



The Copyright Society of the
U.S.A. New York Chapter

Brave New Space-Shifted World

Can't Take it With You? or No, No, They Can't Take That Away From Me

Using Other Folks' (Copyrighted)
Stuff on the Move: Issue Array

(February 13, 2007)

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WHAT WAS REALLY BEHIND JUSTICE SOUTER'S DECISION IN THE *GROKSTER* CASE



Space-Shifting: Legal Backdrop

- Consumers want it wherever they are as well as whenever they want
- Issues arise in highly varied contexts involving different kinds of access to different kinds of content, provided through different technologies
- And depending on assessment of risks of different courses, companies satisfying consumers' desire to have it everywhere may change how they offer facilitating services

Space-Shifting: Legal Backdrop

- Can companies implement technologies that assist consumers in having it all and everywhere? Issue array:
 - > “Space shifting” case law
 - > Direct liability and volition issues
 - > Other issues involving who may be directly liable
 - > Fair use generally
 - > Secondary liability, DMCA safe harbor and “direct” financial benefit
 - > Audio Home Recording Act (AHRA)

Space-Shifting: Legal Backdrop*

- * Below, we outline the principal issues most likely to arise in analyzing the lawfulness of space-shifting under copyright law, but all of these points may not arise in every instance, and they may have to be addressed in different order in different situations. (Other issues such as passing off or trademark infringement may also need to be addressed.)

Is space shifting fair use?

- Seminal Space-Shifting Case: **RIAA v. Diamond Multimedia**, 180 F.3d 1072 (9th Cir. 1999)
 - > Holding: Rio MP3 player not a digital audio recording device within meaning of AHRA because copies MP3 files directly from a computer
 - > “[T]he Rio's operation is entirely consistent with the [AHRA's] main purpose -- the facilitation of personal use. As the Senate Report explains, '[t]he purpose of [the Act] is to ensure the right of consumers to make analog or digital audio recordings of copyrighted music for their private, noncommercial use.'”

Is space shifting fair use?

- **RIAA v. Diamond Multimedia**, 180 F.3d 1072 (9th Cir. 1999)
 - > “The Rio merely makes copies in order to render portable, or ‘**space-shift**,’ those files that already reside on a user's hard drive. Cf. Sony...
 - > “**Such copying is paradigmatic non-commercial personal use** entirely consistent with the purposes of the Act.”

Is space shifting fair use?

Other Cases addressing space-shifting defense

- **UMG v. MP3.com** , 92 F. Supp. 2d 349 (S.D.N.Y. 2000) (space-shifting not fair use in context of My.MP3.com service) (creative claim of space-shifting)
- **A & M Records v. Napster**, 239 F. 3d. 1004 (9th Cir. 2000) (space-shifting not fair use when allegedly space-shifted copy is available for distribution to millions of other users of Napster system)

Is space shifting fair use?

- RIAA's position on space shifting in the U.S. Supreme Court in **Grokster** (oral argument, March 2005):
 - > "The record companies, my clients, have said, for some time now, and it's been on their website for some time now, that it's perfectly lawful to take a CD that you've purchased, upload it onto your computer, put it onto your iPod."

Space shifting defense: uncertain scope

Even assuming space shifting were held fair use, uncertainty remains regarding application in particular contexts

- Applies, apparently, to the creation of copies
- What about distribution, performance or display rights?
- Derivative work right? Is a derivative work created if change file format or other technical characteristics of work for mobile device? **Not clear.** See *RealNetworks v. Streambox*, 2000 U.S. Dist. LEXIS 1889 (W.D. Wash. 2000) (suggesting may not be infringement of derivative work right to create new format version of a work)

Direct liability of company – volition issue

- If web site or mobile device service allows users to up- and down-load “user generated” content that turns out to infringe third-party copyrights, is site directly liable? Maybe not.
- Necessary “volition” element of copyright infringement not present if copying etc. result of operation of automated system in which web site operator is merely a conduit
 - > **Religious Technology Center v. Netcom**, 907 F. Supp. 1361 (N.D. Cal. 1995).
 - > **Costar Group v. Loopnet**, 373 F.3d 544 (4th Cir. 2004) (and some monitoring okay)
 - > **Field v Google**, 412 F.Supp.2d 1106 (D. Nev. 2006) (internet caching = fair use)

Direct liability of company – is only the end-user creating the copy?

- Depending on technology and implementation, it may be only the end-user who creates the (fixed) “copy” by virtue of linking or comparable access to the original source (albeit facilitated by company, leaving secondary liability issues)
- Sub-issues of fact / law:
 - > What if transitory copies are on company’s servers?
 - > Streaming? In cellphone’s buffer? How big a bite is enough to be a copy? Not clear from RAM copying cases

Further possible issues affecting whether end-users may be direct infringers

Just what are end-users doing that infringes?

- Viewing on the fly = creation of copy?
- Is viewing / listening to content on a cell phone a “public” display or performance?
- Reformatting to fit device screen = derivative work?

Further possible issues affecting whether end-users may be direct infringers

- End-user already own copy of work or have lawful access? If content is found on a web site, do non-commercial, personal users have implied or express license to use?
 - > Can end-users be deemed copyright infringers of matter of a public, open web site unless they violate enforceable terms of use?
 - > Are TOU enforceable under contract?
- Strength of end-user fair use defense?

End-user fair use

Further Considerations

- Work available for free? (Deep linking issues?)
- Copying complete work for use in another context or medium commonly not seen as “transformative”
- Note ability of creative plaintiffs to generate market and market harm. **Perfect 10 v Google**, 416 F.Supp.2d 828 (C.D. Cal. 2006) (on appeal)

Secondary Liability: Underlying key issue: Infringement machine?

Is company's service likely to be perceived as merely an instrument of infringement?

- > Are there substantial noninfringing uses?
- > Are (allegedly) infringing activities . . . Possible? Incidental? Likely the dominant use of the service?
- > Is or can this be known at the product or service design stage?

Whatever the legal analysis, the perception of "an infringement machine" is likely to mightily affect court's perspective on the product or service

Insofar as internet-based service: Protected by DMCA Safe Harbors?

Transmission Safe Harbor (17 U.S.C. §512(a))

- Transmission safe harbor designed to protect phone companies and ISPs – companies that were “passive conduits” – from liability for infringing materials passing through their systems
 - > Immunizes against copyright claims “by reason of the provider’s transmission, routing, or providing connections for” material and for “intermediate and transient storage”
 - > Not clear would apply to certain kinds of technical manipulations like transcoding or other processing
 - > Key issue: whether defendant is more than a passive conduit

Protected by DMCA Safe Harbors?

System Storage Safe Harbor (17 U.S.C. §512(c))

- Protects against liability for copyright infringement “by reason of the storage at the direction of a user of material that resides on a system or network” (§512(c))
- N/A if receive a **direct financial benefit** from infringing activity if defendant “**has the right and ability to control the infringing activity**”
- Configure terms of service so have no right to control what material end-users view?

DMCA Safe Harbors: “Direct financial benefit”?

Cases have expanded concept of “direct” financial benefit to include increase in value of enterprise if related to size of user base and infringing matter is a “draw” for the site

- *A & M v. Napster*, 239 F.3d 1004 (9th Cir. 2001)
- *Ellison v Robertson*, 357 F. 3d 1072 (9th Cir. 2004) (draw does not have to be “substantial”)

Quere: Is there any such thing as “indirect” financial benefit any more? Advertising?

Secondary Liability: Vicarious liability mirrors safe harbor ineligibility

Vicarious Infringement Requires

- Underlying direct infringement;
- Direct financial benefit to defendant from infringement; and had
- Right and ability to supervise and control infringing activity

Appears that if disqualified from safe harbor, likely to be vicariously liable

Audio Home Recording Act

- 1992 Act (17 U.S.C. 1001 et seq.) originally aimed at digital audio tape recorders
- Carefully “nested” set of definitions of Digital Audio Recording Devices (DARDs), etc.
- If device is a DARD within meaning of AHRA,
 - > Products must have “serial recording” control system, and
 - > Manufacturer must register device and pay royalties
 - > Immune to copyright infringement claims based on manufacture, importing or distributing DARDs

Audio Home Recording Act

- Devices that receive and store downloaded MP3 files from a computer not under AHRA
 - > **RIAA v. Diamond Multimedia**, 180 F.3d 1072 (9th Cir. 1999)

- Distributor of DARDs can be liable when infringement claims are based on infringing activity in simultaneous role as a satellite radio broadcaster
 - > **Atlantic Recording Corp. v. XM Satellite Radio, Inc.**, 2007 U.S. Dist. Lexis 4290 (S.D.N.Y. Jan. 19, 2007).

MITCHELL ZIMMERMAN is chair of the Copyright Group at Fenwick and West LLP, a Silicon Valley firm providing comprehensive services to technology clients. His practice focuses on intellectual property counseling and litigation relating to software, digital devices and Internet-based works and services, and he frequently advises clients concerning product design and risk management in technology and other contexts. Mr. Zimmerman has served as counsel in numerous copyright, trademark and patent cases, including *Paramount v. ReplayTV*, *Research in Motion v. Good Technology*, *Lotus v. Borland*, *Brown Bag Software v. Symantec* and *Candle v. Boole and Babbage*. Mr. Zimmerman writes extensively on IP and technology subjects, and is a Neutral of the American Arbitration Association (Large Case Technology, Science and Intellectual Property Roster).