section 177.6, which is the public performance right.[156]

This error appears to be a mere mistake in drafting. Notably, the old law already provided for an importation right to the copyright holder as an accessory to the distribution right. Atty. Ignacio Sapalo, former Director of the Bureau of Patents, Trademarks, and Technology Transfers (BPTTT), writes that:

> [t]he economic impact of the grant of the distribution right to the copyright owner is significant. On the basis of the grant of this right, the copyright owner would exercise a high degree of control on the commercialization of the product to which the right attaches, e.g. *the right to import* or to market a product within a particular jurisdiction.[157] (emphasis added)

The proponent recommends that, in line with the foregoing discussion, a digital transmission be deemed equivalent to an importation under copyright law. This view is in accordance with the recommendations made in the Working Group's White Paper as well as in the WIPO Draft Treaty.[158]

The White Paper urges that prohibitions on importation be amended to reflect the fact that, "just as copies of copyrighted works can be distributed by transmission in the United States, they can also be imported . . . by transmission."[159] Accordingly, the Working Group notes that

> [c]ross-border transmission of copies of copyrighted works should be subject to the same restrictions as shipping them by airmail. Just as the distribution of copyrighted work is no less a distribution of copies by mail, the international transmission of copies of copyrighted works is no less an importation than importation by mail.[160]

The law, which has traditionally prohibited the importation of bootlegged articles, does not penalize 'parallel importation' of authorized copies of work.[161]

White Paper, *supra* note 22, at 221.

[156] The right to import without authorization of a copy of a work for personal, government, or specified charitable, educational and similar purposes is an exception to the distribution right only, not the public performance right. Memorandum, Metalltz, *supra* note 154.

[157] SAPALO, *supra* note 39, at 146.

[158] The Philippine Delegation had reservations about the advisability of including an importation right as being "trade restrictive, [as] the issues could be appropriately handled by contract law." The proponent is of the opinion that in fact, contract law may allow importation of works, but the right must be specifically ceded by the copyright owner. Summary of Minutes, WIPO Diplomatic Conference on Certain Copyright and Neighboring Rights Questions 45, 26 August 1997 <http:www.wipo.org/eng/diplconf/ index.htm> (accessed 20 November 1997).

[159] White Paper, *supra* note 22, at 221.

[160] *Id.*

[161] Interview with Atty. Christopher L. Lim, *supra* note 41.
The statutory cross-reference is provided in R.A. 8293 § 190.3, which reads as follows:
Subject to the approval of the Secretary of Finance, the Commissioner of Customs is hereby empowered to make rules and regulations for preventing the importation of articles the importation of which is prohibited under this Section and under treaties and conventions to which the Philippines may be a party and for seizing and condemning and disposing of the same in case they are discovered after they

Parallel importation by transmission should not be understood on the same terms, considering that the importer is in fact brining in, not the same physical work, but a reproduction thereof (a digital copy of the work). With physical works, an authorized item may be imported in the same form into the Philippines; but parallel importation has never allowed the importer to *reproduce* the work, then to import the reproductions. The argument is in line with the reasoning used for excluding the first sale doctrine in terms of electronic transmissions.

It should therefore be understood that digital transmissions constitute an importation of the work. The preceding discussion clarifies that parallel importation of a reproduction by transmission are not permitted under the law.

e. Technological Considerations

Technology itself is said to be the appropriate response to Internet technology. Technological advances may make issues on copyright, such as the application of the first sale doctrine, a moot point. New developments in encryption and prior payment systems may supply the most effective protection against infringement. However, there is a "finger-in-the-dike"[162] aspect to this form of response. Any technological solution is likely to have a limited shelf life.[163] Technology can always be counteracted with newer technology designed to circumvent the old. For this reason, technological measures, cannot stand alone, and must work together with, and supplement, copyright law.

3. THE RIGHT TO DISPLAY A WORK PUBLICLY

Fewer complications arise with regard to the application of the right of public display, which is another economic right of the copyright holder, defined as the right to the "public display of the original or a copy of the work."[164] A display is deemed public if it is made available in a "place or places where persons outside the normal circle of a family and that family's closest social acquaintances are or can be present, irrespective of whether they are or can be present at the same place and at the same time, or at different places and/or at different times."[165]

Since the display right may involve a copy of the work, when a digitized version of an illustration (usually created by scanning of a hard copy and conversion into proper format by means of appropriate software) is posted on a website without

have been imported.

[162] *Id.* at 1.

[163] Dominic Bencivenga, *Protecting Copyrights: Law and Technology Out of Sync in Digital Age*, NEW YORK L. J. 3, 16 October 1997, <http://www.ljx.com/copyright/1016cpdig.html> (accessed 29 October 1997).

[164] R.A. 8293 § 177.5.

[165] R.A. 8293 § 171.8. It is submitted that a display is 'public' on the same terms as a performance. A home page in this instance, is not a 'private' display area, considering that any number of people have access to the site. Making an unauthorized posting of copyrighted material on a web page belonging to another should therefore be understood to infringe on the public display right of the copyright holder.

consent or authorization from the copyright holder, it will be considered an infringement of this exclusive right. This was demonstrated in *Playboy v. Frena*,[166] which held a systems operator liable for having violated Playboy Enterprises' right of public display when it allowed its subscribers to upload digitized pictures onto its bulletin board. The right to display a work does not require a determination of whether a work is being distributed or reproduced at the same time, as mere posting completes the act. Prior acts, such as the scanning of a picture and its storage would nevertheless affect the copyright holder's reproduction right.

4. OTHER COMMUNICATION TO THE PUBLIC

A few observations may also be made with respect to the copyright owner's right of communication to the public. "Communication to the public" is defined in the Code[167] as "the making of a work available to the public by wire or wireless means in such as way that members of the public access these works from a place and time individually chosen by them."[168] The employment of the term 'any' "emphasizes the breadth of the act of communication."[169] The conduit, wire or wireless means, encompasses Internet communications which do not fall under the definition of the copyright owner's other exclusive rights, such as "on-demand interactive transmissions on the Internet."[170]

In the Internet context, this provision targets bulletin board systems and Internet service providers, since the relevant act is *making the work available* by providing access to it,[171] but not by mere provision of "server space, communications connections, or facilities for the carriage and routing of signals."[172] According to the Chairman of the WIPO Committee of Experts, "communication of a work" can involve a "series of acts of transmissions and temporary storage, such incidental storage being a necessary feature of the communication process."[173] If the work is made available to the public at any point, this would constitute an act of communication. This provision highlights the intent of the law to provide copyright holders control over other uses involving pecuniary benefit from a dissemination of the work.

[166] Playboy v. Frena, 839 F. Supp. 1552 (M.D. Fla. 1993) (reporter not available) <http://seamless.com:80/rcl/playb.html> (accessed 19 July 1997).

[167] R.A. 82943 § 171.3.

[168] *See* WIPO Copyright Treaty, *supra* note 31, art. 8, which recommends the approval of this provision.

[169] *Id.*

[170] 106 WIPO Release 1, *supra* note 79.

[171] Memorandum by the Chairman of the Committee of Experts, *supra* note 79, at 21.

[172] *See* 106 WIPO Press Release, *supra* note 87.

5. OTHER ECONOMIC RIGHTS

Other economic rights of the copyright holder require no further comment, or otherwise are not part of the main focus of this discussion. Suffice it to state that in the case of transformative uses,[174] unauthorized modification of the work in digital form will also result in liability on the part of the infringer.

The public performance right is more appropriately discussed with regard to video or music files,[175] as the prerogative is limited to audiovisual works and sound recordings. The rental right, another new provision in the Code is excluded from the discussion, as it is inapplicable to digitized images.

6. MORAL RIGHTS

Independently of economic rights, copyright law recognizes *le droit d'auteur*, or moral rights, of the author of copyrighted work. The Intellectual Property Code, like its predecessor, defines moral rights as the right of the creator:

> 193.1 To require that authorship of the works be attributed to him, in particular, the right that his name, as far as practicable, be indicated in a prominent way on the copies, and in connection with the public use of his work;
>
> 193.2 To make alterations of his work prior to, or to withhold it from publication;
>
> 193.3 To object to any distortion, mutilation or other modification of, or other derogatory action in relation to his work which would be prejudicial to his honor or reputation; and
>
> 193.4 To restrain the use of his name with respect to any work not of his own creation or in a distorted version of his work.[176]

A digital medium creates opportunities for users to make use of, alter, and otherwise exploit, in whole or in part, the works of others. Traditional technology has previously been able to provide some built-in protection for author's moral rights, which accounts for the reason that this has not been a critical problem.[177] With traditional works, it was cumbersome to violate an author's moral rights extensively:

[173] Memorandum by the Chairman of the Committee of Experts, *supra* note 79, at 13.

[174] R.A. 8293, § 177.2.

[175] The WIPO Diplomatic Conference on Certain Copyright and Neighboring Rights Questions treats the matter of performances and phonograms in a separate treaty.

[176] R.A. 8293 §193.

> To violate an author's right of paternity in a book by disguising its true author with any degree of credibility, or to alter the text in any way by adding or deleting words or sentences, thus violating an author's right of integrity, one would have to reprint the book . . . . The expense, time, and effort required to work with traditional technology discourages most would-be violators. Giving the difficulty to the average user of first mutilating, and then distributing, an author's work with traditional technology, the risk of it occurring is very small.[178]

The arrival of digital technology trebles the threat to the author's moral rights. Unlike the influential entertainment, publishing and software industries, authors do not have the financial backing to adequately protect themselves from infringers who alter, abridge, translate or otherwise use their copyrighted works online.

In response to this situation, proposals have been made for the introduction of "rights management information," a copyright notice for online works, designed to better safeguard moral rights of creators. In Section 192 of the Code, "each copy of a work published or offered for sale may contain a notice bearing the name of the copyright owner, . . . the year of its first publication, and, in copies produced after the creator's death, the year of such death."[179] In other words, the option of placing a copyright notice belongs to the copyright owner.

The WIPO Copyright Treaty makes the following recommendation:

> (1) Contracting Parties shall provide adequate and effective legal remedies against any person knowingly performing any of the following acts knowing, or, with respect to civil remedies, having reasonable grounds to know that it will induce, enable, facilitate or conceal an infringement of any right covered by this Treaty or the Berne Convention:
>
> (i) to remove or alter any electronic rights management information without authority;
>
> (ii) to distribute, import for distribution, broadcast or communicate to the public, without authority, works or copies of works knowing that electronic rights management information has been removed or altered without authority.
>
> (2) As used in this Article, "rights management information" means information which identifies the work, the author of the work, or information about the terms and conditions of the work, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of the work or appears in connection with the communication of a work to the public.[180]

[177] Fujita, *supra* note 90, at 1.

[178] *Id.*

[179] R.A. 8293 § 192.

[180] WIPO Copyright Treaty *supra* note 31, art. 12. There is a mirror provision in the White Paper, *supra* note

Copyright law already protects the moral rights of the author, and a provision for "rights management information" protecting online works is reflected in the author's option of providing a copyright notice. However, on the Internet, a common standard for recognition of *droit d'auteurs* will be augmented by the enforcement of information rights management systems. The significance of the treaty provision is in its introduction of a uniform rule for state parties, making the alteration of rights management information an infringement of copyright enforceable in other countries, particularly in those that have inferior standards for the protection of moral rights. With the vulnerability of authors' rights in this environment, rights management information can provide an additional deterrent against infringement.

B. Recapitulation

This discussion has had the objective of establishing a framework based on which copyright protection may be understood to extend to digitized works on the Internet. The foregoing proposals do not necessitate statutory amendment, although it is proposed that important traditional concepts of copyright not be applied to works online in the same manner as they apply to tangible works.

It has been illustrated that the reproduction right will apply to digital copies, and that the problem of digital caching made incidental to browser operations can be answered by a reference to the fair use provision. It has likewise been explained that any digital transmission invariably involves both the distribution and the reproduction rights. As a consequence of this, the first sale doctrine, which is a limitation only on the distribution right of the copyright holder, will not excuse subsequent transfers by electronic transmission. We take note, however, that digital transmissions, as is the case for any Internet activity involving copyrighted works, may be allowed under the fair use doctrine.

The proponent has further recommended that the importation right be understood to encompass digital copies, in order to provide the copyright holder with an alternative mode of seeking redress against infringement. While other economic rights elicit no further comment, it has been observed that the right of communication to the public may be used to lay the basis for holding access providers liable for acts not falling within the definition of the other economic rights of the copyright holder.

Finally, on the aspect of moral rights, it is suggested that insofar as domestic treatment is concerned, copyright protection is adequate. It is proposed that moral rights will apply to digitized works on the Internet. Hence, in order to require other countries to recognize a common standard of *droit d'auteur*, it is urged that international uniform protection be sought. A uniform provision for information rights management is a first step.

II. THE NEED FOR UNIFORM INTERNATIONAL COPYRIGHT PROTECTION

The harmonization of copyright treatment in different countries is vital for the protection of intellectual property rights in the Philippines. The digital network levels the playing field for creators in the sense that all works, including those made in developing countries, become available to a universal Internet market. The Internet makes global access a possibility, but it also facilitates manipulation of works by users from foreign jurisdictions.

Copyright law, like criminal law, is understood to be of territorial application. Consequently, works protected in one country are generally not protected in another country. Traditionally, this problem has been avoided by the conclusion of multilateral treaties and trade agreements. International agreements are able to supply some measure of uniformity and reciprocity in copyright protection.[181]

While there is no such thing as an 'international copyright,' there is an international system that sets norms for uniform protection to be implemented in national laws.[182] International copyright protection, however, presupposes that national copyright protection exists.

The Philippines is a signatory to the principal international copyright convention, the Berne Convention for the Protection of Literary and Artistic Works, which has, for several years insured that works protected in the Philippines are protected abroad. Recently, its adequacy in light of the emergence of Internet technology has been questioned. According to the White Paper:

> While [the Berne Convention] is generally regarded as providing adequate international standards of protection, some believe that it should be updated to account for advance in electronic communications and information technology. . . . despite its level of detail . . . in some areas its standards may be insufficient to deal with the world of digital dissemination of copyrighted works.[183]

Impressed with the urgency of protecting online property in light of Internet technology, in December 1996, the World Intellectual Property Organization[184] (WIPO) adopted a new copyright treaty, also known as the Geneva Protocol, which

22.

[181] One such treaty is the Berne Convention, to which the Philippines became a signatory in 1 August 1951. The Berne Convention provided minimum standards of protection to literary and artistic works.

[182] *See* White Paper, *supra* note 22.

[183] White Paper, *supra* note 22, at 147.

[184] The World Intellectual Property Organization is a body responsible for the administration of several

would amend the now 110-year old Berne Convention[185] and raise the standards for protecting digital technology. The Philippines is not yet a signatory to this treaty, although it was represented, and actively participated, in the drafting.[186]

The Geneva Protocol[187] recommends legal responses to the challenges of digital technology. Several of the provisions contained in the treaty are already part of our Code, such as the right of communication to the public. The effect of accession primarily would be beneficial for the Philippines, since protection already accorded to works in the Philippines would be recognized in other countries as well.[188]

Pertinent provisions in the Copyright Treaty have been taken up in the previous Chapter. Anent the right of reproduction as applicable to temporary, transient or incidental digital copies, the conference did not adopt the recommendations contained in the basic proposal, as it considered those issues as more properly treated "on the basis of existing international norms on the right of reproduction, and the possible exceptions to it, particularly under Article 9 of the Berne Convention."[189]

The treaty recognizes a right of distribution to the public, but leaves to national treatment the problem with regard to the first sale doctrine. It also accords to the copyright holder a right of communication to the public. It contains provisions on obligations concerning rights management information, which are deemed "indispensable for an efficient exercise of rights in [a] digital environment."[190]

international intellectual property treaties, including the Berne Convention.

185 The Berne Convention was concluded in 1886. The Treaty is a special agreement within the meaning of Article 20 of the Berne Convention, as regards Contracting Parties that are countries of the Union established by that Convention. The Geneva Protocol has no relation to any other treaties, and nothing in the protocol shall derogate from existing obligations between Contracting Parties under Berne. Membership in the Berne Union is not a prerequisite for accession to the Geneva Protocol, however, Contracting Parties are required to comply with Articles 1 to 21 and the Appendix of the Berne Convention.

186 Summary of Minutes, WIPO Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, 26 August 1997 <http:www.wipo.org/eng/diplconf /index.htm> (accessed 20 November 1997).

187 In 1989, the Conference of Representatives of the Berne Union adopted the program of WIPO, making a provision for the convening of a Committee of Experts to examine whether the preparation of a protocol to the Berne Convention should commence. The expression "protocol" had been used tentatively to identify the instrument. The proposed treaty is, however, not an accessory to the Berne Convention. Its objective is rather to supplement and update the international regime of protection for literary and artistic works based fundamentally on the Berne Convention and recently also on the Agreement on Trade-Related Aspects of Intellectual Property Rights. In addition, membership of the Berne Union was not made a requirement for becoming a party to the proposed Treaty. Memorandum prepared by the Chairman of the Committee of Experts, supra note 79.

188 Currently, the Berne Convention creates some form of reciprocal protection by reason of its national treatment principle.

189 106 WIPO Press Release, *supra* note 87, at 1.

Other than the substantive law provisions, there are provisions that deal with procedural issues.[191] Technological measures offering new ways to protect intellectual property are further strengthened by the treaty, as it provides sanctions against those who manufacture, import or distribute devices whose purpose is to circumvent copy protection or encryption systems.[192] Parenthetically, the treaty does not allow the making of reservations, which underscores its purpose of harmonization.

While the treaty leaves several issues unresolved, accession thereto is a step towards more effective copyright protection in the digital environment. Insofar as its substantive provisions are concerned (enforcement mechanics provided being beyond the scope of this study), they are compatible with domestic protection of copyright, and will enable Filipino creators to demand recognition of their copyrights in foreign jurisdictions.

Notably, accession requires Contracting States to comply with Articles 1 to 21 and the Appendix of the Berne Convention. Since the Philippines is already a signatory to Berne, and substantially complies with several of the treaty provisions, the effect of accession will be felt mostly in terms of international reciprocity and the enforcement of minimum standards with regard to the protection of digital works.

In addition to the WIPO forum, other international fora now have a significant role in intellectual property formulation. Accession to the TRIPS Agreement signified an international effort to harmonize the state of intellectual property protection in

190 *Id.*

191 While procedural remedies are not within the scope of this discussion, it may be useful to note that the WIPO Copyright Treaty provides the following:

Judicial authorities must act promptly to prevent infringement from occurring and for preservation of evidence and in appropriate circumstances to act even without the giving the need alleged infringer the right to be heard. In such cases, it is however necessary that the unheard party be given an early opportunity to challenge any remedy that has been ordered.

Such remedies may be subject to the right holder having to indemnify any party who has been wrongfully enjoined or restrained. The Agreement specifically provides that damages awarded for infringement of an intellectual property right must be "adequate to compensate for the injury" suffered and that the judicial authorities must have the right to award attorney's fees to an intellectual property rights holder who proves that his or rights have been infringed.

In addition to the civil remedies set out above, countries are also required to provide for criminal procedures and penalties for at least willful trademark infringement and copyright piracy on a commercial scale.

Additionally, member states are required to establish procedures to facilitate interception of pirated copyright goods by customs authorities at national boundaries. To be entitled to take advantage of these provisions, the right holder will have to satisfy the competent authorities that prima facie rights exist and give a sufficiently detailed description of the goods as to make them readily recognizable by the customs authorities. This privilege may be made subject to the right holder having to provide a security or equivalent assurance sufficient to protect the importer and the authorities in case of import of legitimate goods being impeded and to prevent abuse.

192 Laurence Tellier-Loniewski & Alain Bensoussan, *Digital Broadcasts Raise New Copyright Issues*, IP WORLDWIDE 5-6 (September/October 1997) <http://wwwljx.com/copyright/ 0997digital.htm> (29

the country.[193] The TRIPS Agreement is in line with an aggressive executive policy towards the protection of intellectual property.[194]

Due to the emergence of the Internet's global environment, the need for uniformity in copyright treatment in light of the global networked environment cannot be overemphasized. The global reach of the Internet will make copyright rules a concern for every user, as the succeeding discussion on liability will establish.

III. A LESSON IN LIABILITY

The copyright regime has never depended on putting a complete end to all infringement. The entertainment, publishing and software industries thrive because copyright law is to a large part successful at keeping copyright infringement at bay in principal markets.[195] Today, Internet service providers and bulletin board systems are considered the cyberspace equivalent to record, video and book stores.[196]

Copyright holders are becoming increasingly aggressive about protecting their copyrights online, and are "beginning to clear off all major displays of infringing copies, . . . making examples of selected infringers with vicious lawsuits."[197] Extralegal measures are available, as was demonstrated in the case of a popular cartoonist[198] who, confronted with the fact that many of his fans had displayed his drawings on their homepages, sent electronic mail to various webpage owners requesting that his drawings be removed.

In other cases, copyright holders have been constrained to resort to the more costly alternative of courtroom litigation. After the first symbolic cyberspace cases filed by copyright owners were met with initial success in U.S. courts, the floodgates have opened to an increasing number of copyright holders demanding recognition of their rights online.

October 1997).

193 Since 1947, 12 rounds of negotiations have been held to revise various components of the original GATT Agreement. The most recent, the Uruguay Round, derives its name from the conference that took place in Punta del Este, Uruguay. The Uruguay Round was the most comprehensive of all rounds, and for our purposes the most important, since it is the first to include intellectual property. WILLIAM F. PATRY, COPYRIGHT AND THE GATT: AN INTERPRETATION AND LEGISLATIVE HISORY OF THE URUGUAY ROUND AGREEMENTS ACT 1-2 (1995).

194 TRIPS obliges its members (1) to comply with Articles 1 to 21 of the Berne Convention; (2) to treat computer programs as literary works for copyright purposes; (3) to extend copyright protection to databases if their selection or arrangement constitutes intellectual creation; (3) to allow for fair use and similar limitations on copyright in cases which do not conflict with the normal exploitation of a work and do not unreasonably prejudice the legitimate interests of the right holder.

195 ROSE, *supra* note 36, at 88.

196 *Id.*

197 *Id.*

198 American cartoonist Gary Larson, creator of the popular comic strip, the Far Side. There are several sites with Larson's cartoons, for instance <http://www.robot.etsit.upm.es/ ~roger/farside/

Key decisions in U.S. courts indicate that copyright claims for online work will be entertained in court. A copyright holder seeking redress against infringement has the option of suing any or some of several Internet actors: the Internet user, the bulletin board system (BBS), its systems operator (sysop), as well as the internet service provider (ISP or access provider). While the access provider will generally prove to be the most desirable defendant, due to its sizeable financial resources, the copyright holder should be aware that actors on the Internet are measured by different standards of liability.

A. Standards of Liability

1. DIRECT INFRINGEMENT

Copyright infringement occurs when any of the exclusive rights of the copyright holder are exercised by an unauthorized third party. In an action for infringement, a plaintiff is required to prove ownership of the copyright and the violation thereof by the defendant. Copyright infringement is a strict liability statute, in other words, it is not required that intent to infringe exists.[199] Accordingly, a U.S. district court in *RTC v. Netcom*[200] defined direct infringement as taking place "when the infringer intentionally or unintentionally exercises any of the exclusive rights held by the copyright owner."[201] In the case of direct infringement "it does not matter whether a direct profit is derived from the infringing works."[202]

There appears to be general agreement regarding the liability of the Internet user who, as active factor, is liable as direct infringer.[203] However, in a decision that came as sobering news to providers of the online community, a Florida district court in *Playboy v. Frena*[204] applied the strict liability test of direct infringement to the systems operator (sysop) of a bulletin board system (BBS). Frena, the sysop, was held liable for the existence of copies of copyrighted pictures on his bulletin board, although the BBS's subscribers, and not Frena, had uploaded and downloaded the pictures.[205] In spite of this, the court ruled that the defendant had violated the

business.jpg> (accessed 5 November 1997).

199 This may be relevant in the court's assessment of the amount of damages due to the plaintiff.

200 Religious Technology Center v. Netcom On-Line Communication Services 12, 907 F. Supp. 1361 (N.D. Cal. 1995) (reporter not available) <http://www.loundy.com/cases /rtc_v._netcom.html> (accessed 10 November 1997).

201 JONATHAN ROSENOER, CYBERLAW: THE LAW OF THE INTERNET 45 (1997).

202 *Id.* at 4.

203 *See* Religious Technology Center v. Netcom On-Line Communication Services, 907 F. Supp. 1361, *12 (N.D. Cal. 1995) (reporter not available) <http://www.loundy.com/cases/ rtc_v._netcom.html> (accessed 10 November 1997). But see Playboy v. Frena, 839 F. Supp. 1552 (M.D. Fla. 1993) (reporter not available) <http://seamless.com:80/rcl/playb.html> (accessed 19 July 1997) (BBS held liable as direct infringer).

204 Frena, 839 F. Supp. 1552.

Playboy's right to publicly display and publicly distribute copies of the said works. It said:

> 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.[206]

Events took a surprising turn several months later, when a decision rendered on substantially similar facts affixed an altogether different standard to the liability of the sysop. Sega Enterprises, Ltd. and Sega of America had filed suit in a district court in California, alleging the unauthorized uploading and downloading of copies of its video games on a bulletin board. The judge found that acts constituting direct infringement had been committed by the BBS users, but refused to apply the strict liability test from *Frena* to the actions of the BBS systems operator. The court, in the final analysis, found the sysop liable for infringement, but measured the BBS's conduct on the basis of its of knowledge and participation in its subscribers' activities. Notably, this is the standard, not for direct, but contributory infringement, which is a less exacting test.

2. CONTRIBUTORY INFRINGEMENT

Copyright infringement may be charged against parties who have not directly participated in infringing activity, but are held "accountable for the actions of another."[207] While the Internet user is ordinarily the direct infringer, he may be anonymous or beyond the court's jurisdiction, in which case the BBS and the ISP are more convenient parties to bring to court. The plaintiff may choose to include the BBS, the systems operator, and the service provider as co-defendants.

Our Code does not expressly provide for liability in the event of contributory infringement, but contributory infringement *in the absence of a statutory provision* has been recognized in U.S. law where the defendant, "with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another."[208] The plaintiff must therefore establish that the defendant (1) is aware of infringing activity; (2) and has induced, cooperated, or materially contributed to the infringing activity of another. "Substantial or pervasive involvement is required."[209]

As adverted to above, in *Sega v. MAPHIA*,[210] the court administered this liability test. Likewise, in a case involving criminal charges for copyright infringement, sysop

[205] *Id.*

[206] *Id.* at 18.

[207] Sony Corp. v. Universal City Studios, 464 U.S. 417, 435, 78 L.Ed.2d 574 (1984).

[208] *Id.*

[209] ROSENOER, supra note 201, at 11 (citing Apple Computer, Inc. v. Microsoft, 35 F.3d 1435, 1442 (9th Circ. 1994).

[210] A similar test of liability was applied in Filipino Society of Composers v. Tan,210where the proprietor was held liable for the unauthorized performance of copyrighted songs played by persons under his employ. 148 SCRA 461 (1987)

liability was based on a finding that some form of abetting had existed on the part of the defendant. In *U.S. v. LaMacchia*,[211] an MIT student was prosecuted under the U.S. wire fraud statute for setting up a bulletin board system and encouraging the uploading and downloading of valuable software. The charge against the defendant in the latter case was dismissed, as the court considered "copyright-related charges . . . so unique that they must be brought under the Copyright Act, and not under a criminal statute such as wire fraud."[212] It is important to note that the facts in this case are suggestive that "prosecutors are willing to indict in cases that fit the *Sega* mold."[213] *Sega*, it should be noted, had applied the test of contributory infringement.

3. VICARIOUS LIABILITY

The absence of knowledge or participation on the part of the defendant bars a finding of contributory infringement. Nevertheless, a charge for vicarious liability may still prosper. Vicarious infringement is incurred because the defendant (1) has the right and ability to control the infringer's acts and (2) he receives a direct financial benefit therefrom.[214] This aspect of liability will be discussed presently.

B. A Guidepost : RTC v. Netcom[215]

In the celebrated case of *Religious Technology Center v. Netcom Communication Services, Inc.*,[216] predicted to become the leading case in the field, the situation is unlike previous sysop cases, for the reason that in this case the primary infringer (a subscriber to a BBS) was not anonymous. The defendants in this case were the BBS subscriber Dennis Ehrlich, the systems operator Thomas Klemensrud, and Netcom On-Line Communications, the access provider through which the BBS gained access to the Internet.[217]

Ehrlich had posted portions of copyrighted works of the plaintiffs to an online forum, and refused to discontinue his postings despite repeated demands. Consequently, the plaintiffs communicated with the BBS's systems operator and

[211] U.S. v. LaMacchia, 871 F.Supp. 535, 541-42 (D. Mass. 1994) (reporter not available) <http://www-swiss.ai.mut.edu/dldf/dismiss-order.html> (accessed 19 July 1997).

Criminal charges were dismissed against the defendant, although the Court opined that:
"[c]riminal as well as civil penalties should probably attach to willful, multiple infringements of copyrighted software even absent a commercial motive on the part of the infringer. One could envision ways that the copyright law could be modified to permit such prosecution. But, "'[i]t is the legislature, not the Court, which is to define such a crime, and ordain its punishment." Id. at *9.

[212] *Id.* at 5.

[213] *Id.*

[214] *Id.* at 1.

[215] Religious Technology Center v. Netcom On-Line Communication Services, 907 F. Supp. 1361, *9 (N.D. Cal. 1995) (reporter not available) <http://www.loundy.com/cases /rtc_v._netcom.html> (accessed 10 November 1997).

[216] *Id.*

with Netcom for their cooperation. Klemensrud turned down plaintiff's request to remove Ehrlich from its BBS, and instead asked the plaintiffs for proof of copyright.[218]

Netcom likewise refused to prohibit Ehrlich from connecting to the Internet through its system, contending that "it would be impossible to prescreen Ehrlich's postings and that to kick Ehrlich off the Internet meant taking hundreds of users of Klemensrud's BBS."[219] Netcom and Klemensrud, having been impleaded in court, respectively moved for summary judgment and judgment on the pleadings to be issued forthwith.

1. DIRECT INFRINGEMENT

On the aspect of Netcom's liability, the court concluded that Internet providers could not be held liable for "incidental copies automatically made on their computers using their software as part of a process initiated by a third party.[220] "Where the actions of a provider are automatic and indiscriminate," the court stressed, "only the subscriber should be held liable for causing the distribution of plaintiff's work."[221] In the case of the sysop, the same litmus was used to measure its liability. The court explained:

> 'Ehrlich' . . . caused the copies to be made and Klemensrud's computer, not Klemensrud himself, created additional copies. *There are no allegations in the complaint to overcome the missing volitional* or causal elements necessary to hold a BBS operator directly liable for copying material that is automatic and *caused by a subscriber*.[222] (emphasis added)

Accordingly, charges for direct infringement were dismissed.

It becomes clear that an access provider or BBS will not be evaluated on the same criterion as that of the Internet user. Internet user liability is generally premised on direct infringement. As to other Internet actors, another standard had to be used by the court. It remarked that, "[a]lthough copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party."[223]

[217] *Id.* at 1.

[218] *Id.* at 1-2.

[219] *Id.* at 2.

[220] *Id.* at 7.

[221] *Id.* at 7.

[222] *Id.* at 3.

2. CONTRIBUTORY NEGLIGENCE

The court suggested that knowledge may be imputed to the defendant where the latter receives timely notice of infringing activity.[224] The court explained that copyright notices on the works themselves obviated the need for other proof of copyright, noting that immediate action was required,[225] since requiring other proof might render the copyright holder unable to protect his or her works online.[226] The court criticized the defendant for not inspecting the copyright notices and for failing to investigate the matter further.[227]

In discussing the element of participation, the court analogized access providers to radio stations that allowed infringing broadcasts to be made.[228] The court noted that the internet service provider had not completely relinquished control over the use of its system (unlike a lessor), and that, if it was put on notice as to the existence of infringement, its failure to take simple measures (such as removal of postings) for the protection of the copyright owner would constitute participation in the infringing activity.[229]

3. VICARIOUS LIABILITY

Vicarious infringement presupposes the existence of control and financial benefit. While there was a genuine issue of fact with regard to the question concerning the right and ability of Netcom and Klemensrud to screen the postings, the court ruled that with respect to the "direct financial benefit," the allegations of the complaint must substantiate that the conduct of the defendants resulted in specified incremental profits.[230]

Anent this aspect of liability, the court stated, "there are no allegations that Klemensrud's fee, or any other direct financial benefit, varies in any way with the content of Ehrlich's postings."[231] It also observed that, "there is no evidence that infringement by Ehrlich, or any other user of Netcom's services, in any way enhances the value of Netcom's services to subscribers."[232]

[223] *Id.* at 4.

[224] There was a genuine issue as to whether notice was timely. *Id.* at *7-9.

[225] *Id.*

[226] *Id.*

[227] *Id.*

[228] *Id.*

[229] *Id.*

[230] *Id.* at 9-11. Where it is alleged that a fixed fee is paid to an Internet provider or BBS, the element of direct financial benefit will not have been demonstrated. *Id.*

[231] *Id.*

C. *Recapitulation*

The actors on the Internet are measured by different standards of liability. Internet users will be held liable under stricter standards of direct infringement. With regard to the actions of service providers and BBSes, *Netcom* seems to indicate that the standard of liability will be that of contributory infringement.[233] *Netcom* eliminates direct infringement as standard, considering that it is the Internet user who is the party initiating the action. The court, in passing upon vicarious infringement, considered it an inappropriate test. The court *in obiter* suggested that there was real uncertainty regarding the right and ability to control the acts of the infringer.

With the exception of *Frena*, cases involving copyright liability of sysops have turned on the issue of encouragement. Sysops who actively abet or reward users for uploading copyrighted materials were found liable in civil cases, or attracted the attention of prosecutors in criminal cases.[234] *Frena* appears to have been an isolated case; the rulings in *Netcom* and *Sega* are more indicative of the measure of liability that will be applied.[235] It also appears that an identical standard will be used to measure the liability of Internet service providers and systems operators. In the case of sysops, however, liability may be more immediate, due to the fact that it is in a better position to supervise the conduct of the Internet user.

The preceding discussion brings home the reality of liability for infringement to Internet actors, and clarifies the standards against which liability may be measured. In particular, the doctrine in the case of *Netcom*, predicted to become the leading case in the field of online copyright, should be noted. To vigilant copyright holders,

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[232] *Id.*

[233] ISPs in other countries may not be subject to the jurisdiction of the court, but remedies such as impounding and confiscation may in certain cases be viable remedies.

According to the White Paper:
Online service providers have a business relationship with their subscribers, They - and perhaps only they - are in a position to know the identity and activities of their subscribers and to stop unlawful activities. And, although indemnification from their subscribers may add to their cost of doing business, they are still in a better position to prevent or stop infringement than the copyright owner. Between these two relatively innocent parties, the best policy is to hold the service provider liable.

The on-line services provide subscribers with capability of uploading works because it attracts subscribers and increases usage - for which they are paid. Service providers reap rewards for infringing activity. It is difficult to argue that they should not bear the responsibilities. We are not aware that cost/benefit analyses have prompted service providers to discontinue such services. The risk of infringement liability is a legitimate cost of engaging in a business that causes harm to others, and that risk apparently has not outweighed the benefits for the more than 60,000 bulletin board operators currently in business.

There has been a tremendous growth in the on-line service industry over the past several years, and it shows no sign of reversing the trend under current standards of liability. Other entities have some of the same costs of appropriate precautions to minimize their risk of liability, such as indemnification agreements and insurance. White Paper, *supra* note 22, at 123.

[234] *See generally* Anne E. Weaver, *A Guide to Safe Sys-oping: the Church of Scientology, Sysops & On-Line Service Providers* <http://www.ascusc.org/jcmc/vol2/issue2/weaver.html> (accessed 21 March 1997).

desirous of protecting their works online, the pronouncements of the court provide welcome clarification.

It bears repeating that copyright law has never depended on putting a complete stop to all acts of infringement. Although the Internet can be a vehicle for abuse of works on a global scale, U.S. courts have not equivocated on meting out penalties for infringement of copyright. In all likelihood, our courts will turn to these decisions for guidance on the matter of online liability.

IV. CONCLUSION AND SUMMARY OF RECOMMENDATIONS

This discussion has highlighted three aspects of copyright protection on the Internet: First, the copyright holder's exclusive rights; second, the aspect of international copyright protection; and finally, the standards of liability for Internet actors. The proponent has demonstrated the application of the copyright holder's exclusive rights to digitized works on the Internet, and has argued against the application of important traditional concepts of copyright to electronic transactions. The study has emphasized the need for uniform international protection, and has recommended accession to the WIPO Copyright Treaty.[236] It has illustrated the manner in which online copyright may be enforced by our courts.

The premise underlying this discussion is the belief that intellectual property should be safeguarded. Its primary objective has been to establish a framework in which copyright may be understood to operate in the Internet environment. Accordingly, the arguments are advocative of a high level of legal protection for online works. The proposals, however, remain within the language of the law, and entail no statutory amendment. While legitimate public access to works is considered, it is advanced that the fair use provision and special exemptions, which are also applicable to Internet activity involving online works, are adequate.

In line with the foregoing discussion, the proponent recommends interpretative rules and regulations for R.A. 8293, to specifically provide:

First, that the right of reproduction encompass incidental or temporary digital copies made for the purpose of perceiving digital works on the Internet;

Second, that the fair use provision accommodate incidental or temporary digital copies;

Third, that the first sale doctrine be inapplicable to digital transmissions on the Internet;

Fourth, that the importation right encompass digital transmissions;

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[235] *Id.*

[236] With regard to substantive provisions within the scope of this discussion.