NYSBA SUMMER 2005 | VOLUME 16 | NO. 2

Entertainment, Arts and Sports Law Journal

A publication of the Entertainment, Arts and Sports Law Section of the New York State Bar Association

Remarks From the Chair/Editor's Note

Remarks From the Chair

Elissa D. Hecker

It is with a sad heart that I write to say that one of our longtime Executive Committee members, James Henry Ellis, who most recently Co-Chaired with Jason Baruch our Theater and Performing Arts Committee, passed away on May 26th, at the age of seventy-two. When I spoke with his daughter and asked if there was a specific organization to which donations could be made in Jim's name, she mentioned the Parsons Dance Foundation. Jim will be missed.

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In continuing with the theme of excellence among EASL members, I am extremely pleased that Elisabeth Wolfe, Chair of our Pro Bono Committee, received one of the NYSBA President's Pro Bono Service Awards. We are so proud of all of Elisabeth's accomplishments, which help to make available pro bono opportunities for our members and their pro bono clients, and for raising EASL's pro bono activities and programs to a nationally recognized level. The President's Pro Bono Service Awards were created more than ten years ago to honor law firms, law students and attorneys from each judicial district who have provided outstanding pro bono service to low income people.

In addition, our new Committee on Alternate Dispute Resolution has launched itself with programs already held and many more underway. In addition, its Co-Chairs, Judith Bresler and Judith Prowda, are so committed to making this Committee a success and an

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excellent resource for EASL members, that they are taking an intensive training session at the Center for Mediation in Law and immersing themselves in ADR. This way they will be better able to serve the membership through programs and events. Once they have acquired the appropriate mediation training, the Co-Chairs intend to offer pro bono mediation services (under the auspices of the ADR Committee) to persons who would otherwise not be able to afford them, in furtherance of EASL's mission to benefit the public good. We commend and support their efforts.

On Thursday, October 27th, EASL's Program and Young Lawyers Committees will be offering EASL's Fall Program, "Popcorn and Ethics." This program will take place in New York City, and it will offer all of the ethics credits needed for a two-year cycle. The program format will include a screening of a film, followed by a panel discussion regarding the various legal ethics issues raised in that film. The evening will conclude with a happy hour. I encourage all members to attend—the presentation will be interesting and informative, and the happy hour will also offer an opportunity for our young entertainment lawyers to network with established practitioners.

In furtherance of our commitment to greater transparency, we are also working closely with Albany to ensure that all EASL meetings, programs and events are prominently posted on our website, so that members can see what is planned for the upcoming seasons. Every committee chair is committed to holding the best possible programs, and the calendar has been rapidly filling up with timely and interesting topics, replete with charismatic and informative speakers.

Editor's Note

I would like to dedicate this issue of the *Journal* to Jim Ellis's memory. His fervor for the arts was contagious, and he inspired many lawyers to become more active in the theatrical world.

As always, authors can obtain CLE credit from having an article published in the *EASL Journal*. Articles and letters may be submitted with biographical information via email to me at eheckeresq@yahoo.com.

THE NEXT DEADLINE IS SEPTEMBER 16, 2005.

Elissa D. Hecker of the Law Office of Elissa D. Hecker, located at 90 Quail Close, Irvington, NY 10533, practices in the fields of copyright, trademark and business law. Her clients encompass a large spectrum of the entertainment world, including music publishers, artists, producers, photographers, authors, screenwriters, marketing and other companies and spas. In addition to her private practice, Elissa is Chair of the Entertainment, Arts and Sports Law (EASL) Section of the New York State Bar Association, and Editor of the *EASL Journal*. She is also a frequent author, lecturer and panelist, a member of the Copyright Society of the U.S.A (CSUSA) and a member of the Board of Editors for the *Journal* of the CSUSA. Elissa is the recipient of the New York State Bar Association's 2005 Outstanding Young Lawyer Award. She can be reached at (914) 478-0457 or via email at: EHeckerEsq@yahoo.com. Elissa was previously Associate Counsel with The Harry Fox Agency, Inc. and its parent company, the National Music Publishers Association, Inc.

NYSBA Guidelines for Obtaining MCLE Credit for Writing

Under New York's Mandatory CLE Rule, MCLE credits may be earned for legal research-based writing, directed to an attorney audience. This might take the form of an article for a periodical, or work on a book. The applicable portion of the MCLE Rule, at Part 1500.22(h), states:

> *Credit may be earned for legal research-based writing upon application to the CLE Board, provided the activity (i) produced material published or to be published in the form of an article, chapter or book written, in whole or in substantial part, by the applicant, and (ii) contributed substantially to the continuing legal education of the applicant and other attorneys. Authorship of articles for general circulation, newspapers or magazines directed to a non-lawyer audience does not qualify for CLE credit. Allocation of credit of jointly authored publications should be divided between or among the joint authors to reflect the proportional effort devoted to the research and writing of the publication.*

Further explanation of this portion of the rule is provided in the regulations and guidelines that pertain to the rule. At section 3.c.9 of those regulations and guidelines, one finds the specific criteria and procedure for earning credits for writing. In brief, they are as follows:

- the writing must be such that it contributes substantially to the continuing legal education of the author and other attorneys;
- it must be published or accepted for publication;
- it must have been written in whole or in substantial part by the applicant;
- one credit is given for each hour of research or writing, up to a maximum of 12 credits;
- a maximum of 12 credit hours may be earned for writing in any one reporting cycle;
- articles written for general circulation, newspapers and magazines directed at nonlawyer audiences do not qualify for credit;
- only writings published or accepted for publication after January 1, 1998 can be used to earn credits;
- credit (a maximum of 12) can be earned for updates and revisions of materials previously granted credit within any one reporting cycle;
- no credit can be earned for editing such writings;
- allocation of credit for jointly authored publications shall be divided between or among the joint authors to reflect the proportional effort devoted to the research or writing of the publication;
- only attorneys admitted more than 24 months may earn credits for writing.

In order to receive credit, the applicant must send a copy of the writing to the New York State Continuing Legal Education Board, 25 Beaver Street, 8th Floor, New York, New York 10004. A completed application should be sent with the materials (the application form can be downloaded from the Unified Court System's Web site, at this address: http://www.courts.state.ny.us/mcle.htm (click on "Publication Credit Application" near the bottom of the page)). After review of the application and materials, the Board will notify the applicant by first-class mail of its decision and the number of credits earned.

Congratulations to the Law Student Initiative Winning Author:

Brian Danitz of Fordham Law School, for
"*Martignon* and *KISS Catalog*: Can Live Performances Be Protected?"

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New York State Bar Association
Entertainment, Arts and Sports Law Section

Law Student Initiative

The Entertainment, Arts and Sports Law (EASL) Section of the New York State Bar Association has an initiative giving law students a chance to publish articles both in the *EASL Journal* as well as on the EASL Web site. The Initiative is designed to bridge the gap between students and the entertainment, art and sports law communities and shed light on students' diverse perspectives in areas of practice of mutual interest to students and Section member practitioners.

Law school students who are interested in entertainment, art and/or sports law and who are members of the EASL Section are invited to submit articles. This Initiative is unique, as it grants students the opportunity to be *published and gain exposure* in these highly competitive areas of practice. The *EASL Journal* is among the profession's foremost law journals. Both it and the Web site have wide national distribution.

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To foster an interest in entertainment, art and sports law as a career path, the EASL Section invites law students who are Section members to participate in its Law Student Initiative:

Requirements

- **Eligibility**: Open to all full-time and part-time J.D. candidates who are EASL Section members.
- **Form**: Include complete contact information; name, mailing address, law school, law school club/organization (if applicable), phone number and email address. There is no length requirement. Any notes must be in *Bluebook* endnote form. An author's blurb must also be included.
- **Deadline**: Submissions must be received by Friday, September 16, 2005.
- **Submissions**: Articles must be submitted via a Word email attachment to eheckeresq@yahoo.com or via mail (hard copy and disk) to:

  Elissa D. Hecker, Esq.
  Editor
  EASL Journal
  90 Quail Close
  Irvington, NY 10533

Topics

Each student may write on the subject matter of his/her choice, so long as it is unique to the entertainment, art and sports law fields.

Judging

Submissions will be judged on the basis of quality of writing, originality and thoroughness.

Winning submissions will be published in the *EASL Journal*. All winners will receive complimentary memberships to the EASL Section for the following year. In addition, the winning entrants will be featured in the *EASL Journal* and on our Web site, and all winners will be announced at the EASL Section Annual Meeting.

Entertainment, Arts and Sports Law Section and BMI Offer Law School Scholarship

The Entertainment, Arts and Sports Law Section of the New York State Bar Association, in partnership with BMI, will fund up to two partial scholarships to law students committed to practicing in one or more areas of entertainment, art or sports law.

The Phil Cowan Memorial/BMI Scholarship fund looks to provide up to two $2,500 awards on an annual basis in memory of Cowan, a past Section chair. Each candidate must write an original paper on legal issues of current interest in the areas of entertainment, art or sports law. The competition is open to all students attending accredited law schools in New York State along with Rutgers and Seton Hall law schools in New Jersey. In addition, up to ten other law schools at any one time throughout the United States shall be selected to participate in the competition on a rotating basis. Students from other "qualified" law schools should direct questions to the deans of their respective schools.

The paper should be 12-15 pages in length, including footnotes, double-spaced, in *Bluebook* form. Papers should be submitted to each law school's designated faculty member. Each school will screen its candidates' work and submit no more than three papers to the Scholarship Committee. The committee will select the scholarship recipient(s).

Submission deadlines are the following: October 1st for student submissions to their respective law schools for initial screening; November 15th for law school submission of up to three papers to the committee. The committee will determine recipient(s) on January 15th. Scholarships will be awarded during the Section's Annual Meeting in late January.

Payment of scholarship funds will be made directly to the recipient's law school and credited to the student's account.

Law School Scholarships

The committee reserves the right to award only one scholarship, or not to award a scholarship, in any given year.

The scholarship fund is also pleased to accept donations, which are tax-deductible. Donation checks should be made payable to The New York Bar Foundation, designating that the money is to be used for the Phil Cowan Memorial/BMI Scholarship, and sent to Kristin O'Brien, Director of Finance, New York State Bar Foundation, One Elk St., Albany, N.Y. 12207.

Cowan chaired the EASL Section from 1992-94. He earned his law degree from Cornell Law School, and was a frequent lecturer on copyright and entertainment law issues.

About BMI

BMI is an American performing rights organization that represents approximately 300,000 songwriters, composers and music publishers in all genres of music. The non-profit-making company, founded in 1940, collects license fees on behalf of the American creators it represents, as well as thousands of creators from around the world who choose BMI for representation in the United States. The license fees collected for the "public performances" of its repertoire of approximately 4.5 million compositions are then distributed as royalties to BMI-member writers, composers and copyright holders.

About the EASL Section

The more than 1,700 members of the Entertainment, Arts and Sports Law Section of the NYSBA represent varied interests, including issues making headlines, being debated in Congress and heard by the courts today. The EASL Section provides substantive case law, forums for discussion, debate and information-sharing, pro bono opportunities, and access to unique resources including its popular publication that is published three times a year, the *EASL Journal*.

About the NYSBA

The 72,000-member New York State Bar Association is the official statewide organization of lawyers in New York and the largest voluntary state bar association in the nation. Founded in 1876, NYSBA programs and activities have continuously served the public and improved the justice system for more than 125 years.

Pro Bono Update

By Elisabeth Wolfe

As you may know, the NYSBA has recently expanded its definition of pro bono, urging us all to:

> [A]spire to provide annually at least twenty hours of free legal services to persons of limited means or to organizations that serve the basic needs of such persons or that are designed to increase the availability of legal services to such persons. . . . In addition, the expanded definition urges lawyers to provide financial support for organizations that provide legal services to benefit persons of limited means. Attorneys are also encouraged to provide legal services, at no fee or at a substantially reduced fee, to various nonprofits that serve the public good and to the judicial system to support alternative dispute resolution programs and other court programs. Participating without payment in activities that improve the law, the legal system or the legal profession is also encouraged under the new policy.[1]

Judith Prowda, Alan Barson and Mary Ann Zimmer

Elissa D. Hecker

As a Section, we are truly excited to create innovative programs that fulfill the NYSBA's broader definition of pro bono service and we hope you will join us for one or more of these volunteer opportunities. We are almost two thousand members strong and each one of us can make a difference!

In addition, we are expanding opportunities for increased participation in a wide array of pro bono activities related to entertainment, art and sports law. Whether you are a seasoned attorney or just starting out, there are opportunities for everyone!

To volunteer, or for further information about any of the EASL Section's pro bono programs, please email me at elkwolfe@aol.com.

Volunteer for the Speakers' Bureau!

The EASL Section has launched a new Speakers' Bureau. The EASL Speakers' Bureau provides public speaking opportunities for Section members. The committee responsible for the Bureau responds to requests from New York-based groups, organizations and schools that are seeking informed and charismatic speakers to serve on panels or as guest lecturers regarding issues related to the areas of entertainment, art and sports law.

Michael Musante and Delphine Park

Leigh Giroux, Barend Bakker, Chris MacDougal, Alasdair McMullan and Noah Rosenberg

Volunteers who participate in the Speakers' Bureau may address a variety of charitable groups. The speaking engagements vary in length and attendance, depending on the nature of the request. Volunteer attorneys must practice in or have substantive experience with the requested subject matter(s).

Mary Ann Zimmer

Volunteer for a Volunteer Lawyers for the Arts Legal Clinic

The EASL-sponsored Volunteer Lawyers for the Arts ("VLA") clinic is always on the lookout for volunteer lawyers to help staff the legal clinics. We are looking for volunteers to donate a few hours, three to four times per year, to assist individuals in exploring the legal ramifications of the entertainment or art issues they are facing. Attorneys meet with clients in half-hour sessions. The clinics are always held on specified Wednesday evenings from 4:30 p.m. to 7:30 p.m. All volunteer attorneys must have liability insurance.

March 23rd EASL-Sponsored Clinic at VLA

March 23, 2005 made for another wonderful EASL-sponsored VLA clinic. Despite the rain, several volunteers came out to lend a hand. A special thank you to first time volunteers Leigh Giroux, Sadiqua Holland, and Alasdair McMullan.

June 8th EASL-Sponsored Clinic at VLA

The EASL-sponsored VLA Clinic on June 8th was quite a success. Sixteen clients were seen who had questions concerning copyrights in dance, music and photography, as well as numerous contract and trademark issues. EASL is looking forward to more clinics with VLA in the Fall of 2005. Special thanks to Elena Paul and the fantastic staff at VLA who seamlessly faciliated the clinic. Thank you also to all the great volunteers who took time out of their busy schedules to make this clinic possible:

Alan Barson
Nicholas Beaudoing
Dominque Bravo
Arnold Gurwitch
Elissa D. Hecker
Sharon Luppetti
Michael Musante
Delphine Park
Judith Prowda
Jenny Romano
Mary Ann Zimmer

Stay tuned for our next legal clinic in Fall 2005.

Elena Paul, Alexei Auld, Chris MacDougal and Noah Rosenberg of VLA

Jonathan Tominar

Elisabeth Wolfe and Arnold Gurwitch

Volunteer to Become a Mentor/Mentee

The purpose of the EASL Mentor/Mentee Program is to provide volunteer professional guidance to less experienced attorneys who take on cases with VLA. Our volunteer mentors are serving the profession and public by helping others provide better quality legal services to their clients. Any practitioner with five or more years of experience in the entertainment or art field is eligible to volunteer to serve as a mentor. Mentors are asked to provide advice, ideas and suggestions, or just general information. All mentors and mentees must have liability insurance.

Volunteer for the Pro Bono Committee

Not sure what you want to do? The Pro Bono Committee launches all of the Section's new entertainment, art and sports law-related pro bono projects. Committee members can be prepared to take a leadership role. In addition, the Committee coordinates the selection and recognition of candidates for the Section's annual Outstanding Achievement Pro Bono Award. To sign up for the Committee online, visit NYSBA.org/EASL.

Endnote

1. http://www.nysba.org/Content/NavigationMenu/Attorney_resources/Pro_Bono/Pro_bono_defined/Pro_bono_defined.htm.

Elisabeth Wolfe is the Chair of the EASL Section Pro Bono Committee.

Indecency and Obscenity: Where's the Line?

By Ryan Malkin

Paris Hilton struts into the room, wearing nothing more than a sleek, black swimsuit. The blonde bombshell synonymous with sex gyrates in an overtly sexual manner as she washes a black Bentley—and herself—with sponges oozing foam. No, it is not *another* sex tape. This time, in the final frame, Hilton takes a bite from a Carl's Jr. burger. Like Janet Jackson and Nicollette Sheridan before her, Hilton is the subject of scrutiny by decency advocates.

Sexy, yes. But is wearing a one-piece swimsuit and splashing about in soapy water—like most music videos on MTV—so inundated with sexually imagery that it should be considered indecent? The Parents Television Council ("PTC"), a broadcast-decency advocacy group, thinks so. The advertisement "meets the exact definition of pornography," said Tim Winter, the group's executive director.[1] "Families shouldn't have to be subjected to that."[2] Like the Super Bowl slip, everyone has an opinion about Hilton's "hot" commercial, including Peter Sealey, marketing professor at the University of California, who calls it the "ultimate in bimbo advertising."[3] That begs the question, what is so wrong with bimbo advertising?

As we all know, sex sells. In Hilton's case, it is just selling burgers instead of albums or magazines. "It's just a sexy commercial," said the star.[4] "It looks like a music video."[5] One would assume that the First Amendment should protect such an advertisement. Unfortunately, the answer is not so clear.

Today, in California, it is a sexy commercial starring Paris Hilton. Last year, a billboard advertising an adult entertainment store was banned in Kansas.[6] Meanwhile, across the country, adult megastar Jenna Jameson stands forty-eight feet tall in Times Square.[7] With no definitive, overall standard, it is hard for lawyers, much less Madison Avenue executives, to know what is and what is not indecent. There is a fine line between indecent broadcasting and decency, but for the most part it is up to each state to decide for itself.

Last year's Super Bowl enlightened us all; the Federal Communications Commission ("FCC") has the right to regulate indecent broadcasting, per the Supreme Court's decision in *Pacifica.*[8] The FCC has defined indecency as "language or material that, in context, depicts or describes, in terms patently offensive as measured by contemporary community standards for the broadcast medium, sexual or excretory activities or organs."[9] Indecent material may only be broadcast at times when there is no reasonable risk that children may be in the audience.[10] As long as broadcasters avoid the "Seven Dirty Words" and airing indecent material during daytime hours, between six o'clock a.m. and ten o'clock p.m., they are in the clear.[11] Therefore, the First Amendment does provide some protection for indecent materials and broadcasts, as broadcasters can merely regulate the time, place and manner of their distributions. In effect, the law is dressed in a sheer nightgown; that is, it is clear that we can view indecent materials, as long as we wait until the evening hours.

Yet, the trouble is determining what in fact is indecent, what makes specific content patently offensive. The most famous recent example of indecency on television is the Janet Jackson Super Bowl fiasco, answering the pressing question once and for all: Is a bare breast indecent?[12] "Jackson's breast was bared in a sexualized setting; her costume was ripped open . . . in the course of a number that included the lyric, 'I'll have you naked by the end of this song.'"[13] However, it was the ensuing viewer complaints and outcry that made it clear that at least some viewers found Ms. Jackson's bare breast patently offensive, making it indecent.[14] Had she only flashed her bra, like a Calvin Klein commercial, as opposed to her bare breast, the situation would likely have passed the decency test.

Regardless of the situation, much of the decision on what is decent or not comes down to public opinion and complaints. Indecency complaints have jumped dramatically to more than two hundred and forty thousand in 2003, up from roughly fourteen thousand in 2002, and fewer than three hundred and fifty in both 2001 and 2000.[15] However, it is unclear whether that increase is representative of society's concerns: 99.8 percent of those complaints were filed by the activist group PTC. That means that a tiny minority "with a very focused political agenda is trying to censor American television and radio," according to Jonathan Rintels, president and executive director of the Center for Creative Voices in Media, an artists' advocacy group.[16] Although most Americans are not complaining to the FCC, many do believe in the PTC's agenda and leave the complaining up to it. However, according to a survey by the First Amendment Center, the majority of people do not believe that the government should even have the power to regulate network broadcasting during the late evening hours. Yet those same people believe that the government should be able to regulate broadcasts during the morning, afternoon and early evening.[17]

Curiously, while the PTC is on a rampage, pornography is becoming more and more mainstream. On many television shows, including the ever-popular syndicated *Friends*, the main characters (such as Joey and Chandler) discuss or watch pornography on television. In *Nip/Tuck,* sex is a constant theme, with one of the characters visiting an adult entertainment industry party. T-shirts sold at mainstream stores such as Urban Outfitters are emblazoned "Porn" or "Porn star." There is also the highly publicized book of porn star pictorials, *XXX* by Timothy Greenfield Sanders. Then there's adult super-star Jenna Jameson, whose best-selling autobiography, *How To Make Love Like A Porn Star: A Cautionary Tale,* is sold alongside *XXX* at local bookstores. Even more mainstream: Jameson's life story is shown on the cable channel E! Adult entertainment stars appear in music videos and are in the pages of mainstream magazines such as *Maxim* and *Paper*, no longer being relegated to the likes of *Hustler* and *Penthouse*.

The proliferation of the Internet has helped pornography become mainstream, said Jack Samad, senior VP for the National Coalition for the Protection of Children and Families in Ohio.[18] "Young consumers have normalized to sex through the music they listen to, TV they watch, magazines they read," he said.[19] If that is the case, and young people in America are not affected by imagery such as Nicollette Sheridan's NFL advertisement or Paris Hilton's commercial, perhaps the FCC's crackdown and the PTC's concerns and complaints are unfounded. The recent attention to indecency and rise in complaints may simply be a matter of those who think they know best, who voice their opinions and force them on everyone; that is "the tyranny of the majority."[20] At one time, even Elvis' gyrating hips were seen as indecent.[21] Today, gyrating hips is all that is seen on MTV. Clearly, times change, and what is seen as distasteful today may be commonplace tomorrow, making a determination of indecency an evolving standard. Indecency is an ongoing issue and "there are a lot of unknowns at this point," said David Solomon, Chief of the FCC Enforcement Bureau.[22] Naturally, being the watchdog, he believes there is an interest in strong indecency regulation.[23] However, an overwhelming eighty-one percent of Americans believe that parents, not the government or broadcasters, have the responsibility for keeping inappropriate television programming away from children.[24] Only time will tell what future advertisements and broadcasts will be deemed indecent.

Meanwhile, it is somewhat easier for lawyers and laypersons to determine what materials will likely be deemed obscene. A major point of difference between indecency and obscenity is that the First Amendment protects indecency, but does not protect obscenity.[25] To be obscene, pornography must, at a minimum, "depict or describe patently offensive hard core sexual conduct."[26] If the material is not obscene, it cannot be banned. Generally, most adult content—such as *Playboy, Hustler* and adult films and books—simply do not classify as obscene. "Nudity alone is not enough," said Justice Rehnquist in the 1974 Supreme Court opinion *Jenkins v. Georgia*.[27] In other words, non-obscene pornography may not be banned, but as with indecency, it "may be regulated as to the time, place, and manner of its distribution, particularly to keep it from children."[28] Similarly, an outright ban on pornography would violate the First Amendment unless it served "to promote a compelling interest" and was "the least restrictive means to further the articulated interest," which is a difficult standard to meet. [29]

Although most adult material is not obscene, "courts often struggle with whether pornography is too hard core."[30] The United States Supreme Court's test for obscenity in its 1973 decision *Miller v. California*[31] set three basic guidelines: "Whether the average person, applying contemporary community standards, would find that the work, taken as a whole, appeals to the prurient interest"; "whether the work depicts or describes, in a patently offensive way, sexual conduct specifically defined by the applicable law"; and "whether the work, taken as a whole, lacks serious literary, artistic, political, or scientific value."[32] To be obscene, the material must appeal to a "shameful or morbid interest in nudity, sex or excretion."[33]

That said, determinations on what is "patently offensive" and what includes "prurient interest" are left to the jury system.[34] That means, like indecency, there are no national obscenity classifications. Every community can decide for itself. Therefore, what is acceptable and found tolerable in Las Vegas or New York City may differ from what is acceptable in Maine or Mississippi.[35] However, because the First Amendment does not protect obscene material, such material may be banned in a jurisdiction solely because of its content, and "not only in the absence of a compelling governmental interest, but in the absence of any evidence of harm."[36] Unlike indecency, obscene materials "may be banned simply because a legislature concludes that banning it protects the social interest in order and morality."[37] For example, in New York, obscene material is sexually morbid, grossly perverse and bizarre, without any artistic or scientific purpose or justification, depicting dirt for dirt's sake.[38] Per the Court's decision in *Mishkin v. New York,* the material must disgust and sicken.[39]

However, no matter what juries deem obscene, there is an exception to the *Miller* test for "private possession of obscene material."[40] As stated in the Supreme Court's *Stanley v. Georgia* opinion, "if the First Amendment means anything, it means that a state has no business telling a man, sitting alone in his house, what books he may read or what films he may watch."[41] Yet merely because people have the right to view or read obscene material, they do not necessarily have the right to possess or acquire that same material. That obviously presents a legal conundrum for consumers who want to actually obtain and view such materials.[42]

For most Americans, though, it appears that obscenity is not as pressing an issue as indecency. The former is certainly not as prevalent in the mainstream media as the latter. Naturally, this is because much sexual expression, especially that which appears on television, does not meet the legal definition of obscenity. However, that same content may still be considered indecent.[43] Although the First Amendment protects indecent materials, the government can restrict what and when we can view such content.[44] However, because the First Amendment protects indecent speech and expression, indecent material will always find its way into society's clutches (if only in the evening). That means Paris Hilton's commercial and its progeny are likely to do exactly what Carl's Jr. burgers intended, to stir up excitement, put the company's name in the media and, ultimately, sell piping hot burgers.

Endnotes

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6. *Lawsuit Challenges Missouri's Ban On Sexually Orientated Billboards*, The Associated Press Newswires (Aug 28, 2004).
7. *Jenna Jameson And Her Contract Star Krystal Steal Show It Off On A Times Square Billboard Featuring Their Latest Release, "Krystal Method"; And A First On-Broadway: Promo For An Erectile Enhancer,* In A ClubJenna, Inc. Press Release (January 18, 2005).
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12. Michael Dorf, *Does The First Amendment Protect Janet Jackson and Justin Timberlake?,* 2, (February 4, 2004), http://writ.news.findlaw.com/dorf/200040204.html.
13. *Id.* at 3.
14. *Id.* at 4.
15. Shields, Todd, *Activists Dominate Complaints*, Media Week, page 1 (Dec 6, 2004).
16. *Id.* at 2.
17. State of the First Amendment 2004 survey, conducted by the First Amendment Center in collaboration with American Journalism Review magazine, released June 28.
18. Dan Thahn Dang, *Red Light Specials*, The Baltimore Sun, (October 18, 2004).
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20. Alexis de Tocqueville, *Democracy in America* (originally published in 1835).
21. Paul Davenport, *Part of Adult Entertainment Ordinance Struck Down*, Associated Press Newswire, (Sept 27, 2004).
22. David Solomon, Panel Discussion, *Indecency, The Media And The FCC* (New York, NY., Jan. 24, 2005) in Entertainment, Arts and Sports Law Journal, 16, New York State Bar Association, 61, 93 (Spring 2005).
23. *Id.*
24. State of the First Amendment 2004 survey, conducted by the First Amendment Center in collaboration with American Journalism Review magazine, released June 28.
25. David Hudson, Jr., *Pornography & Obscenity,* http://www.firstamendmentcenter.org/speech/adultent.
26. Henry Cohen, *Obscenity and Indecency: Constitutional Principles and Federal Statutes*, Congressional Research Service Report for Congress, Summary, (June 29, 2004).
27. *Jenkins v. Georgia*, 418 U.S. 153, 160 (1974).
28. *Id.*
29. *Sable Communications of California, Inc. v Federal Communications Commission*, 492 U.S. 115, 126 (1989).
30. David Hudson, Jr., *Pornography & Obscenity,* http://www.firstamendmentcenter.org/speech/adultent.
31. *Miller v. California*, 413 U.S. 15, 27 (1973).
32. *Id.*
33. *Brockett v. Spokane Arcades, Inc*., 472 U.S. 491, 498 (1984).
34. *Pope v. Illinois*, 481 U.S. 497, 504-505 (1987).
35. *Id* at 32.
36. Henry Cohen, *Obscenity and Indecency: Constitutional Principles and Federal Statutes*, Congressional Research Service Report for Congress, Summary, CRS-2 (June 29, 2004).
37. *Roth v. United States*, 354 U.S. 476, 483 (1957).
38. *Mishkin v. New York*, 383 U.S. 502, 507 (1965).
39. *Id.*
40. *Stanley v. Georgia*, 394 U.S. 115, 126 (1989).
41. *Id.*
42. *United States v. 12 200-Ft. Reels of Film,* 413 U.S. 123 (1973).
43. *Sable Communications of California, Inc. v Federal Communications Commission*, 492 U.S. 115, 126 (1989).
44. David Hudson, Jr., *Pornography & Obscenity,* http://www.firstamendmentcenter.org/speech/adultent.

Ryan Malkin is a third-year law student at Brooklyn Law School. He is currently working at the entertainment law firm of Cowan, DeBaets, Abrahams & Sheppard LLP in Manhattan. Upon graduating next year, he hopes to pursue a career in entertainment law, focusing on films, music and television.

Broadcast Flag Update

By Barry Skidelsky

On May 6, 2005, the United States Court of Appeals for the District of Columbia Circuit (the "D.C. Circuit") ruled that the Federal Communications Commission ("FCC") acted outside the scope of its authority in enacting so-called broadcast flag rules.[1]

The federal regulations and related technical specifications struck down by the D.C. Circuit were a form of digital rights management scheme, promoted and supported by major content owners, and designed to protect high definition and other digital television ("DTV") broadcasts from unauthorized copying and redistribution over the Internet and otherwise.

Enacted in 2003, the broadcast flag rules were to become effective July 1, 2005.

"[N]ot everyone saw things the way the FCC said it did."

Background

Originally developed by Fox Broadcasting and supported by Viacom and Disney, the broadcast flag system evolved as the result of industry consortium compromise. The system starts with the flag itself, which can be described as a digital content control code embedded in a DTV broadcast.

To make the system work, manufacturers of devices capable of receiving or displaying such digital content (e.g., television sets, personal computers with tuner cards, DVDs and Digital Video Recorders such as TiVo) would be required (after an effective date) to manufacture only "flag compliant" devices that recognize and give effect to the flag, and thus control redistribution of digital content.

To help put the broadcast flag rules enactment in perspective, please note that, through the Balanced Budget Act of 1997,[2] Congress had mandated that a transition from traditional analog to new digital television be completed by December 31, 2006. Feeling that pressure, the FCC released a Notice of Proposed Rule-Making,[3] which solicited comments on digital broadcast content protection such as that offered by the broadcast flag system proponents. More than five thousand comments were filed.

Big content owners, such as the above-named publicly traded broadcast groups and major film studios represented by the Motion Picture Association of America ("MPAA"), supported the technology-based mandate. Critics, including the American Library Association ("ALA"), privacy, free speech and consumer advocates, equipment manufacturers, and information technology companies, all strongly opposed the proposal, in key part asserting that the FCC had no authority to control how broadcast content may be used after it has been received.

Rejecting the critics and finding a need for "preemptive action to forestall the potential harm of mass indiscriminate redistribution of DTV," the FCC released a Report and Order[4] enacting the proposed broadcast flag rules and making them effective July 1, 2005 (the "Flag Order").

The Flag Order specified that its scope "does not reach existing copyright law" and that the "technical protection measure" it established did "not change the underlying rights and remedies available to copyright holders." However, not everyone saw things the way the FCC said it did.

Want to Make a Federal Case Out of It?

On January 30, 2004, a group of petitioners, including the ALA, filed a Petition for Review (the "Petition") with the D.C. Circuit. The Petition raised three main challenges to the Flag Order: (1) the FCC lacks authority to mandate flag compliant manufacture of DTV-related equipment, (2) the broadcast flag regime impermissibly conflicts with copyright law, and (3) the FCC's decision-making was arbitrary and capricious.

The MPAA filed a brief as an Intervenor, which predictably supported the Flag Order. It also challenged the petitioners' standing, an objection not made by the FCC. At oral argument in the D.C. Circuit on February 22, 2005, this issue of standing received some attention.

Following supplemental submissions by the parties, the court characterized the MPAA's standing argument as "specious," and found in favor of the petitioners on the basis that an association has standing if, *inter alia,* at least one member can show injury.

In support of its standing defense, the ALA argued that the broadcast flag would undermine the Technology, Education and Copyright Harmonization Act (the "TEACH Act"). Intended to facilitate distance education in the digital era, the TEACH Act protects from copyright infringement claims qualified educational institutions that transmit performances and displays of copyrighted works in distance learning courses over the Internet.

The D.C. Circuit found a substantial probability that, if enforced, the Flag Order would harm the petitioners' interests in making broadcast clips available online to students, which constituted sufficient injury to support the petitioners' standing claim, in turn allowing the court to have jurisdiction to consider the merits of the Petition.

"Without much effort, the broadcast flag was revealed to be easily circumvented."

Issues

The broadcast flag debate raised issues that primarily revolved around the need for such content protection, innovation and competition concerns, reasonable consumer uses, public interest values, and the question of FCC jurisdiction or authority. Some questioned whether the broadcast flag was necessary, feeling that existing copyright law provided sufficient protection. Others questioned the flag's technical shortcomings.

Proponents of the flag reluctantly admitted that it was an imperfect technology protection mandate, a mere "speed bump" on the information super-highway, at best effective only to keep honest people honest or to keep in check "casual infringers."

Without much effort, the broadcast flag was revealed to be easily circumvented. As legacy and other analog equipment would not be affected by it, their uses would allow the signal to be freely passed through and onto any equipment.

For the slightly more technically inclined, processing a flagged DTV signal through a widely available digital-to-analog signal converter would strip the flag, and then re-processing the signal through an analog-to-digital converter would result in a clean digital copy of the signal, ready for online distribution, such as in a peer-to-peer network.

Innovation and competition concerns were raised by the prospect of dominance by a single or even a small number of government-mandated copy protection schemes. Plus, law leading technology just sounds backward, does it not?

Consumer issue concerns included not only the burdens and costs imposed by the flag, such as those related to equipment obsolescence and inter-operability, but also the preservation of currently available space and time-shifting copying for personal use, as well as other fair uses of copyrighted material (e.g., criticism and review). Other public interest issues included free speech and the free flow of information.

D.C. Circuit Opinion

The court's opinion ignored nearly all of the foregoing (and more interesting) issues, instead first resolving the standing issue as described above, and then focusing on the FCC's lack of jurisdiction or authority.

The FCC, like other federal agencies, literally has no power to act unless and until Congress delegates power to it. The FCC may act pursuant to express statutory authority, such as that conferred by the Communications Act of 1934, as amended, which created the FCC for the purpose of "regulating interstate and foreign commerce in communication by wire and radio." In addition, the FCC "may perform any and all acts, make such rules and regulations, and issue such orders . . . as may be necessary in the execution of its functions."[5]

This ancillary jurisdiction, the FCC argued in *ALA v. FCC*, was sufficient to support the Flag Order, despite an admitted lack of expressly delegated authority. The D.C. Circuit disagreed and found that the FCC's exercise of ancillary jurisdiction in adopting the Flag Order was *ultra vires.*

The court held that the general jurisdiction grant under the Communications Act does authorize FCC regulation of apparatus that can receive television broadcast content, but only while those apparatus are engaged in the process of receiving a television broadcast. The Communications Act does not authorize the FCC to regulate receiver apparatus after a transmission is complete.

More particularly, the court determined that the Flag Order does not regulate the actual transmission of DTV broadcasts. Rather, it imposes regulations on devices that receive communications after the transmission is complete.

Not being a regulation of communication by wire or radio, the Flag Order thus exceeded the FCC's delegated authority. The IT industry was especially pleased with this outcome, understandably fearful of the possible precedent that the Flag Order might create for FCC regulation of computer or consumer electronics manufacturers, merely on the basis of self-proclaimed ancillary jurisdiction or authority.

Historically, the FCC's exercise of authority over equipment manufacturers was limited to the context of explicit authorizations, such as the All Channel Receiver Act ("ACRA"). Enacted in 1962 and codified at 47 U.S.C. § 303(s), ACRA granted the FCC authority to require (after an effective date) that all televisions be "capable of adequately receiving all [e.g., UHF and VHF] frequencies allocated to television broadcasting."

Back to the Future

The deadline for any aggrieved party to file a petition for rehearing with the D.C. Circuit has passed without any such filing having been made. As of this writing (July 2005), no party has yet publicly announced any intention to file a petition for certiorari with the U.S. Supreme Court, the deadline for which is August 4, 2005.

Given the narrowness of the D.C. Circuit's opinion (which reaches only standing and FCC authority arguments), no clear basis for reversal or appeal comes to mind, although "run away and live to fight another day" does. The fight will likely return to Congress, where a relentless MPAA and allied interests continue to push their legislative proposal to control copying and redistribution of digital content.

However, if the past provides any clues to the future, consider the following: A bill introduced in the House of Representatives in March 2002, known as the Consumer Broadband and Digital Television Promotion Act, which would have allowed the FCC to mandate a security standard for all "digital media devices," was abandoned, due to significant public opposition.

Producers and distributors of DTV broadcasts and other digital content are understandably afraid. For starters, digital copies are much easier to make and distribute than their analog analogues—although pretty good analog copy technology has been around for years. More importantly, digital copies are near-perfect clones, without suffering any of the degradation still associated with analog copies.

Although this gives the recent loud noises made by government and big content players about copyright and piracy a ring of truth, this should not be a distraction—it really is all about the money and control.

On one side of this, the federal government wants to expedite a transition to DTV, even if all of the pieces of the puzzle have not yet fallen into place, so that it can auction off the reclaimed analog broadcast spectrum for big money.

In part, this helps support the cynical view of the current symbiotic and unhealthy relationship between government and big media, as reflected by the Flag Order.

It seems as though much of the entertainment industry's energy in the past few years has been devoted to getting government to respond to challenges posed by changing technology and market conditions on its behalf.

Disruptive technology, such as is involved in the Internet and other digital media, takes over established business models. However, disruptive technologies can create new markets for incumbents as well as new industry participants, offering consumers more choice and new or better/faster/cheaper products and services.

Content owners have taken similar oppositional stances upon the introduction of other technological advances, most notably involving the VCR (Hey, Betamax! Want to make federal case out of it?). However, each time, content owners eventually released content in a new format and found a new lucrative market.

Things would go a lot smoother for all of us if the entertainment industry embraced, rather than opposed, such new technologies. Adapt or die is the concept, not relying on big brother to solve your problems.

"It seems as though much of the entertainment industry's energy in the past few years has been devoted to getting government to respond to challenges posed by changing technology and market conditions on its behalf."

It is by now well known that the music industry was caught off guard by the spread of online file sharing. It took Apple, a computer rather than a music company, to realize the profit potential in new economic models for digital distribution. The incredible success of Apple's iTunes shows us all that consumers are willing to pay for easily searchable and downloadable content. The video industry still has the opportunity to preempt online sharing of copyrighted video content by embracing the new technologies (rather than opposing them merely for the sake of preserving the status quo) and by offering attractive legal alternatives right from the start.

The industry had better get it together soon. Current bandwidth constraints and technology limits help keep video piracy in check, but not for long. Currently, one hour of high definition television ("HDTV") content fills approximately 8.5 gigabytes of storage, which would take fourteen hours to download on a typical home broadband connection. The time and storage space required to share HDTV content makes it prohibitive for the average user, for now. Yet things change and the speed of change continues to accelerate.

We need to collaboratively develop better solutions, such as new business models and less intrusive technical DRM measures. Media consumers today have rightly come to expect to be able to buy and use what content, when, where and on what device, they want. Give the people want they want. The customer is always right, right?

One big hurdle to overcome is consumer ignorance or apathy about copyright. Education (such as is integral to Copyright Awareness Week), not litigation, is the key. The Recording Industry Association of America should stop suing kids and their parents over personal music file sharing. That is no way to win friends and influence people.

Young people, especially, need to be educated about the balance that copyright law seeks to strike between the rights of copyright owners and the public.

Conclusion

The Flag Order is an example of how big entertainment and media players want to use government and technology to increase their control over content, and to upset the copyright balance in their favor.

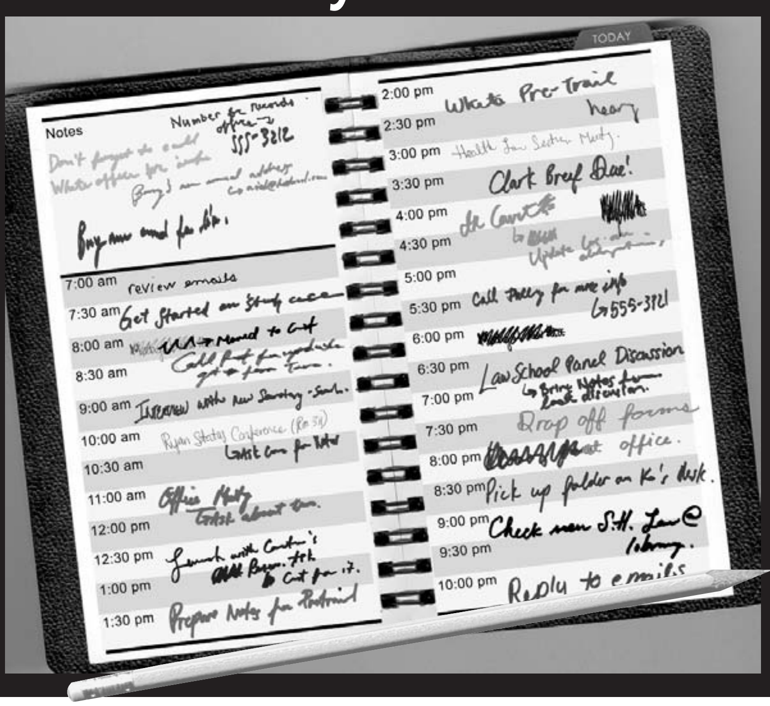
The struggle over the appropriate balance for intellectual property law is at the center of the twenty-first century information economy, and, at its simplest, *ALA v. FCC* shows us that Hollywood cannot use the FCC to regulate how the public can watch and record television programs.

Education, new business models, and less intrusive technical or DRM measures, plus an ongoing debate of the issues raised by the Flag Order (other than standing and FCC authority) will benefit all of us as we move forward in the digital world.

Endnotes

1. *American Library Association et al. v. Federal Communications Commission* (No. 04-1037) ("ALA v. FCC").
2. *See* 47 U.S.C. § 309(j)(14).
3. FCC 02-231; August 9, 2002.
4. FCC 03-273; November 4, 2003.
5. *See* 47 U.S.C. § 154(i).

Barry Skidelsky is an attorney and consultant in private practice in New York City, handling regulatory, transactional and litigation/ADR matters mainly for clients involved in communications, media, entertainment and technology. A musician, engineer and former broadcaster, Barry chairs the Television & Radio Committee of the NYSBA Entertainment, Arts and Sports Law Section. A former co-chair of the New York chapter of the Federal Communications Bar Association, Barry may be reached at bskidelsky@mindspring.com or (212) 832-4800.



Martignon and *KISS Catalog*: Can Live Performances Be Protected?

By Brian Danitz

Two recent court actions have threatened to topple Congress' protection of live musical performances by finding the federal anti-bootlegging statutes[1] unconstitutional.[2] These opinions, issued three months apart from district courts in New York and California, the heart of America's entertainment industry, affect more than the collecting habits of a few avaricious fans.[3] If these decisions are upheld and widely followed, not only will bootlegging laws be outside the scope of Congress' lawmaking authority, but the United States also will be incapable of enforcing a uniform policy that would comply with article 14 of the Agreement on Trade-Related Aspects of Intellectual Property ("TRIPs")—an accord sponsored and signed into law by the President, harmonizing American intellectual property law with the laws of one hundred and ten other signatory nations.[4] This is an expensive proposition, both in terms of trade sanctions that may be brought to bear[5] and in terms of American leadership in the world of intellectual property law.[6] The rationale behind these decisions would also effectively stymie Congressional efforts to regulate in the area of "neighboring rights," an increasingly vital segment of intellectual property law in our networked, speed-of-light world.[7]

Title 18, U.S.C.A. § 2319A of the U.S. Code and 17 U.S.C. § 1101 vest an exclusive right to record or transmit a live performance in the performer(s).[8] The central holdings in *Martignon*[9] and *KISS Catalog*[10] are that these rights are "copyright-like" and subject, therefore, to the limitations of the Copyright Clause.[11]

The two decisions marked a dramatic shift from the decision of the Eleventh Circuit five years earlier, where that court held in *United States v. Moghadam*[12] that the Commerce Clause[13] could provide an alternative authority for the enactment of anti-bootlegging legislation.[14] In contrast, the *Martignon* and *KISS Catalog* courts assume that the Commerce Clause or the Necessary and Proper Clause could have provided Congress with the requisite authority, but this only would be material "if the Copyright Clause did not restrict Congress' legislation in this field."[15]

This new direction in the jurisprudence, if affirmed, would undermine Congress' ability to regulate the information economy, in a manner reminiscent of the *Lochner* era.[16] By binding Congress to the four corners of the Intellectual Property Clause,[17] such an interpretation of the Constitution would create a new public right that would displace the traditional First Amendment balancing of interests with a bright-line and blanket rule within the Constitution's body.[18] Congress would be unable to protect artistic or scientific expression that does not meet the requirements of a restrictive interpretation of the textual provisions of the Intellectual Property Clause. This would strip Congress of its ability to respond to accelerating changes in information technology[19] that are currently challenging the Framers' twenty-seven word provision.[20]

This article argues that in deference to Congress' vested authority, before one Article I, Section 8 power is found to impliedly limit another, a functional and structural[21] analysis is necessary to determine whether an actual conflict exists. The *Martignon* and *KISS Catalog* opinions do not include a finding that the anti-bootlegging statutes actually undermine, or interfere with, the Copyright Clause.[22] Rather, both opinions apply *Railway Labor Executives' Ass'n v. Gibbons*,[23] in which the Supreme Court held that the uniformity requirement of the Bankruptcy Clause impliedly limits Congress' discretion to enact bankruptcy laws under the Commerce Clause, as a categorical and bright-line rule.[24] The analogy to *Gibbons*, in a context where the textual and structural elements that compelled its result are absent, effects a radical transformation of the Copyright Clause; the constitutional phrase "Writings" is reduced to the scope of the Copyright Act's "fixation requirement" and both "Writings" and "for limited Times" are endowed with the same preclusive effect as the uniformity requirement of the Bankruptcy Clause. The result is similar to building a wall in the middle of a front porch instead of a gate at the property-line; by erecting the "fixation requirement" as a barrier against copyright-like protection, the court would artificially restrict the Copyright Clause to the current confines of the Copyright Act.

Recognizing that the Copyright Clause is broader than the Copyright Act, this article suggests that Congress' discretion to enact copyright-like protections is restricted only where the "essential" purpose of the Copyright Clause is threatened.[25] Copyright-like statutes that, in the balance, "promote the Progress of Science and the useful Arts" are constitutional under either the Commerce Clause or the Copyright Clause itself.[26] This approach preserves the constitutional scheme and, at the same time, preserves Congress' broad discretion to protect intellectual property.[27]

The first part of this article presents the background leading up to the *Martignon* and *KISS Catalog* decisions, emphasizing the anti-bootlegging statutes' goals of protecting the domestic recording industry and implementing TRIPs. This part also presents the controversy sparked by the enactment of the anti-bootlegging legislation, as well as the arguments for and against constitutionality. In addition, the 1999 decision in *United States v. Moghadam*[28] is summarized in this part in some detail, because the recent decisions fundamentally depart from the *Moghadam* court's reasoning.

The article then summarizes the opinions in *United States v. Martignon* and *KISS Catalog v. Passport International Productions, Inc.*, which share the common rationale that copyright-like statutes may not be enacted under the Commerce Clause, contrary to the holding in *Moghadam*.

This rationale is then analyzed and the argument is made that such a categorical approach has yielded a skewed result that should not be upheld at the appellate level. Analogizing to the Court's functional analysis in separation of powers issues, this article advocates for a functional approach to questions of the compatibility between copyright-like statutes and the Copyright Clause—an approach more in keeping with the deference due to Congress in matters of economic policy.

This analysis reveals that the mere lack of "fixation" does not create an inherent conflict with the Copyright Clause and that the anti-bootlegging statutes are a form of protection which Congress has extended in the past within the Copyright Act itself.[29] I call this narrow class of protections "proto-copyright" because the protections therein are a precursor to full copyright protection, encompassing original works that are poised to be fixed in a tangible medium of expression. I posit that this form of circumscribed protection is constitutional under the Commerce Clause and possibly under the Copyright Clause as well.

In the conclusion, the *Martignon/KISS Catalog* rationale is rejected as overbroad; if appellate courts affirm its approach in a departure from *Mohagdam*, the United States will be unable to meet its obligations under TRIPS,[30] the President will be hindered in future trade negotiations, and legislative attempts at a uniform intellectual property standard for the nation will be confounded.[31]

The Anti-Bootlegging Statutes and the Constitution: Context and Controversy

The anti-bootlegging statutes were enacted in 1994 on a fast-track basis,[32] bundled within the omnibus Uruguay Rounds Agreement Act.[33] As a consequence, 17 U.S.C. § 1101 and 18 U.S.C. § 2319A received little attention, and Congress passed the legislation without debate and with essentially no legislative history.[34] In considering the nature and purpose of the statutes, the courts are left, as a result, with only the text of the statutes themselves and the context of their adoption into federal law.

Scope and Nature of the Anti-Bootlegging Statutes

Courts define bootlegging as "the sale of wholly unauthorized recordings of performances by musical artists which frequently are produced by individuals who smuggle tape recorders into live performances or who record live performances broadcast over the radio or television."[35] The anti-bootlegging statutes protect live musical performances by providing legal recourse against anyone who records or transmits a performance without the permission of the performer(s).[36] The statutes also protect against the reproduction and distribution of such unauthorized recordings.[37] The civil statute, 17 U.S.C. § 1101, provides the same remedies as copyright infringement, including injunction, impoundment, destruction, damages, and, at the discretion of the court, costs and attorneys fees.[38] The criminal statute, 18 U.S.C. § 2319A, penalizes commercial bootlegging activity with fines based on victim impact statements and/or up to five or ten years' imprisonment for first or second offenses respectively.[39] The statute also mandates forfeiture and destruction of the recordings and, at the discretion of the court, of the recording equipment.[40]

Policies of the Anti-Bootlegging Statutes

The anti-bootlegging statutes are the product of a two-pronged legislative initiative thirty years in the making.[41] The statutes protect the domestic music industry from the depredations of bootleggers and, concurrently, align American standards of protection with international trading partners.[42]

Domestic Protection

The anti-bootlegging statutes are an outgrowth of Congress' ongoing efforts to protect the interests of the American recording industry.[43] Copyright protection was first extended to phonorecords[44] in the Sound Recording Amendment of 1971.[45] That amendment was enacted in response to the "widespread unauthorized reproduction of phonograph records and tapes" amounting to approximately twenty-five percent of the value of annual record and tape sales.[46] The Copyright Act of 1976 incorporated these protections[47] and Congress subsequently expanded protection of sound recordings in the Piracy and Counterfeiting Amendments Act of 1982,[48] the Record Rental Amendment of 1984,[49] and the Digital Performance Right in Sound Recordings Act of 1995.[50]

While these statutes protected record companies and artists from "piracy" of existing recordings,[51] they did not protect live performances from bootlegging activity.[52] Prior to 1985, some Circuits had applied[53] the National Stolen Property Act,[54] which imposed criminal penalties for interstate transportation of stolen property, to interstate trafficking in "bootleg records."[55] However, the Supreme Court, in *Dowling v. United States*,[56] held that that statute did not apply to bootleg recordings because such items "were not 'stolen, converted or taken by fraud' except in the sense that they were manufactured and distributed without the consent of the copyright owners" of the underlying musical works.[57] Performers and producers were left with only a patchwork of state statutory and common law causes of action.[58] These remedies were rarely utilized as they could not address the interstate and, increasingly, international scope of bootlegging activity.[59] Thus, no uniform protection of live performances was possible until the anti-bootlegging statutes were enacted.[60] Title 18, § 2319A of the U.S. Code and 17 U.S.C. § 1101 filled a gaping hole in the federal scheme to protect the domestic recording industry.[61]

International Harmonization

The domestic protection of the American recording industry paralleled the United States' increasing prominence as a net exporter of intellectual property.[62] International trade had always exerted an influence on United States intellectual property policy.[63] However, it was not until the 1980s that the U.S. implemented an aggressive policy of harmonization[64] with international standards of protection.[65] Facing an appalling trade deficit and rampant piracy of American products abroad, the United States reversed one hundred years of reticence and adhered to the Berne Convention for the Protection of Literary and Artistic Works[66] on March 1, 1989.[67] Although the Berne Convention itself granted protection to unfixed works,[68] it did not require member nations to extend such protection,[69] and the U.S. joined the Convention without providing protection to unfixed works.[70]

The policy of harmonization reached a high-water mark in 1994 with the implementation of TRIPs,[71] within the Uruguay Round of the General Agreement of Tariffs and Trade ("GATT").[72] TRIPs incorporated many of the pre-existing international intellectual property agreements, including the Berne Convention,[73] the Paris Convention,[74] the Washington Treaty on Intellectual Property in Respect of Integrated Circuits,[75] and the Rome Convention for performances and neighboring rights.[76] TRIPs gave effect to the Rome Convention[77] by requiring protection of performers from the unauthorized recording or broadcasting of their live performances.[78] In compliance with this obligation,[79] Congress enacted the civil[80] and criminal[81] anti-bootlegging statutes protecting performers against the unauthorized recording, transmission to the public, and the sale or distribution of, or traffic in, unauthorized recordings of their live musical performances.[82]

The Uruguay Round Agreements Act, signed into law by President Clinton on December 8, 1994, was the product of eight years of negotiations amongst one hundred and twenty-three nations.[83] The United States strongly advocated for TRIPs, and this placed it in the center stage of "the highest expression to date of binding intellectual property law in the international arena."[84] Unlike the prior great conventions, TRIPs included enforcement requirements, and noncompliance with agreed provisions could trigger trade sanctions tied to the larger GATT agreement.[85] Thus the anti-bootlegging statutes have ongoing significance to the nation's global trade policies.[86]

Constitutional Basis for the Anti-Bootlegging Statutes

The anti-bootlegging statutes immediately raised questions of constitutional dimension that the scarce legislative history could not answer.[87] Many commentators viewed federal protection of live performances as an erosion of the traditional boundary between copyright and the public domain.[88] David Nimmer hailed "the end of copyright," suggesting that copyright, empowered by the Commerce Clause, now served the "new master" of international trade.[89] These commentators view the anti-bootlegging statutes as a juggernaut threatening centuries of carefully crafted constitutional limits.[90] The developing split among the Circuits[91] attests to the complex balancing of state, federal, legislative, and judicial interests enmeshed in the question of the implied and express limits on congressional authority to reshape the contours of copyright. This article suggests that the anti-bootlegging statutes do not run afoul of these limits which have already been clearly and fully set down by the Supreme Court.[92]

The Intellectual Property Clause, Article I, Section 8, Clause 8 of the U.S. Constitution, grants Congress the authority "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Two centuries of Supreme Court decisions[93] and consistent congressional practice[94] had seemingly embedded a "fixation requirement" into the meaning of "Writings."[95] Since live performances are inherently "unfixed" the anti-bootlegging statutes seemed to contravene that requirement.[96]

The Clause also states, in plain terms, that exclusive rights may be granted to authors only "for limited Times,"[97] a limitation also consistently enforced within the Copyright Act.[98] "A federal copyright statute that purported to grant copyright protection in perpetuity would clearly be unconstitutional."[99] If the anti-bootlegging statutes failed to meet these copyright requirements, the question remained whether the Commerce Clause could provide an alternative authority for their enactment as "copyright-like" statutes.[100]

Article I, Section 8, Clause 3 of the Constitution grants Congress authority to regulate activities that substantially affect interstate commerce,[101] even if those activities themselves are entirely intrastate in nature.[102] The anti-bootlegging statutes, enacted to protect "the $12 billion recording industry,"[103] and pursuant to international trade agreements, satisfied the Commerce Clause threshold requirements.[104] However, commentators disagreed as to the effect of the Intellectual Property Clause's words of limitation upon other Article 1, Section 8 powers.[105] Some espoused a broad "structuralist" approach to constitutional interpretation that proscribed the use of the Commerce Clause to make "end runs" around the express limitations of the Copyright Clause.[106] Others viewed the Intellectual Property Clause as an independent grant of congressional authority.[107]

Traditional View of the Intellectual Property Clause

Traditionally, the Copyright Clause has been viewed as an entirely positive grant of power to Congress.[108] The copyright power permits Congress to vest authors with the right to exclude others from unauthorized reproduction, distribution, performance, display, and adaptation of their works.[109] This grant traditionally has been construed as an incentives scheme.[110] Without exclusive rights, free riders would sell works at unreasonably low prices that do not reflect the time and effort invested in their production.[111] This would drive authors from the market.[112] Congress' copyright power avoids this loss of intellectual potential by authorizing Congress "to promote the progress of science and the useful arts" by granting a limited monopoly.[113] Therefore, copyright is an economic policy affecting private business interests and does not implicate larger constitutional concerns that would affect Congress' ability to act under another Section 8 power.[114] Proponents of Congress' authority to enlarge the scope of these incentives beyond the limits of the Copyright Clause point to cases where Congress has enacted legislation under one constitutional power to achieve an end proscribed under another.[115]

In *Heart of Atlanta Motel, Inc. v. United States*,[116] the Supreme Court held that the Commerce Clause justified the public accommodations provisions of the Civil Rights Act of 1964,[117] even though similar provisions proscribing private discrimination within the Civil Rights Act of 1875[118] had been declared beyond the scope of Congress' authority under Section 5[119] of the Fourteenth Amendment.[120] This illustrates the general proposition that Congress' various grants of authority, in this case the Fourteenth Amendment and the Commerce Clause, may operate independently and in the alternative to one another.[121]

In *The Trademark Cases,* the Supreme Court held that the Copyright Clause could not sustain the 1876 Trademark Act, because a trademark "is simply founded on priority of appropriation," and not on originality in authorship.[122] Although that Court found that the act was not justified by the Commerce Clause either, under the modern concept of the Commerce Clause,[123] it would have been upheld. The constitutionality of modern federal trademark laws[124] therefore attests to Congress' ability to enact intellectual property laws that are beyond the scope of Article I, Section 8, Clause 8 by using its Article I, Section 8, Clause 3 authority.[125]

The principle that, generally, Congress' enumerated powers are nonexclusive is also supported by *Authors League of America, Inc. v. Oman*,[126] in which the Second Circuit held that a statute withholding copyright protection for imported publications[127] and codified within the Copyright Act, could not be sustained under the Copyright Clause because the statute did not "promote the Progress of . . . useful Arts."[128] Instead, the *Authors League* court found that the statute was a legitimate exercise of its Commerce Clause power to regulate commerce with foreign nations.[129]

Under this traditional view, the express and implied limitations of the Intellectual Property Clause—namely the requirements that the work be a "Writing," that protection be extended only for "limited Times," and that the progress of "Science and useful Arts" be promoted—apply only when Congress is legislating under that power, and should not hinder Congress' ability to enact copyright-like legislation under the Commerce Clause.[130]

Structuralist Views of the Intellectual Property Clause

A pattern of recent holdings has signaled to many observers that the Rehnquist Court has rejected the view that each of Congress' enumerated powers is "hermetically sealed . . . such that Congress may ignore the restrictions on its power contained in one clause merely by legislating under another clause."[131] Instead, the Court seems to have adopted a structural approach to defining the scope of Congress' enumerated powers.[132]

In *United States v. Lopez*, the Court put an end to fifty years of judicial deference to Congress' own conception of its Commerce Clause authority.[133] Striking down the Gun Free School Zones Act of 1990, the Court held "that [the commerce] power is subject to outer limits" and that Congress could not use its authority to regulate commerce in a way that "would effectually obliterate the distinction between what is national and what is local. . . ."[134] In *United States v. Morrison*, the Court reiterated this limiting view of the Commerce Clause, holding that Congress had exceeded its commerce power in granting a private right of action to redress gender-motivated violence.[135] In these and other decisions such as *Printz v. United States*,[136] *City of Boerne v. Flores*,[137] and *Clinton v. New York*,[138] the Court has shown a readiness to invalidate legislation that exceeds the defined and limited powers of the federal government.[139]

In *Railway Labor Executives' Ass'n v. Gibbons*,[140] the Court struck down a Commerce Clause statute that conflicted with the Bankruptcy Clause, another Article I, Section 8 power of Congress.[141] The Rock Island Railroad Transition and Employee Assistance Act ("RITA") provided former employees of the bankrupt Chicago, Rock Island, and Pacific Railroad Company with unemployment benefits valued at seventy-five million dollars.[142] These funds were to be distributed from the company's estate with priority over the claims of unsecured creditors.[143] The Court found that the statute directly conflicted with the uniformity requirement of the Bankruptcy Clause.[144] Justice Rehnquist expressed the view of the Court that a specific limitation on one of Congress' enumerated powers[145] may, under some circumstances, restrict Congress' ability to legislate under an alternative power:[146]

> Unlike the Commerce Clause, the Bankruptcy Clause itself contains an affirmative limitation or restriction upon Congress' power: bankruptcy laws must be uniform throughout the United States. . . . Thus, if we were to hold that Congress had the power to enact nonuniform bankruptcy laws pursuant to the Commerce Clause, we would eradicate from the Constitution a limitation on the power of Congress to enact bankruptcy laws.[147]

Like the Bankruptcy Clause, the Intellectual Property Clause incorporates specific terms of limitation.[148] Therefore, if *Gibbons* applies as a general rule by preventing Congress from avoiding other Article I, Section 8 limitations by invoking other, broader clauses, then Congress is proscribed from enacting copyright-like laws under the Commerce Clause.[149]

William Patry's "Negative Right"

William Patry posits that "[u]nder the Court's structural approach, Article I, Section 8, Clause 8 contains both positive and negative rights: a positive right to grant authors a limited monopoly in their original material, and a negative right in the public to copy unoriginal material."[150] Professor Patry and other commentators maintain that *Bonito Boats v. Thundercraft Boats*[151] and *Feist Publications v. Rural Telephone Service*,[152] two unanimous decisions authored by Justice O'Connor, have imported the Court's structural approach into the heart of the Intellectual Property Clause.[153] Taken together, these decisions establish a constitutional floor to Clause 8, holding that the means by which the progress of science and the useful arts is promoted is by making the "building blocks" of creativity, facts and ideas, available to the public.[154] Public access to uncopyrightable and unpatentable subject matter, as well as access to copyrightable and patentable subject matter after the period of protection expires is therefore the benefit of the bargain contemplated in the Constitution: Limited monopoly rights in original works in exchange for public access to the ideas and facts they embody.[155] The scope of this "negative right," and whether it acts as an absolute bar to legislation of copyright-like statutes under the Commerce Clause, is the subject of vigorous debate and the nub of the issue in controversy in *Moghadam*,[156] *Martignon*,[157] and *KISS Catalog*.[158]

Thomas Nachbar's "Constitutional Norms"

Thomas Nachbar's structural approach to the enumerated powers of Congress suggests that the Intellectual Property Clause should operate independently of other clauses.[159] Professor Nachbar suggests that "whether a specific restriction on a specific Article I power must be read externally depends on whether it reflects an enforceable constitutional norm."[160] A "constitutional norm" inheres in the fabric of the Constitution.[161] Certain norms, when present, tend to narrow the scope of Congress' enumerated powers and broaden the effect of its limitation upon other enumerated powers.[162] These "narrowing norms" include federalism, the separation of powers, and the individual liberty that is the foundation of many substantive constitutional rights.[163] Professor Nachbar's analysis finds that in the case of the Intellectual Property Clause, such narrowing norms operate weakly, if at all.[164] Instead, the countervailing constitutional norm of favoring legislation by the representative branch of government in matters of economic policy is controlling.[165] He finds that the values underlying Article I, Section 8, Clause 8 are served best through judicial deference to Congress[166]—the approach that the Supreme Court has consistently taken to federal copyright legislation.[167]

Professor Nachbar's method recognizes that "a variety of values are served by the Section 8 limitations,"[168] and offers a means to navigate between the poles flagged by *Gibbons*[169] and *Heart of Atlanta Motel*.[170] According to this analysis, the Intellectual Property Clause exerts no control over other enumerated powers and Congress' Commerce Clause authority to enact copyright-like laws is unencumbered.[171]

United States v. Moghadam

Five years before *United States v. Martignon*, the constitutionality of the anti-bootlegging statute was considered and upheld by the Eleventh Circuit in *United States v. Moghadam*.[172]

Facts and Procedural History

Ali Moghadam arrived in Orlando, Florida, expecting to visit Disney World and to make some business deals.[173] Unbeknownst to him, the invitation was the climax of a yearlong undercover operation by the United States Customs Service, dubbed "Operation Goldmine."[174] The sting yielded eleven arrests and approximately eight hundred thousand compact discs containing bootleg recordings of performances by the Grateful Dead, Dave Matthews Band, Bruce Springsteen, Phish, Smashing Pumpkins, Tori Amos, and the Beastie Boys, amongst others.[175]

Ali Moghadam was convicted of violating 18 U.S.C. § 2319A by "knowingly distributing, selling, and trafficking in" unauthorized compact discs of live concerts.[176] On appeal he argued that the statute was unconstitutional because it could not be legitimately enacted under any of Congress' enumerated Article I, Section 8 powers.[177] The court rejected Moghadam's constitutional challenge and affirmed his conviction.[178] Moghadam's applications for rehearings and for a writ of certiorari were denied.[179]

Summary of the Moghadam *Opinion*

The Eleventh Circuit first considered the nature of the anti-bootlegging statutes,[180] and it found that they were best described as "quasi-copyright" or *sui generis* statutes "that in some ways resemble the protections of copyright law but in other ways are distinct from them."[181] The court noted that the civil statute was codified in Title 17 and utilized the remedy for copyright infringement, yet seemed to lack the Copyright Act's requirements of limited duration and fixation.[182] The court also noted that the statutes were less extensive than copyright, conferring only the right to prevent the making of unauthorized sound recordings or transmissions.[183]

The court next considered whether the "quasi-copyright" statute was consistent with the Copyright Clause.[184] After briefly reviewing the historically expanding meaning of the term "Writings," the court declined to decide whether "Writings" could be broadened to encompass live performances.[185] Instead, the court assumed *arguendo* that the lack of fixation precluded the use of the Copyright Clause as a source of congressional authority and proceeded to uphold the statute based on an alternative source of authority: The Commerce Clause.[186]

The court pointed out that Congress' failure to cite the Commerce Clause as grounds for Section 2319A did not dispose of the question of constitutional authority.[187] Then, applying the test developed in *United States v. Lopez*, the court asked "whether a rational basis existed for concluding that a regulated activity sufficiently affected interstate commerce."[188] Considering the commercial subject of the statute,[189] its context as implementation of an international trade accord administered by the World Trade Organization, and the "deleterious economic effect" bootlegging has on the recording industry, the court found that Section 2319A "clearly prohibits conduct that has a substantial effect on both commerce between the several states and commerce with foreign nations."[190]

Having found that the anti-bootlegging statute meets the *Lopez* test, the court next addressed the more difficult question of whether Congress could use its Commerce Clause power "to avoid the limitations that might prevent it from passing the same legislation under the Copyright Clause."[191]

After a review of the relevant case law, the *Moghadam* court held that the various grants of legislative authority act independently and in the alternative to the other powers.[192] In support of Ali Moghadam's position that the Copyright Clause limits Congress' Commerce Clause authority, the court considered *Railway Labor Executives' Ass'n v. Gibbons.*[193] The *Moghadam* court found that the Court's decision to restrict the use of the commerce power in *Gibbons* was the result of a direct conflict between the statute and the uniformity requirement of the Bankruptcy Clause.[194] The court found that no such direct conflict was present in the case in controversy.[195]

Using a "circumscribed analysis," the court resolved the tension between the *Heart of Atlanta Motel* jurisprudence and *Gibbons* by finding that the Copyright Clause itself is a positive grant which "does not imply any negative pregnant that suggests that the term 'Writings' operates as a ceiling on Congress' ability to legislate pursuant to other grants."[196] The court further found that the anti-bootlegging statute furthered the purpose of, and was "in no way inconsistent with," the Copyright Clause."[197] Therefore, *Gibbons* could not control and the statute was a legitimate use of Congress' commerce power under the Commerce Clause.[198]

The *Martignon* and *KISS Catalog* Decisions

Five years after the Eleventh Circuit decision in *Moghadam*, United States District Courts in the Second and Ninth Circuits revisited the question of the constitutionality of the anti-bootlegging statutes.[199] Despite gestures to distinguish the cases, these opinions are directly contrary to the holding of the *Moghadam* court.[200] These decisions apply the rationale of *Gibbons* as a bright-line rule.

United States v. Martignon

Facts and Procedural History

In September 2003, Jean Martignon was arrested by federal and state law enforcement agents for selling bootleg recordings on the web, in catalogs, and in a shop through his business "Midnight Records."[201] On October 27, 2003, Martignon was indicted by a federal grand jury for violating 18 U.S.C. § 2319A.[202] The indictment included no details as to "the artists that Martignon allegedly bootlegged, the scope of the bootlegging, or the distribution of bootlegged works."[203] On January 15, 2004, the defendant moved for dismissal on the grounds that the anti-bootlegging statute was unconstitutional.[204] In the Opinion and Order dated September 24, 2004, the motion was granted.[205] The Attorney General filed a Notice of Appeal in the Second Circuit on October 22, 2004,[206] and oral argument took place on July 12, 2005.

United States v. Martignon Summary

The *Martignon* opinion moves briskly to the determination that, although the anti-bootlegging statute does substantially affect interstate and international commerce, it may only be enacted under the Copyright Clause because it is "copyright-like" in nature.[207] As such, the statute failed both the fixation requirement and the limited times requirement of the Copyright Clause and is therefore unconstitutional.[208]

As an alternate ground for its holding, the *Martignon* court found that "even if Congress may legislate copyright-like statutes under other Section 8 powers, the express limit of durations must be adhered to because copyright-like protection must have boundaries in order to counter-balance the grant of monopoly power to the artist."[209] Therefore, the court held that the absence of a durational limitation rendered the statute "fundamentally inconsistent" with the Copyright Clause.[210]

The court first inquired into the nature of the anti-bootlegging statute and found that it was primarily copyright-like.[211] The court pointed out that the anti-bootlegging statute was enacted in order to comply with TRIPs, which "dealt completely with intellectual property,"[212] and that the Senate Report on the Uruguay Round Agreement Act described the statutes under the general subheading "Copyright Provisions."[213]

The court was also swayed by the fact that the civil anti-bootlegging statute was codified within the Copyright Act itself[214] and that the criminal anti-bootlegging statute was positioned next to the criminal infringement statute.[215] In addition, it observed that the statute refers to the definition of terms provided within the Copyright Act and utilizes the phrase "for purposes of commercial advantage or private financial gain," which appears in the criminal infringement statute.[216]

The court finally concluded that the statute is primarily copyright-like, based on "a plain reading of the statute [which] makes evident that its purpose is synonymous with that of the Copyright Clause" and that "it was enacted primarily to cloak artists with copyright-like protection."[217]

The *Martignon* opinion holds what *Moghadam* assumed *arguendo*: The anti-bootlegging statute cannot satisfy the "Writings" requirement of the Copyright Clause because a live performance is not fixed.[218] The court applied the structural model of the relationship between the enumerated powers as articulated by the Supreme Court in *Gibbons*[219] and by William Patry[220] with mechanical precision: (1) the statute is primarily copyright-like;[221] (2) the Copyright Clause contains the limitations of duration[222] and fixation;[223] (3) the statute is inconsistent with both of these limits;[224] (4) therefore, Congress may not use the Commerce Clause to bypass the Copyright Clause;[225] and (5) the statute is unconstitutional under the Copyright Clause.[226]

The *Martignon* court's insistence on classifying the statute based on its purpose is now clear. If the clause may be classified as "copyright-like," then it is categorically confined to Congress' copyright authority, and as such, the anti-bootlegging statute may not be sustained under alternative authority.[227]

The *Martignon* holding echoes the holding in *Gibbons*:

> [W]hen Congress enacts copyright or copyright-like legislation, for the purpose stated in the Copyright Clause, it is constrained by the Copyright Clause's boundaries. Finding otherwise, as cautioned by *Ry. Labor Execs.' Ass'n* would grant Congress the ability "to repeal the [fixation and durational] requirement[s]" of Art. I, § 8 cl. 8 of the constitution.[228]

Thus, the *Martignon* court applied *Gibbons* as a model and reached the same result. Express limits on one of Congress' enumerated powers impliedly limit congressional discretion to legislate under another.

KISS Catalog v. Passport International Productions, Inc.

Only three months after the Southern District of New York entered its Opinion and Order in *Martignon*, the Central District of California entered its Opinion and Order[229] in *KISS Catalog*,[230] reaching a similar result based on the same rationale.

Facts

On July 10, 1976, KISS[231] performed at New Jersey's Roosevelt Stadium as part of its "Spirit of '76" tour.[232] The concert promoter, Metropolitan Talent, Inc., ("Metropolitan") arranged for three-camera video coverage of the concert for simultaneous projection behind the performers.[233] The video-feed was also recorded onto videotape.[234] Thirty years later, in June 2003, Metropolitan's agent licensed "the long-forgotten Roosevelt Concert footage" to the defendant, Passport International Productions, Inc. ("Passport").[235] Passport began to sell the video, in DVD format, in October 2003 as *KISS: The Lost Concert*.[236]

In November 2003, the plaintiffs, KISS Catalog and founding band members/songwriters Gene Klein (a.k.a. Gene Simmons) and Paul Stanley, filed a variety of trademark and state law claims.[237] The court issued a preliminary injunction against continued sales that was reversed by the Ninth Circuit.[238] In August 2004, the plaintiffs added a claim of distributing bootleg recordings in violation of 17 U.S.C. § 1101(a)(3), which creates a cause of action against distributors of bootleg recordings.[239] In October 2004, the plaintiffs added a copyright infringement claim based on a statement by Metropolitan's CEO which averred that the footage was a work-for-hire and KISS was the rightful copyright owner.[240]

Based on the copyright infringement claim, the court issued a preliminary injunction against sales on November 8, 2004.[241] On December 21, 2004, the court granted the defendant's motion to dismiss the anti-bootlegging claim, finding that 17 U.S.C. § 1101(a)(3) was unconstitutional because it violated the "limited Times" requirement of the Copyright Clause.[242]

Summary of the KISS Catalog Opinion

The court first noted that although the civil anti-bootlegging statute had been in existence for a decade, the issue was a matter of first impression for the courts.[243] It held that Section 1101(a)(3) unconstitutionally extends perpetual protection against the distribution of bootleg phonograms or copies of a performance.[244] In the case at bar, the protection was invoked for an act of distribution that took place twenty-eight years after the original recording had been made.[245] The court found that the plain language of the statute[246] did not establish a durational limit, but applied to any distribution of unauthorized recordings, regardless of when it was originally fixed.[247] The court also held that, although Section 1101 was codified within Title 17, the Copyright Act's own limits on duration did not apply.[248] Congress had specifically incorporated the remedies found in 17 U.S.C. §§ 502–505; therefore it was "reasonable to conclude that Congress included as much existing copyright law [within § 1101] as it intended."[249]

Citing the *Martignon* analysis of 18 U.S.C. § 2319A, the court found the anti-bootlegging statutes to be copyright-like,[250] and therefore, in violation of the "limited Times" requirement of the Copyright Clause.[251] As in *Moghadam* and *Martignon* before it, the court then considered whether the Commerce Clause could provide alternative authority for the statute by placing *Gibbons* in the balance with *The Trade Mark Cases*, *Heart of Atlanta Motel*, and *Authors League*.[252] Like the *Martignon* court, the *KISS Catalog* court found *Gibbons* to be on point.[253] The *Gibbons* Court had examined a clause, "like the Copyright Clause, that both provides a positive grant of power and contains an express limit."[254] In the instant case, allowing Congress to invoke the Commerce Clause in a situation where the Copyright Clause would otherwise be violated would "eradicate from the Constitution a limitation on the power of Congress."[255]

KISS Catalog and *Martignon* Analysis

This section analyzes the district courts' formalist rationale and suggests that questions of implied limits on Congress' legislative authority require a functional analysis. Both courts applied the template laid out in *Gibbons* categorically, i.e., without alteration or adjustment. This results not only in the wrong conclusion in *KISS Catalog* and *Martignon* but in a sweeping precedent that would be highly debilitating to Congress' ability to regulate the information economy.

The Quasi-Copyright Nature of the Statutes: Distinguishing *Gibbons*

Unlike the Eleventh Circuit,[256] the Southern District of New York and Central District of California find convincing congruence between the uniformity requirement in the Bankruptcy Clause and the limitations of the Copyright Clause. The *Martignon* opinion is modeled closely on *Railway Executives' Ass'n v. Gibbons*,[257] and both district court opinions rely on the case.[258] However, the district courts did not consider a number of distinguishing points between *Gibbons* and the present case: The absence of a state sovereignty interest, the absence of a distinct textual implication of external effect, and the circumscribed scope of the statute's protection. The district courts simply applied *Gibbons* as a blanket rule, an overly broad approach that unnecessarily hinders Congress' ability to legislate within the grant of its enumerated powers.

Differences Between the Statutes

RITA, at issue in *Gibbons*, was found by the Court to be an actual bankruptcy law, not a bankruptcy-like law: The Act applied to an ongoing proceeding in bankruptcy court, reordered the priority of creditors' claims, and required the bankruptcy court to implement the final arrangements.[259] RITA's legislative history also revealed that "Congress wanted to make liquidation of a railroad costly for the estate."[260]

In contrast to RITA, 18 U.S.C. § 2319A is, at most, a quasi-copyright statute.[261] The statute affords substantially less protection than copyright protection, vesting only the exclusive right to record or broadcast a live performance in the performers.[262] Any other form of copying, including the subsequent performance of the *identical work* by an unauthorized performer, or copying of the *actual notes* performed, is not addressed by the statute.[263]

The *Martignon* court does not consider the statute's minimal scope.[264] Instead, the court cites evidence of Congress' intent as proof that the statute is *primarily* copyright-like.[265] This evidence is ambiguous at best. The *Martignon* court's emphasis on TRIPs' "IP" (Intellectual Property) aspect[266] only contrasts with the *Moghadam* court's focus on its "TR" (Trade-Related) aspect.[267] The confluence of international trade and intellectual property interests simply underscores the difficulty of characterizing the statute as primarily embodying the values of either the Commerce or the Copyright Clauses. The fact that the Committee on the Judiciary divided the TRIPs chapter of the Senate Report into the three-part division of copyright, patent, and trademark is also less than helpful.[268] The protection of live musical performances from bootleggers is undoubtedly more similar to a copyright than a trademark or a patent. While it would have been more accurate to provide a fourth subheading "*Sui Generis* Provisions," the bare five-sentence description of both statutes in the report attests to the cursory consideration given to its drafting.[269]

Both courts' arguments for a copyright-like status based on statutory placement is undermined by *Authors League of America, Inc. v. Oman*,[270] in which the Second Circuit held that the Manufacturing Clause,[271] codified in Section 601 of the Copyright Act, was justified not by the Copyright Clause, but by the Commerce Clause.[272] Had Congress intended live performance to become a protected subject matter under the Copyright Act it would have amended Section 102(a) as it has done repeatedly in the past.[273] Instead, Congress created a new Chapter 11 to accommodate the civil statute. Similarly, Congress could have amended 18 U.S.C. § 2319, the umbrella criminal infringement statute for all copyrightable subject matter, to include criminal infringement of live performances. Instead, Congress opted to enact a separate statute, distinct from a claim of copyright infringement.[274] Finally, while it is true that the phrase "for purposes of commercial advantage or private financial gain" appears in both the criminal infringement and anti-bootlegging statutes, the phrase also appears in a criminal statute regarding "fraud and related activity in connection with computers," a Title 18 statute that was enacted under Congress' Commerce Clause powers.[275] In *Moghadam*, the court cites the phrase as evidence that the statute was, indeed, of and concerning commerce.[276]

The *Martignon* court recites this ambiguous evidence of congressional intent after agreeing with the *Moghadam* court that "Congress' belief as to the power under which it enacts a statute is not dispositive."[277] At most, the court's rationale illustrates that the statute is, as the *Moghadam* court had found it, a somewhat copyright-like statute.

Differences Between the Clauses

Chief Justice Rehnquist observes that the text of the Bankruptcy Clause was drafted specifically contemplating statutes of the very kind faced by the Court in that case.[278] The word "uniform" loses much of its meaning if inapplicable to alternative sources of legislation.[279] The same cannot be said for the text of the Copyright Clause. There is no indication that the terms "Writings" and "limited Times" were intended to or must apply to any matter beyond the implementation of the grant itself.[280]

The *Gibbons* court emphasized that the Bankruptcy Clause was hotly debated during the Constitutional Convention because it involved a question of state sovereignty.[281] The uniformity requirement was, in part, a response to some states' practices of enacting private bills which rendered uniformity impossible.[282] Congressional meddling in particular bankruptcy proceedings is no less prone to legislative abuse and may be equally prejudicial to the interests of certain states.[283]

In contrast, the Copyright Clause was passed by committee with little debate, reflecting a weak linkage to state sovereignty issues.[284] During the centuries following the Constitutional Convention, federal copyright law progressively preempted most of common-law copyright with little protest from the states.[285] The absence of a strong state sovereignty component[286] undermines the view that the commerce power is restricted in this matter. State sovereignty concerns are further assuaged by Section 1101(d), which preserves all state protection of live performances from preemption.[287] The few Commerce Clause statutes that have been struck down by the Court since the *Lochner* era have each touched upon areas of traditional state control, such as education[288] and health and safety.[289] In such cases, the Court has applied a heightened form of rational basis review in order to safeguard the states from federal overreaching. Since federalism is not strongly implicated in copyright issues, this form of close scrutiny should not apply.[290] Also, copyright is a field rife with economic policy, well-suited to the processes of representative government and ill-suited to the processes of the courtroom.[291] Therefore, deference is due to congressional decision-making and the courts should apply a "minimal rational basis" of review.[292]

In sum, the absence of a strong state sovereignty interest, the absence of a textual implication of external effect, and the circumscribed scope of the statutes' effect sufficiently distinguish *Gibbons* from the present case so as to warrant a reasoned analysis, not a categorical application of its result.

Distinguishing William Patry's Structural Analysis

The *Martignon* court also misapplies William Patry's structural analysis, which contemplates only the originality requirement.[293] Triangulating among *Bonito Boats*, *Feist*, and *Gibbons*, William Patry predicted that if Congress tried to protect databases of unoriginal facts, the Court would strike down such an attempt as an end run around the Copyright Clause.[294] The *Martignon* court's extension of this reasoning to the "fixation requirement" is unsound.[295] Patry concluded that in *Feist*, the Court demarcated the boundary between the Copyright Clause and other enumerated powers, and that this boundary line is the originality requirement: The locus of the "negative right"/"positive right" divide.[296]

This structural analysis, focusing on the originality requirement, supports the validity of the federal anti-bootlegging statute. Live musical performances are original works. Every performance is a new experience for audience and performer. The protection extended by the anti-bootlegging statutes does not remove the building blocks of creativity from the public domain. To the contrary, each performance disseminates the ideas and facts embodied in the work and the statute places no restraint on the re-use of those building blocks. Indeed, the statute places no restraint on the verbatim copying of the live performance.[297] The statute simply grants the performers the sole right to record or transmit the performance.[298] This circumscribed protection furthers the goal of the Copyright Clause by encouraging the production of new ideas and discoveries which are, in turn, given over to the public without encumbrance. The protection of live musical performances by the enactment of anti-bootlegging statutes, therefore, is supported by William Patry's structural analysis.[299]

Implied Limits Require a Functional Rather than a Categorical Approach

After placing the statute in the "copyright" box, both the *Martignon* and the *KISS Catalog* courts simply conclude that the Commerce Clause may not authorize it. This is a categorical approach to a matter of public policy in which deference to Congress is appropriate. In analogous circumstances, the Court has tended to utilize a functional and structural approach that weighs the actual effect of potential conflicts between constitutional grants of authority.

In considering the non-delegation doctrine, the Rehnquist Court has taken a functional/structural approach—asking whether the delegation at issue is incongruous and whether it actually interferes with the functioning of the neighboring power. For example, in *Morrison v. Olson*,[300] the Supreme Court upheld the limited role of the executive in appointing and removing the Independent Counsel based on a pragmatic analysis that diverged from formalist precedent.[301] In *Morrison*, Chief Justice Rehnquist, speaking for the Court, found that Congress' delegation of the power to appoint the Independent Counsel to the courts was not incongruent with functions normally performed by courts, and therefore did not run afoul of constitutional limits on inter-branch appointments.[302] Regarding the imposition of a "good cause" provision for removal by the executive, the Court stated that the real question is whether the President's ability to perform his duty is impeded.[303] Finding that the "good cause" provision did not "unduly trammel[] on executive authority"[304] and did not "pose a dange[r] of Congressional usurpation" of executive power,[305] the Court upheld the delegation.[306]

The enumerated powers issue posed by 18 U.S.C. § 2319A and 17 U.S.C. § 1101 parallels the inter-branch delegation cases, and, as in the delegation cases, the inquiry should be a pragmatic one. Is the statute incongruous with the commerce power? Does the statute actually interfere with the copyright power? This is essentially the approach taken, albeit with spare analysis, by the *Moghadam* court.

If the finding that the anti-bootlegging statute is "copyright-like" is accepted, then the question parallels one of delegation between constitutional powers. In *Morrison*, the transfer of authority took place between the Articles of the Constitution.[307] In *Martignon*, the transfer of authority occurs between Clauses within Article I, Section 8 of the Constitution.[308] The portion of a quasi-copyright statute that is "copyright-like" must not pose a danger of undermining the place of the Copyright Clause in the constitutional scheme and "may not . . . set at naught" the benefits contemplated by the Clause.[309] This is a matter of hybrid authority. Power sharing between Article I, Section 8 clauses should receive more solicitude upon judicial review than power sharing between branches of government that involves inter-Article delegations of authority because there is no equivalent to the Necessary and Proper clause on the inter-branch level.[310] In addition, the Court makes clear in *Bonito Boats* that Congress is vested with great discretion to shape the contours of the rights generated by the Intellectual Property Clause.[311] The balance is Congress' to strike.[312] This is amply illustrated in the afterword to *Bonito Boats* in which Congress responded to the Court's decision by extending *sui generis* copyright-like protection to vessel hull designs within Title V of the Digital Millennium Copyright Act[313] and codified in a new Chapter 13 of the Copyright Act itself.

In sum, the district court's rationale is flawed because it applies the *result* of the Court's analysis in *Gibbons* and the result of William Patry's analysis as a bright-line and blanket rule. Invalidation of a duly enacted federal law based on an implied limit on Congress' powers should be premised on a finding of actual interference with the copyright power or with a larger "constitutional norm." In the instant case, the structural concerns addressed in *Feist* and *Gibbons* are not present and, as shall be discussed in greater detail below, there is no actual conflict between the anti-bootlegging statutes and the Copyright Clause. Therefore, the circuit courts should reverse the district courts and find that the statute is a legitimate use of Congress' commerce power.

No Fixation. No Problem.

The government[314] and amicus briefs[315] to the Second Circuit rely on the assumption that unfixed works are inherently inconsistent with the Copyright Clause "Writings" requirement. These briefs argue that unfixed works, such as live performances, are simply beyond the subject matter of copyright and therefore no conflict arises with Commerce Clause authority.[316] This is the mirror image of the *Martignon* opinion. Both the district court and the government would constitutionalize "fixation" as a bright-line rule. Judge Baer would limit the scope of copyright's *protections* to fixed works, leaving Congress with no authority to regulate unfixed works under the Commerce Clause. In contrast, the government would limit the scope of copyright's *restrictions* to fixed works, giving Congress plenary authority to regulate unfixed works under the Commerce Clause.[317] Both approaches would effect an artificial bifurcation of the federal copyright power, a result that is legislatively inefficient and harmful to the constitutional scheme. Also, "fixation" is an increasingly murky and metaphysical concept as information is manipulated at near real-time through processes no more fixed than a quantum probability or a phosphorescent glow. As a result, it can provide only an arbitrary basis for delimiting where the copyright power begins and ends. Ironically, the insistence on permanence may itself place the foundations of copyright on shifting sands.

A sounder basis of decision would inquire whether the regulation undermines the constitutional floor erected in *Feist Publications v. Rural Telephone Service*.[318] Technological innovation is unlikely to erode the principles of originality or the fact/expression and idea/expression dichotomy, as it has begun to erode the concept of the fixation. The "Progress of Science and useful Arts" is promoted when new forms of expression, including those that challenge the traditional meaning of "Writings," are brought within copyright's protective mantle.[319] Therefore, determining the scope of protection by asking whether a statute functionally conflicts with the Copyright Clause would preserve meaningful distinctions between Clauses 3 and 8, and, at the same time, provide Congress with the flexibility it requires.

Live Performances May Be "Writings"

A live musical performance may, in fact, be a "Writing"; therefore it is unfortunate that the *Martignon* prosecutors conceded that it is not.[320] In *Moghadam*, the Eleventh Circuit noted that it is unclear whether "Writings" may be expanded to include live performances that "are merely capable of fixation" and decided the case on other grounds.[321] The *KISS Catalog* court also decided the case on grounds other than the "Writings" requirement, finding it a "closer question" than the "limited Times" requirement.[322] While common law copyright has recognized copyright infringement of unfixed expressions[323] and California has codified its protection of unfixed works,[324] the federal copyright system has always implicitly or explicitly required that the work be fixed in a "tangible medium of expression."[325] However, despite protestations by venerable commentators that construing "Writings" to include performances is ludicrous,[326] the Court has not limited Congress' discretion in this matter and requires no more from a "Writing" than an original expression that is made by an "Author."[327]

The Framers lived in a world dominated by the quill and the printing press. Even these prescient drafters could not have envisioned camcorders, DATs, eyeglass-cams, Mac minis, and a battery of other miniaturized and affordable means of surreptitious reproduction, in simulacra, of a live work. Neither would the progenitors of American copyright protection have conceived of a network of peer-to-peer and file transfer protocols in which clones of such recorded works are exported globally in a matter of minutes.

It is entirely plausible that the living document of the U.S. Constitution does not exclude protection of certain live works within the broad grant of discretion the Copyright Clause vests in Congress. In this scenario, the Copyright Act's fixation requirement functions as an evidentiary and administrative measure applicable to the bulk of protected subject matter, and *sui generis* protection of original but unfixed works, while outside the Copyright Act itself, is within the scope of the copyright power.[328]

As noted by the *Moghadam* court, Congress' protection of live broadcasts through the legal fiction[329] of simultaneous recording illustrates that the fixation requirement is a flexible standard; therefore, 18 U.S.C. § 2319A is more in the nature of "an incremental change than a constitutional breakthrough."[330] Recognizing that the Copyright Clause is broader than the Copyright Act, the courts should not force Congress to legislate by legal fiction, but should recognize that the Constitution's interest in the progress of the useful arts is promoted when live performances are protected.

Protecting Live Performances Does Not Conflict with the Copyright Clause

Even if the term "Writings" is construed as excluding live musical performances, there is no inherent conflict between the protection of fixed works under the Copyright Clause and *sui generis* protection of live performances under the Commerce Clause. Such protections provide incentives to performing artists to produce live works that disseminate the ideas and facts embodied within to their audiences. While fixation enlarges the scope of dissemination, in both time and space, it does not change the "essential" benefit gained by the public. Therefore the anti-bootlegging statutes are consistent with the goals of copyright as delineated in *Feist* and do not undermine the congressional scheme enacted to give effect to the Copyright Clause.

"Proto-Copyright" Protection

Protection of original works that are poised to be fixed is a distinct species of quasi-copyright that this article labels as "proto-copyright."[331] Proto-copyright statutes protect live, streaming, transmitted, and RAM-cached works that are the unfixed precursors to wholly copyrightable expressions.[332] Proto-copyright protection promotes the progress of science and the useful arts by encouraging performances that in turn may be fixed in a copyrightable form to be determined by the author(s). Where a proto-copyright protection guards, as it does in the instant case, only against reproduction of a work by means of a recording, and only for the duration of a performance, such protection is consistent with the Copyright Clause because it does not create an ongoing monopoly interest in a particular work.[333] Quasi-copyright is a broader genus of protection encompassing both proto-copyright and copyright-like protection of works that *would not be* protectable under the Copyright Clause itself if fixed in a tangible medium of expression. Protection of unoriginal databases is one such proposed quasi-copyright statute and is distinct from the proto-copyright statute at issue in the instant case.[334] Thus, the anti-bootlegging statutes are not unconstitutional simply because they are not yet "fixed in a tangible medium of expression."[335]

The Statutes Do Not Conflict with the "limited Times" Requirement

The *Martignon* decision's alternative ground—that even if Congress may enact copyright-like statutes under the Commerce Clause, the anti-bootlegging statute is 'fundamentally inconsistent' with the Copyright Clause because it lacks a durational limit—rests on the false premise that "limited Times" for purposes of copyright and patent protection is equivalent. Drawing upon precedents from patent law, the court ignores the Court's lesson in *Eldred v. Ashcroft*[336] that "limited Times" operates differently in copyright than patent law because 1) copyright is not a true monopoly and 2) public disclosure is a goal but not a requirement of copyright. The result of this confusion is an expansive and overly rigid version of the "limited Times" requirement as applied to copyright generally and to a proto-copyright statute, such as the anti-bootlegging statutes, particularly.[337] Due to the fact that "limited Times" acts as an antidote to monopoly, where such concerns are absent, the requirement should not be applied. However, the anti-bootlegging statutes at issue do not violate even the expansive version of the "limited Times" requirement espoused by the district courts, because live performances are of intrinsically finite duration.

The "limited Times" Requirement Applies Differently to Patents and Copyrights

The *Martignon* court provides only a brief explanation for its conclusion that the lack of a durational limitation is fundamentally inconsistent with the Copyright Clause. Citing *P.C. Films Corp. v. Turner Entertainment Co.*,[338] the court stated that "[t]he 'Limited Times' requirement offsets [an author's] monopoly and ensures that the public will benefit, albeit at a later date, when the work reaches the public domain."[339]

This rationale is based on false premises stemming from a confusion of patent and copyright. This confusion is borne out by the passage in *P.C. Films* referenced by the court: "The public has invested in such free use by the grant of a monopoly to the patentee for a limited time. Hence any attempted reservation or continuation . . . of the patent monopoly, after the patent expires . . . runs counter to the policy and purpose of the patent laws."[340] For this passage, *P.C. Films* references the Court's decisions in *Scott Paper Co. v. Marcalus Manufacturing Co.*[341] and *Brulotte v. Thys Company,*[342] both of which decided questions of patent law.[343]

In *Eldred v. Ashcroft*, the Court stated that the copyright and patent systems effectuate the Intellectual Property Clause in distinct ways and courts should be wary of applying the analysis of patents cases to copyright cases, especially when analyzing questions of duration.[344] The reason for this caution is two-fold: 1) copyright is not a true monopoly and 2) disclosure is not required by copyright, but is the quid pro quo of patent protection.

Copyright Is Not a True Monopoly

As noted by Justice Ginsberg, speaking for the Court, in *Eldred*:

> Distinguishing the two kinds of intellectual property, copyright gives the holder no monopoly on any knowledge. A reader of an author's writing may make full use of any fact or idea she acquires from her reading. . . . The grant of a

> patent, on the other hand, does prevent full use by others of the inventor's knowledge.[345]

Copyright only grants protection to a particular expression.[346] This protection also falls short of being a true monopoly because, unlike patent, copyright does not require novelty:[347] In copyright, an independently created work that is identical to a pre-existing work, does not infringe that pre-existing identical work.[348] Therefore, while the "limited Times" requirement offsets the patent monopoly, it does not function in the same way in the copyright context.

Disclosure Is Not Required by Copyright, but Is the Quid Pro Quo of Patent Protection

Since the enactment of the Copyright Act of 1976, publication is no longer a prerequisite of copyright protection.[349] This underscores a basic distinction between copyright and patent. While a patent acts very much like a contract, with consideration on both sides of the bargain, copyright acts more as an incentives scheme that does not require disclosure as quid pro quo. Justice Ginsberg highlights this distinction in *Eldred*:

> [I]mmediate disclosure is not the objective of, but is *exacted from*, the patentee. It is the price paid for the exclusivity secured. . . . For the author seeking copyright protection, in contrast, disclosure is the desired objective, not something exacted from the author in exchange for the copyright.[350]

The Court's statement that "limited Times" requires a different analysis in patent than in copyright, applies with even more force in the case of proto-copyright statutes, such as 17 U.S.C. § 1101 and 18 U.S.C. § 2319A, which provide for only minimal copyright-like protections.[351]

"limited Times" is Required Only as an Antidote to Monopoly

In *Feist* and *Bonito Boats*, the Court raised the concern that, in promoting the progress of science and the arts, Congress should not lockup the "building blocks" of creativity, as this would undermine that goal.[352] With patents, the law permits knowledge to be monopolized for a limited time on the condition that it is fully disclosed in executable detail to the public.[353] This "quid pro quo" acts as a sort of "idea pump" permitting twenty years of monopoly profits to come in, in return for subsequent free access by the public forever.

In copyright, the scheme less resembles a contract with full consideration on either side than it does an incentives scheme. This is because ideas cannot be protected under copyright and to the extent that an expression *is* an idea, it may be utilized under the "fair use" exception.[354] Thus, the moment a copyrightable subject is published, the idea(s) and facts embedded within the expression flow freely to the public.[355] As articulated in *Feist*, this is the primary benefit and the "essence of copyright."[356] This benefit is achieved through the *ex-ante* economic encouragement of the author to produce and publish the work.[357] This primary benefit, of entry of fact and idea into the public domain, accrues immediately upon publication.

A secondary public benefit of copyright, not addressed in *Feist*, is economic and affects the scope of the dissemination. When a copyright term expires and a work enters the public domain, the author's partial monopoly premium ends and less expensive copies may be published by competitors. However, in a mass market, the profit-maximizing prices for copyrighted works during the term of protection will often not significantly exceed those of public domain works. As a result, the democratic implications of copyright are not distressing. Therefore, the Intellectual Property Clause "limited Times" requirement is less "essential" with respect to copyrights than to patents, in which it operates as a quid pro quo. The role of the "limited Times" requirement is further attenuated in the case of a proto-copyright protection, such as the anti-bootlegging statutes, in which monopoly plays virtually no part.[358]

The Anti-Bootlegging Statutes Meet the "limited Times" Requirement

The anti-bootlegging statutes are consistent with the Copyright Clause requirement that protections be granted only for "limited Times"[359] because a live performance is inherently limited in duration. The statutes vest performers with a right to exclude others from recording or transmitting their performances for the duration of the performance.[360] When the lights fade and the curtains fall, the show is over. As it is the performance itself that is the subject matter of protection, and not the bootleg recording, it is difficult to see how the statute fails the "limited Times" requirement.[361]

Unlike the copyright distribution right,[362] "Section (a) (3)" (17 U.S.C. § 1101(a)(3) and 18 U.S.C. § 2319A(a)(3)) restricts the distribution of a work that no longer exists. Therefore, that section does not grant an exclusive right of distribution of a work at all. The bootleg recording is the fruit of the initial illegal act of making the unauthorized recording and therefore subject to injunction. Since no perpetual right of distribution is secured for the performer of the live and inherently finite work, the statutes do not violate the "limited Times" requirement of the Copyright Clause.

This distinction is clarified by an example. In the hypothetical case where a simultaneous recording has been made by both the bootlegger and the performing artist, then there *would be* actual interference with the artist's distribution of her work. In this case, Section (a)(3) would act as a form of quasi-distribution right that would parallel the author's right to distribute her sound recording of the event, insofar as Section (a)(3) would eliminate competition with the distribution of the authorized sound recording. However, because the authorized sound recording is within the Copyright Act, it would be subject to the durational limits of 17 U.S.C. § 302.[363] When that copyright expired and the authorized sound recording entered the public domain, the Section (a)(3) right would lose its effect as a quasi-distribution right, since it would no longer protect the author's distribution interest. The distribution of the unauthorized recording would, once again, be merely the fruit of an illegal act and subject to injunction for that reason.

The anti-bootlegging statutes also protect a general interest in choosing which of a series of performances, if any, to record and market. This protection has no equivalent under the Copyright Act which only protects transfers of actual copies or phonograms. The protection more closely resembles a protection of the right of privacy as it is construed in the "right of publicity" tort. Although such interests are present to some degree in all of copyright, they are pervasive in a live performance, which has not yet been fixed. The decision whether to make a recording is a threshold one that marks the transition between personal and public, ephemeral and permanent. That threshold is delineated by the limits of the Copyright Act itself. Protection of performers from a forced entry of their work into a form that will persist in time and be widely disseminated is consistent with fundamental notions of autonomy, privacy and the right not to speak. Control over how the recording is to be made similarly implicates these concerns as evinced by Congress' decision to make sound recordings a copyrightable subject matter that is distinct from the underlying musical work. A sound recording, made without authority or control by the artist is, therefore, a misrepresentative misappropriation that is distinct from the distribution of actual copies contemplated by Section 106(3).

That the live work may not persist except for the bootleg recording raises concerns regarding a conflict with the promotion of the progress of science and the useful arts. Statutory authority to destroy the only record of a live work[364] is also statutory authority to remove, in perpetuity, the "building blocks" contained in the performance. This, however, is the very balance that Congress is charged by the Constitution with making. Here, Congress has granted performers the right to say which, if any, performances are to persist in time as a record of their own performances. This grant encourages live performance and dissemination of the ideas and facts contained within them. Performing artists, such as the Grateful Dead, Dave Matthews Band, and Phish, who choose to freely license the right to record their performances to all attending, are free to do so. Other artists, who prefer to determine which of their performances to fix in a tangible medium of expression, and thereby enter the copyright system, are protected in making that choice.

The Anti-Bootlegging Statutes Are Constitutional[365]

The *Martignon* and *KISS Catalog* decisions mandate that any statute protecting live performances must comply with an expansive version of copyright's "limited Times" and "Writings" requirements. The district courts' categorical application of *Gibbons* unnecessarily hampers Congress' ability to shape policy and to respond to the demands of domestic and international trade. A functional analysis, such as has been applied by the Supreme Court in questions of separation of powers, reveals that the anti-bootlegging statute does not undermine the copyright power and is not incongruous with the commerce power. Therefore the statute should be found to be constitutional as drafted and authorized under either Article I, Section 8, Clause 3, or Clause 8 itself.

Endnotes

1. 18 U.S.C. § 2319A (2000); 17 U.S.C. § 1101 (2000).
2. *United States v. Martignon*, 346 F. Supp. 2d 413, 425 (S.D.N.Y. 2004), *appeal docketed*, No. 04-5649 (2d Cir. Oct. 26, 2004) (finding the criminal anti-bootlegging statute, 18 U.S.C. § 2319A, to be unconstitutional under the Copyright Clause and thereby dismissing indictment of defendant for bootlegging); *KISS Catalog v. Passport Int'l Prods., Inc*., 350 F. Supp. 2d 823, 833 (C.D. Cal. 2004), *appeal docketed*, No. 04-57077, (9th Cir. Dec. 9, 2004) (finding that the section of the civil anti-bootlegging statute that prohibited the unauthorized distribution of the unauthorized recording of live performances, 17 U.S.C. § 1101(a)(3), was unconstitutional under the Copyright Clause).
3. *See Martignon*, 346 F. Supp. 2d at 425; *KISS Catalog*, 350 F. Supp. 2d at 833.
4. *See* Agreement of Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 108 Stat. 4809, 1869 U.N.T.S. 299, 326 [hereinafter TRIPs Agreement]; *pertinent sections available at* http://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm (last visited Mar. 1, 2005). "In respect of a fixation of their performance on a phonogram, performers shall have the possibility of preventing . . . [*inter alia,*] the fixation of their unfixed performance and the reproduction of such fixation." *Id*., art. 14, ¶ 1. A comprehensive summary of the TRIPs Agreement is available at http://www.wto.org/english/docs_e/legal_e/legal_e.htm#TRIPs (last visited Mar. 17, 2005).
5. *See* TRIPs Agreement, *supra* note 4, arts. 42–46, 59–61 (establishing remedies of, *inter alia*, injunctions, compensatory damages and other equitable relief); *see also* Int'l Intell. Prop. Alliance, *Copyright Enforcement Under the TRIPs Agreement* (Oct. 19, 2004), *at* http://www.iipa.com/rbi/2004_Oct19_TRIPs.pdf (listing the various enforcement provisions of the TRIPs Agreement).
6. *See* Emery Simon, *GATT and NAFTA Provisions on Intellectual Property*, 4 Fordham Intell. Prop. Media & Ent. L.J. 267, 270

(1993) (discussing the options of the international community in responding to violations of intellectual property agreements, including using trade as "leverage").

7. *See* J. Thomas McCarthy, McCarthy's Desk Encyclopedia of Intellectual Property 287–88 (2d ed. 1995) ("A term used to express the concept of rights not equal to copyright but which relate to or are a 'neighbor' of copyright. . . . 'Neighboring rights' confer a more limited level of protection than copyright.").

8. *Compare* 17 U.S.C. § 1101 (2000) *with* 18 U.S.C. § 2319A (2000). The provisions are identical but for the requirement in Section 1101 that the act be done "knowingly and for purposes of commercial advantage or private financial gain." The remedies are identical as well in that infringement "shall be subject to the remedies provided in sections 502 through 505, to the same extent as an infringer of copyright." The United States fulfilled its obligation under TRIPs by enacting Section 2319A (codifying Section 513 of the Uruguay Round Agreement Act, 108 Stat. 4809, 4975 (1994)), providing for criminal penalty. Section 2319A reads in pertinent part:

> **(a) Offense.**—Whoever, without the consent of the performer or performers involved, knowingly and for purposes of commercial advantage or private financial gain—
>
> **(1)** fixes the sounds or sounds and images of a live musical performance in a copy or phonorecord, or reproduces copies or phonorecords of such a performance from an unauthorized fixation;
>
> **(2)** transmits or otherwise communicates to the public the sounds or sounds and images of a live musical performance; or
>
> **(3)** distributes or offers to distribute, sells or offers to sell, rents or offers to rent, or traffics in any copy or phonorecord fixed as described in paragraph (1), regardless of whether the fixations occurred in the United States; shall be imprisoned for not more than 5 years or fined in the amount set forth in this title, or both, or if the offense is a second or subsequent offense, shall be imprisoned for not more than 10 years or fined in the amount set forth in this title, or both.

9. 346 F. Supp. 2d 413 (S.D.N.Y. 2004).

10. 350 F. Supp. 2d 823 (C.D. Cal. 2004).

11. *See United States v. Martignon*, 346 F. Supp. 2d 413, 425 (S.D.N.Y. 2004) (citing *Marbury v. Madison*, 5 U.S. 137, 176–77 (1803) ("Congress may not enact copyright-like legislation, such as the anti-bootlegging statute, under the commerce clause (or any other clause), when the legislation conflicts with the limitation[s] imposed by the Copyright Clause.")); *KISS Catalog v. Passport Int'l Prods., Inc.*, 350 F. Supp. 2d 823, 833 (C.D. Cal. 2004) ("Since the Court cannot include a limited term of its own accord, the Court holds that the current version of the statute creates perpetual copyright-like protection in violation of the 'for limited Times' restriction of the Copyright Clause."). For more on jurisprudential limitations on court creation of limited copyright terms, see *Eldred v. Ashcroft*, 537 U.S. 186 (2003).

12. *United States v. Moghadam*, 175 F.3d 1269 (11th Cir.), *reh'g en banc denied*, 193 F.3d 525 (11th Cir. 1999), *cert. denied*, 529 U.S. 1036 (2000).

13. U.S. Const. art I (granting Congress authority "[t]o regulate Commerce with foreign Nations, and among the several States").

14. *See Moghadam*, 175 F.3d at 1274–82 (citing U.S. Const. art. I, § 8, cl. 18 (granting Congress authority "[t]o make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers")).

15. *Martignon*, 346 F. Supp. 2d at 425 n.14.

16. Between 1897 and 1937, the Supreme Court aggressively restricted state and federal economic regulation in order to protect freedom of contract and property which was considered fundamental to individual autonomy. "Lochnerism" is considered synonymous with judicial overreaching. *See generally* Laurence H. Tribe, American Constitutional Law §§ 8-3 to 8-4 (1988) ("[L]aws aimed at redistributing resources would by their very nature fall outside the legislative function. Governmental actions which sought to benefit some persons at the expense of others were perceived as dangerous and exceptional. If such activities were not based on notions of corrective justice between parties, they were merely disguised forms of robbery."); *see also Lochner v. New York*, 198 U.S. 45 (1905) (requiring more than the possible existence of some small amount of "unhealthiness" to warrant legislative interference with a liberty right).

17. *See* U.S. Const. art. I, § 8, cl. 8. The grant of authority to Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries" allows Congress to enact both the patent and copyright systems. "Intellectual Property Clause" refers to clause 8 taken as a whole. "Copyright Clause" refers only to the copyright aspect of the provision.

18. *See* Thomas B. Nachbar, *Intellectual Property and Constitutional Norms*, 104 Colum. L. Rev. 272, 319–24 (2004).

> [I]f the constitutional interests captured by the First Amendment's Free Speech Clause are a limit on Congress's ability to grant exclusive rights, those interests operate through the First Amendment itself—they neither require nor suggest reading the Intellectual Property Clause's limits externally. . . . If granting exclusive rights does raise speech-related concerns, there is no possibility that Congress can avoid them by using the commerce power; the First Amendment itself applies to all legislation, regardless of the power under which Congress legislates. . . . The very existence of the First Amendment belies any argument that the Intellectual Property Clause's limits represent independently enforceable, speech-related constitutional norms.

Id.; *see also* Paul J. Heald & Suzanna Sherry, *Implied Limits on the Legislative Power: The Intellectual Property Clause as an Absolute Constraint on Congress*, 2000 U. Ill. L. Rev. 1119, 1138 (2000).

19. *See* Heald & Sherry, *supra* note 18, at 1138; *see also* U.S. Const. art. I, § 8, cl. 18.

20. *See id.*; *see also* U.S. Const. art. I, § 8, cl. 18.

21. *See generally* Walter F. Murphy et al., American Constitutional Interpretation ch. 4, § VI (3d ed. 2003).

22. The *Martignon* court found 18 U.S.C. § 2319A to be "fundamentally inconsistent with Copyright Clause limitations." *See Martignon*, 346 F. Supp. 2d at 428. The *KISS Catalog* court found that 17 USC § 1101(a)(3) "violates 'the for limited Times' requirement of the Copyright Clause." *See KISS Catalog*, 350 F. Supp. 2d at 837. Neither opinion touches upon how this inconsistency or violation undermines the Copyright Clause. *See infra* Part III.

23. 55 U.S. 457 (1982).

24. The United States in its brief has also taken a categorical position. Both the district courts and the government would constitutionalize the Copyright Act's "fixation requirement" as a bright-line rule. The *Martignon* court would limit the scope of copyright's *protections* to fixed works: Thus Congress would have *no authority* to regulate unfixed works *via* the Commerce Clause. The government would limit the scope of copyright's *restrictions* to fixed works: Thus Congress would have *plenary authority* to regulate unfixed works *via* the Commerce Clause. Both of these categorical approaches effect an artificial bifurcation of the constitutional copyright power: A result that is leg-

islatively inefficient and harmful to the Constitutional scheme. *See infra* notes 311–315 and accompanying text.

25. *See Feist Publ'ns v. Rural Tel. Serv*., 499 U.S. 340, 350 (1991).

26. U.S. Const. art. I, § 8, cl. 8.

27. *See* Brief for the United States of America at 16, *United States v. Martignon*, *appeal docketed*, No. 04-5649 (2d Cir. 2005) [hereinafter Martignon Brief for the U.S.]; Brief of Amici Curiae UMG Recordings, Inc., EMI Music North America d/b/a Capitol Records, Inc., Univision Music LLC, d/b/a Univision Music Group, National Academy of Recording Arts & Sciences, American Federation of Musicians of the United States and Canada, American Federation of Television and Radio Artists, Recording Artists Coalition and National Music Publishers Association, Inc. In Support of Reversal, at 13, *United States v. Martignon*, *appeal docketed*, No. 04-5649 (2d Cir. 2005) [hereinafter UMG Amicus Brief]; Brief of Amicus Curiae of the Association of American Publishers; American Business Media; CoStar Group, Inc.; The National Association of Realtors; Reed Elsevier Inc.; and The Software & Information Industry Association Supporting Reversal, at 21, *United States v. Martignon*, *appeal docketed*, No. 04-5649 (2d Cir. 2005) [hereinafter Ass'n of Am. Publishers Amicus Brief].

28. *See United States v. Moghadam*, 175 F.3d 1269 (11th Cir. 1999).

29. *See* 17 U.S.C. § 101 (2000) ("A work consisting of sounds, images, or both, that are being transmitted, is 'fixed' for purposes of this title if a fixation of the work is being made simultaneously with its transmission."); *see also* H.R. Rep. No. 94-1476, at 52–53 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5745 (discussing the various measures Congress considered or enacted regarding the Copyright Act).

30. *See* TRIPs Agreement, *supra* note 4, art. 14, ¶ 1 (providing in relevant part that TRIPs "[i]n respect of a fixation of their performance on a phonogram, performers shall have the possibility of preventing . . . the fixation of their unfixed performance and the reproduction of such fixation.").

31. *See infra* Part I.B.

32. *See* David Nimmer, *The End of Copyright*, 48 Vand. L. Rev. 1385, 1407–08 (1995) ("Procedurally, [the Uruguay Round Agreement Act's] most salient feature is that it was implemented on a fast-track basis. . . . [B]oth the House and the Senate managed to issue lengthy reports on the Act. Those reports contain virtually nothing about copyright. . . .").

33. *See* Uruguay Round Agreements Act of 1994, Pub. L. No. 103-465, 108 Stat. 4809 (codified in Titles 7, 15, 17–19, 21, 26, 29 and 35 of the United States Code).

34. *See* S. Rep. No. 103-412, at 225 (1994). There is no House Report for the legislation.

35. *See* Brief of Amicus Curiae Recording Industry Association of America at 2, *United States v. Moghadam*, 175 F.3d 1269 (11th Cir. 1999) (No. 98-2180) [hereinafter RIAA Amicus Brief] (citing *RSO Records, Inc. v. Peri*, 596 F. Supp. 849, 852 n.2 (S.D.N.Y. 1984)); *see also* Stephan Braun, *Hot Acts, Hidden Microphones; Recordable CDs Give Concert Pirates a Bootleg Up. Industry Wants Laws Fine-Tuned*, L.A. Times, Oct. 16, 1999, at A1 ("Music bootlegging—the unsanctioned taping and distribution of rare, unreleased recordings and concert material—is a hobby gone haywire, part black market, part crusade. It is an outlaw trade of hustlers who cater to the voracious appetites of music buffs who can never get enough, fans who scheme and pay whatever it takes to obtain souvenirs of the performances of their idols.").

36. *See* 18 U.S.C. § 2319A (2000); 17 U.S.C. § 1101 (2000); *supra* note 8 (providing relevant statutory text and analysis).

37. *See id*.

38. *See* 17 U.S.C. § 1101(a) (2000) (establishing liability under 17 U.S.C. §§ 502–05 (2000)).

39. *See* 18 U.S.C. § 2319A(a) (2000).

40. *See* 18 U.S.C. § 2319A(b) (2000).

41. *See infra* notes 43–61 and accompanying text.

42. *See infra* notes 72–99 and accompanying text.

43. *See* H.R. Rep. No. 92-487, at 2 (1971), *reprinted in* 1971 U.S.C.C.A.N. 1566, 1567.

44. *See* 17 U.S.C. § 101 (2000).

> "Phonorecords" are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term "phonorecords" includes the material object in which the sounds are first fixed.

Id.

45. Sound Recording Amendment Act of 1971, Pub. L. No. 92-140, 85 Stat. 391 (1971).

46. H.R. Rep. No. 92-487, at 2 (1971), *reprinted in* 1971 U.S.C.C.A.N. 1566, 1567. The report estimated that annual piracy amounted to one hundred million 1971 dollars where the gross value of 1971 legitimate record sales was four hundred million dollars. Other reasons set forth for this legislation were denial of artists' royalties and loss of federal and state tax revenues.

47. Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541; *see* 17 U.S.C. §§ 101–14 (2000 & Supp. 2002).

48. Pub. L. No. 97-180 (codified as amended at 18 U.S.C. §§ 2318–19 (2000)) (imposing criminal and civil liability for trafficking in counterfeit phonorecord labels).

49. 17 U.S.C. § 109(b)(1)(A) (2000) (prohibiting rental of phonorecords to the public for commercial gain).

50. Digital Performance Right in Sound Recordings Act of 1995, Pub. L. No. 104-39, 109 Stat. 336 (1995) (granting performance rights in digital transmissions of sound recordings).

51. *See supra* notes 45–50; *see also* Recording Indus. Ass'n of Am., *Issues: Anti-Piracy*, *at* http://www.riaa.com/issues/piracy (last visited Mar. 15, 2005) (defining four categories of music piracy).

52. *See* Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 1.08[C][2] (2004).

53. *E.g.*, *United States v. Dowling*, 739 F.2d 1445, 1448 (9th Cir. 1984) [hereinafter *Dowling I*], *rev'd*, 473 U.S. 207 (1985) [hereinafter *Dowling II*].

54. 18 U.S.C. § 2314 (2000) replaced 18 U.S.C. § 413, which was the National Stolen Property Act. The history of the statute indicates that it is no longer being called this name ("Section consolidates §§ 413, 415, 417, 418, 418a, and 419 of title 18, U.S.C., 1940 ed. . . . Section 413 of title 18, U.S.C., 1940 ed., providing the short title 'National Stolen Property Act,' was omitted as not appropriate in a revision.").

55. *Dowling I*, 739 F.2d 1445.

56. *Dowling II*, 473 U.S. at 213.

57. *Id*. at 208; *see also id.* at 228–29 ("[T]he rationale employed [by lower courts] to apply the [mail fraud and interstate transportation of stolen goods] statute to petitioner's [copyright-related] conduct would support its extension to significant bodies of law that Congress gave no indication it intended to touch.").

58. *See generally* Nimmer & Nimmer, *supra* note 52, § 2.02 (discussing the states' role in protecting copyrighted works not fixed in a tangible medium via common law because federal preemption of the Copyright Act does not apply to such works).

59. *See* RIAA Amicus Brief, *supra* note 35, at 12 ("Rare is the performer with a public following only within a single state who is

nevertheless popular enough to be a target of bootleggers. Bootleggers ordinarily target nationally and internationally known performers and for self-evident economic reasons are unlikely to restrict their unlawful distributions to a single state.").

60. *See id.* at 6 ("Given the immense profitability of bootlegging due to recent technological advancements and corresponding incentives for bootleggers, the growing worldwide scope of bootlegging, and the insufficiency of previous efforts to deal with the problem, congressional enactment of Section 2319A was the right remedy at the right time. Without the deterrence of Section 2319A, bootleggers could continue their depredations without fear of a tough, nationwide response coordinated by the federal government.").

61. *Id.*

62. *See Intellectual Property Crimes*, *at* http://www.fbi.gov/hq/cid/fc/fifu/about/about_ipc.htm (last visited Mar. 15, 2005) ("Currently, the U.S. leads the world in the creation and export of IP and IP-related products. The International Anti-Counterfeiting Coalition recently reported that the combined U.S. copyright industries and derivative businesses account for more than four hundred and thirty-three billion dollars, or 5.68 percent, of the U.S. Gross National Product, which is more than any other single manufacturing sector. The Bureau of Labor Statistics reports that between 1977 and 1996 the growth in the IP segment of the economy was nearly twice that of the U.S. economy as a whole.").

63. *See, e.g.*, International Copyright Act of 1891, 26 Stat. 1106, § 13; Louisiana Purchase Exposition Act of 1904, 33 Stat. 4, § 7; Ad Interim Act of 1905, 33 Stat. 1000, § 4952; *Buenos Aires Convention of 1914*, http://ipmall.info/hosted_resources/lipa/copyrights/The%20Buenos%20Aires%20Convention.pdf (last visited Mar. 15, 2005); *The Universal Copyright Convention of 1952*, *available at* http://ipmall.info/hosted_resources/lipa/copyrights/Protocol%203%20Annexed%20to%20the%20Universal%20Copyright%20Convention.pdf (last visited Mar. 15, 2005). *See generally* William F. Patry, Copyright Law and Practice, (2000), http://digital-law-online.info/patry/ (last visited Mar. 15, 2005).

64. *See generally* Roger E. Schechter & John R. Thomas, Intellectual Property: The Law of Copyrights, Patents and Trademarks § 2.3 (2003).

65. *See, e.g.*, Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite, May 21, 1974, (ratified December 7, 1984), 13 I.L.M. 1444, *available at* http://www.wipo.int/treaties/en/ip/brussels/pdf/trtdocs_wo025.pdf General System of Preferences Renewal Act, Pub. L. No. 98-573, 98 Stat. 2948, 3018 (1984); International Trade and Investment Act, Pub. L. No. 98-573, 98 Stat. 2948, 3000 (1984); Berne Convention Implementation Act, Pub. L. No. 100-568, 102 Stat. 2853 (1988); Visual Artists Rights Act, Pub. L. No. 101-650, 104 Stat. 5089, 5128 (1990); 17 U.S.C. § 102(a)(8) (2000) (Berne adherence legislation) (amending 17 U.S.C. §102 (2000) to include architectural works within the scope of copyrightable subject matter); North American Free Trade Agreement (NAFTA) Implementation Act, Pub. L. No. 103-182, § 334, 107 Stat. 2057 (1993) (creating 17 U.S.C. § 104A (2000) which provides for certain copyright protection in motion pictures), 107 Stat. 2057 (1993). *See generally* Patry, *supra* note 63.

66. *See* Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, revised July 24, 1971, 828 U.N.T.S. 221 [hereinafter Berne Convention], *available at* http://www.wipo.int/treaties/en/ip/berne/trtdocs_wo001.html.

67. *See* Berne Convention Implementation Act, Pub. L. No. 100-568, 102 Stat. 2853 (1988) (codified as amended in scattered sections of 18 U.S.C.) [hereinafter Berne Convention Implementation Act].

68. *See* Berne Convention, *supra* note 66, art. 2, ¶ 1.

69. *See id.* art. 2, ¶ 2.

70. *See* Berne Convention Implementation Act, *supra* note 67.

71. *See supra* note 4.

72. *See Understanding the WTO: Basics—The GATT Years: From Havana to Marrakesh*, *at* http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm (last visited Mar. 15, 2005); *Understanding the WTO: Basics—The Uruguay Round*, *at* http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm (last visited Mar. 15, 2005); Uruguay Round Agreement Act of 1994, Pub. L. 103-465, 108 Stat. 4809.

> The Uruguay Round Agreements are the broadest, most comprehensive trade agreements in history and were negotiated by 125 countries. They are vital to our national interest and to economic growth, job creation, and an improved standard of living for all Americans. These agreements, by lowering tariff and other barriers to international trade and investment, will lead to increased levels of world and U.S. output, trade, real income, savings, investment, and consumption. . . . When fully implemented, these agreements are expected to increase U.S. GNP by $100–$200 billion per year. They are also expected to create hundreds of thousands of new, permanent well-paying American jobs (over and above the normal growth in employment in the economy).

H.R. Rep. No. 103-826(I), at 16 (1994), *reprinted in* 1994 U.S.C.C.A.N. 3773.

73. *See* Berne Convention, *supra* note 66.

74. *See* Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, revised July 14, 1967, 828 U.N.T.S. 305 [hereinafter Paris Convention], *available at* http://www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html.

75. *See* Treaty on Intellectual Property in Respect of Integrated Circuits, May 26, 1989, 28 I.L.M. 1477, *available at* http://www.wipo.int/treaties/en/ip/washington/pdf/trtdocs_wo011.pdf (last visited Mar. 15, 2005).

76. *See* WIPO Performances and Phonograms Treaty, art. 6, Dec. 20, 1996, S. Treaty Doc. No. 105-17, 36 I.L.M. 76, *available at* http://www.wipo.int/treaties/en/ip/wppt/trtdocs_wo034.html#P109_12974.

77. *See id.* art. 10.

78. *See* TRIPs Agreement, *supra* note 4, art. 14, ¶ 1 ("In respect of a fixation of their performance on a phonogram, performers shall have the possibility of preventing the following acts when undertaken without their authorization: the fixation of their unfixed performance and the reproduction of such fixation. Performers shall also have the possibility of preventing the following acts when undertaken without their authorization: the broadcasting by wireless means and the communication to the public of their live performance.").

79. *See* S. Rep. No. 103-412, at 2–3 (1994).

80. 17 U.S.C. § 1101 (2000).

81. 18 U.S.C. § 2319A (2000).

82. *See supra* note 8.

83. The Uruguay Round of GATT began in September 1982 and was signed by the participating ministers on April 15, 1994 in Marrakesh, Morocco. This officially ended GATT and began WTO. *See Understanding the WTO: Basics—The Uruguay Round*, *at* http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm (last visited Mar. 15, 2005).

84. *See* Nimmer, *supra* note 32, at 1391–92.

85. *See* TRIPs Agreement, *supra* note 4, arts. 42–46, 59–61; Int'l Intell. Prop. Alliance, *Copyright Enforcement Under the TRIPs Agreement* (Oct. 19, 2004), *at* http://www.iipa.com/rbi/2004_Oct19_

TRIPS.pdf; Emery Simon, *GATT and NAFTA Provisions on Intellectual Property*, 4 Fordham Intell. Prop. Media & Ent. L.J. 267, 270 (1993).

86. *See supra* note 72.

87. *See* Nimmer, *supra* note 32, at 1408–09 ("One seeks in vain for evidence that anyone in Washington even considered the constitutional basis for these vitally important [anti-bootlegging] amendments to the copyright law.").

88. *See, e.g.*, Peter A. Jaszi, *Goodbye to All That—A Reluctant (and Perhaps Premature) Adieu to a Constitutionally-Grounded Discourse of Public Interest in Copyright Law*, 29 Vand. J. Transnat'l L. 595, 602–05 (1996) ("Most students of copyright would concur, at some level, that the limited times language expresses more than an incidental or technical constraint on federal grants of intellectual property protection, at least where copyrightable subject matter is concerned.").

89. *See* Nimmer, *supra* note 32, at 1412 ("Copyright, it seems, now has a new master . . . . [C]opyright now serves as an adjunct of trade. . . .").

90. *See id.* at 1416.

91. *See supra* notes 10–12.

92. *See Feist Publ'ns v. Rural Tel. Serv*., 499 U.S. 340, 346 (1991); *see also Bonito Boats v. Thundercraft Boats*, 489 U.S. 141 (1988).

93. *See Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53 (1884); *Goldstein v. California*, 412 U.S. 546, 561 (1973) (interpreting "Writings" as "any physical rendering of the fruits of creative intellectual or aesthetic labor") (citing *The Trade-Mark Cases*, 100 U.S. 82, 94 (1879)); *cf. CBS v. DeCosta*, 377 F.2d 315 (1st Cir. 1967), *cert. denied*, 389 U.S. 1007 (1967) ("[W]hile more precise limitations on "writings" might be convenient in connection with a statutory scheme of registration and notice, we see no reason why Congress' power is so limited.").

94. *See* 17 U.S.C. § 102(a) (2000) ("Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression. . . ."). Although the fixation requirement was first made explicit in the Copyright Act of 1976, prior law required publication with notice or registration with the Copyright Office, necessitating a fixed form. *See* Douglas Lichtman, *Copyright as a Rule of Evidence*, 52 Duke L.J. 683, 721 (2003).

95. *See* Nimmer & Nimmer, *supra* note 52, § 1.08[C][2].

96. *See id*.

97. *See* U.S. Const. art. I, § 8, cl. 8.

98. *See* Nimmer & Nimmer, *supra* note 52, § 1.05[A][1].

99. *Id.*

100. *See* U.S. Const. art. I, § 8, cl. 3 (Congress has the legislative authority "[t]o regulate Commerce with foreign Nations, and among the several States.").

101. *See United States v. Lopez,* 514 U.S. 549, 559 (1995).

102. *See, e.g.*, *Wickard v. Filburn*, 317 U.S. 111, 124 (1942).

103. *See* RIAA Amicus Brief, *supra* note 35, at 3 (stating that "[t]he recording industry is a major sector of the U.S. economy, with 1997 sales exceeding $12 billion").

104. *See United States v. Moghadam*, 175 F.3d 1269, 1276 (11th Cir. 1999).

105. *See* Nimmer, *supra* note 32, at 1409 ("[N]o respectable interpretation of the word 'Writings' embraces an untaped performance of someone singing at Carnegie Hall."); *see also* Susan M. Deas, *Jazzing up the Copyright Act? Resolving the Uncertainties of the United States Anti-Bootlegging Law*, 20 Hastings Comm. & Ent. L.J. 567, 570 (1998) ("The most obvious constitutional departure . . . is how [the anti-bootlegging statutes] extend[] protection to unfixed material under the authority of a congressional enactment.").

106. *See* Paul J. Heald & Suzanna Sherry, *Implied Limits on the Legislative Power: The Intellectual Property Clause as an Absolute Constraint on Congress*, 2000 U. Ill. L. Rev. 1119, 1177 (arguing that the history and structure of the Intellectual Property Clause militates against congressional authority to enact certain legislation); Jaszi, *supra* note 88, at 602–05; Robert Patrick Merges & Glenn Harlan Reynolds, *The Proper Scope of the Copyright and Patent Power,* 37 Harv. J. on Legis. 45, 63–64 (2000) ("To allow Congress to do things under its general commerce power that it is forbidden to do under its specifically applicable copyright and patent power would in essence read the Copyright and Patent Clause out of the Constitution."); William Patry, *The Enumerated Powers Doctrine and Intellectual Property: An Imminent Constitutional Collision*, 67 Geo. Wash. L. Rev. 359, 394–97 (1999); Andrew M. Hetherington, Comment, *Constitutional Purpose and Inter-Clause Conflict: The Constraints Imposed on Congress by the Copyright Clause*, 9 Mich. Telecomm. & Tech. L. Rev. 457, 503–06 (2003) (arguing that an impermissible conflict is created whenever Congress acts under any constitutional provision in a manner that frustrates an explicit constitutional purpose set out in a different provision); Joseph C. Merschman, Comment, *Anchoring Copyright Laws in the Copyright Clause: Halting the Commerce Clause End Run Around Limits on Congress's Copyright Power*, 34 Conn. L. Rev. 661, 677 (2002).

107. *See* Nachbar, *supra* note 18 (positing that an accurate evaluation of the Intellectual Property Clause's place in the Constitution requires a new approach that recognizes that not all of the limits of Article I powers are of equal constitutional weight and that considers the constitutional significance of the restrictions in question); *see also* Shira Perlmutter, *Participation in the International Copyright System as a Means to Promote the Progress of Science and Useful Arts*, 36 Loy. L.A. L. Rev. 323, 324 n.5 (2002) ("The text of the preambular phrase in the Copyright Clause does not limit the desired 'progress of science' to 'incentives for creation.' Thus, even assuming the phrase operates as a substantive constraint on congressional power, it does not prevent Congress from considering the entire range of possible means by which progress may be promoted.").

108. Hetherington, *supra* note 106, at 484–85.

109. *See* 17 U.S.C. § 106 (2000 & Supp. 2002).

110. *See generally* Schechter & Thomas, *supra* note 64, § 1.3.1.

111. *See* Stewart E. Sterk, *Rhetoric and Reality in Copyright Law*, 94 Mich. L. Rev. 1197, 1204 (1996).

112. *Id.* (At a price derived from a copyright–free world "the author would realize no financial return on his investment in creating the work. In this world, only authors unconcerned with financial return would produce creative works.") (citing William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. Legal Stud. 325, 328 (1989)).

113. *Id.*; *see also* U.S. Const. art. I, § 8, cl. 8.

114. *See* Nachbar, *supra* note 18, at 291.

115. *Id.*

116. *Heart of Atlanta Motel, Inc. v. United States*, 379 U.S. 241, 250 (1964).

117. Pub. L. No. 88-352, 78 Stat. 241 (1964).

118. 43 Cong. Ch. 114, 18 Stat. 335 (1875).

119. *See* U.S. Const. amend. XIV (providing that "[t]he Congress shall have power to enforce, by appropriate legislation, the provisions of [the Fourteenth Amendment]").

120. *See The Civil Rights Cases*, 109 U.S. 3, 26 (1883) (holding that "the act[s] of [C]ongress of March 1, 1875, entitled 'An act to protect all citizens in their civil and legal rights,' are unconstitutional and void . . .").

121. *See, e.g.*, *Nevada Dep't of Human Res. v. Hibbs*, 538 U.S. 721 (2003).

122. *The Trade-Mark Cases*, 100 U.S. 82, 94 (1879).

123. The 1870 Act did not have a jurisdictional component that would limit its scope to interstate commerce. The modern view of the Commerce Clause permits intrastate regulation of matters that "substantially affect" interstate commerce, such as trademarks. *See, e.g.*, *Wickard v. Filburn*, 317 U.S. 111, 123–24 (1942).

124. Trademark Act of 1946 (Lanham Act), 60 Stat. 427 (1946) (codified as amended in scattered sections of 15, 17, and 28 U.S.C.).

125. In *The Trade-Mark Cases* and *Heart of Atlanta,* the Court did not explicitly address the question of whether Congress may enact legislation under the Commerce Clause that is precluded from enactment under Constitutional provision. *See, e.g.*, Maya Pollack, *Unconstitutional Incontestability? The Intersection of the Intellectual Property and Commerce Clauses of the Constitution: Beyond a Critique of Shakespeare Co. v. Silstar Corp.*, 18 Seattle U. L. Rev. 259, 297–98 (1995) (noting that the Court did allude to congressional power to enact legislation outside of the Intellectual Property Clause).

126. *Authors League of Am., Inc. v. Oman*, 790 F.2d 220 (2d Cir. 1986) (Oakes, J., concurring).

127. *See* 17 U.S.C. § 601(a) (2000). The "manufacturing clause" protected domestic printers by restricting the ability of foreign printers to receive copyright protection for books shipped to the United States:

> [T]he importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is protected under this title is prohibited unless the portions consisting of such material have been manufactured in the United States or Canada.

128. *Authors League*, 790 F.2d at 223–24.

129. *Id.* ("In our view, denial of copyright protection to certain foreign-manufactured works is clearly justified as an exercise of the legislature's power to regulate commerce with foreign nations."). However, the Second Circuit did not determine that the challenged statute had actually violated an express limit of the Copyright Clause. *Id.*

130. *See United States v. Moghadam*, 175 F.3d 1269, 1277 (11th Cir. 1999) ("[E]ach of the powers of Congress is alternative to all of the other powers, and what cannot be done under one of them may very well be doable under another."); *see also Heart of Atlanta Motel, Inc. v. United States*, 379 U.S. 241 (1964).

131. Patry, *supra* note 106, at 371 (1999); *see also supra* note 106.

132. *See generally* Murphy et al., *supra* note 21, ch. IV, § VI.

133. *United States v. Lopez*, 514 U.S. 549, 567–68 (1995) ("[S]ome of our prior cases have taken long steps down that road, giving great deference to congressional action. . . . The broad language in these opinions has suggested the possibility of additional expansion, but we decline here to proceed any further. To do so would require us to conclude that the Constitution's enumeration of powers does not presuppose something not enumerated, . . . and that there never will be a distinction between what is truly national and what is truly local . . . . This we are unwilling to do.").

134. *Id.* at 557.

135. *United States v. Morrison*, 529 U.S. 598, 601–02 (2000) (holding the Violence Against Women Act of 1994 ("VAWA") unconstitutional for lack of congressional authority either under the Commerce Clause or the enactment provision of the Fourteenth Amendment). This holding, as well as the holding in *Lopez*, 514 U.S. 549, is compelled by the implied limits of federalism, while others have enforced the structural implications of the separation of powers. *See generally* Murphy et al., *supra* note 21, at 548–56.

136. 521 U.S. 898 (1997) (striking down provisions of the Brady Handgun Bill).

137. 521 U.S. 507 (1997) (striking down the Religious Freedom Restoration Act).

138. 524 U.S. 417 (1998) (striking down the Line Item Veto Act).

139. *See supra* notes 133–138; *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 176 (1803) ("The powers of the legislature are defined, and limited. . . .").

140. 455 U.S. 457 (1982).

141. *See* U.S. Const. art. I, § 8 cl. 4.

142. *Gibbons*, 455 U.S. at 462.

143. *Id.* at 463.

144. *Id.* at 468–69.

145. *See* U.S. Const. art. I, § 8 (containing seventeen clauses enumerating Congress' legislative powers).

146. *Gibbons*, 455 U.S. at 468–69.

147. *Id.*

148. *See* Pollack, *supra* note 125, at 320 ("Under certain circumstances, other Constitutional provisions may act as limits upon the Commerce Clause. These include the Bankruptcy Clause, and the Fifth, Sixth, Tenth, and Twenty-first Amendments. These various provisions have kept Congress from utilizing the Commerce Clause as a means to avoid the provisions' requirements.").

149. *See supra* notes 148–155.

150. Patry, *supra* note 106, at 362.

151. 489 U.S. 141 (1988) ("[T]he Clause contains both a grant of power and certain limitations upon the exercise of that power. Congress may not create patent monopolies of unlimited duration, nor may it 'authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available.'") (citing *Graham v. John Deere Co.*, 383 U.S. 1, 6 (1966)).

152. 499 U.S. 340 (1991). In *Feist*, the Court, reaching the constitutional issue *sua sponte*, stated plainly that originality is "a constitutional requirement" and the essence of copyright. *Id.* at 346.

153. *See* Patry, *supra* note 106, at 367.

154. *See Feist*, 499 U.S. at 350 ("[T]he raw facts may be copied at will. This result is neither unfair nor unfortunate. It is the means by which copyright advances the progress of science and art.").

155. *Id.*

156. 175 F.3d 1269 (11th Cir. 1999).

157. 346 F. Supp. 2d 413 (S.D.N.Y. 2004).

158. 350 F. Supp. 2d 823 (C.D. Cal. 2004).

159. *See generally* Nachbar, *supra* note 18.

160. *Id.* at 317.

161. *Id.* (a constitutional norm means a rule "required by and even inherent" in the Constitution).

162. *Id.* at 318.

163. *Id.*

164. *Id.* at 361–62.

165. *Id.* at 318 ("When the regulation is economic in character—as is intellectual property legislation—the preference for representative government means that constitutional ambiguities affecting Congress's power are read in Congress's favor.").

166. *Id.* at 291 ("There is simply no way to characterize the limits in the Intellectual Property Clause as so fundamental to the constitutional order as to warrant their inference as a matter of structure. . . . The Intellectual Property Clause's limits reflect a policy choice about the reach of a relatively insignificant form of economic regulation allocating quasi-property rights between private entities.").

167. The Supreme Court has never struck down a statute enacted pursuant to the Copyright Act except for the first federal Trademark Act, which was later revisited in the Lanham Act and promulgated under the Commerce Clause. *See supra* notes 122–125 and accompanying text.

168. Nachbar, *supra* note 18, at 317. Not all Section 8 limits are alike. *Compare Gibbons*, 455 U.S. at 462, *with Heart of Atlanta*, 379 U.S. at 250.

169. *See supra* notes 140–146 and accompanying text.

170. *See supra* notes 116–121 and accompanying text.

171. *See* Nachbar, *supra* note 18, at 297 ("There is nothing about the arrangement of powers and limitations in the Intellectual Property Clause to suggest that its limitations, even its express limitations, reach beyond the Clause itself. The limitation is on a power, which in turn is bounded by the grant.").

172. *United States v. Moghadam*, 175 F.3d 1269 (11th Cir. 1999).

173. *See* Paul Farhi, *CD Bootleggers Face the Music: Supply of Illegal Recordings Shrinks after Customs Crackdown*, Wash. Post, July 14, 1997, at A1.

174. *Id.*

175. *Id.*

176. *United States v. Moghadam*, 175 F.3d 1269, 1271 (11th Cir. 1999).

177. *Id.*

178. *Id.*

179. *Moghadam*, 175 F.3d 1269, *reh'g en banc denied*, 193 F.3d 525 (11th Cir. 1999), *cert. denied*, 529 U.S. 1036 (2000).

180. *Id.* at 1273.

181. *Id.* at 1272.

182. *Id.* at 1273.

183. *Id.* In contrast, the copyright clause provides for six exclusive rights. Although not all of these may apply in any particular work, typically three or more do apply. *See* 17 U.S.C. § 106 (2000 & Supp. 2002).

184. *Id*. The only question raised on appeal was whether the lack of a fixation requirement rendered the statute unconstitutional, and thus, the court declined to consider whether the absence of a limited duration would render the statute unconstitutional.

185. *Id.* at 1273–74 (citing *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 58 (1884); *Goldstein v. California*, 412 U.S. 546, 561 (1973) ("[W]ritings . . . may be interpreted to include any physical rendering of the fruits of creative intellectual or aesthetic labor.") (citations omitted)).

186. *Id.* at 1280 n.12 ("We assume *arguendo*, without deciding, that the Commerce Clause could not be used to avoid a limitation in the Copyright Clause if the particular use of the Commerce Clause (e.g., the anti-bootlegging statute) were fundamentally inconsistent with the particular limitation in the Copyright Clause (e.g., the fixation requirement).").

187. *Id.* at 1275 n.10 ("'[T]he constitutionality of action taken by Congress does not depend on recitals of the power which it undertakes to exercise,' *Woods v. Cloyd W. Miller Co.*, 333 U.S. 138, 144 (1948), and '[i]n exercising the power of judicial review,' we look only at 'the *actual* powers of the national government,' *Timmer v. Michigan Dep't of Commerce*, 104 F.3d 833, 839 (6th Cir. 1997).") (citations altered).

188. *United States v. Lopez*, 514 U.S. 549, 558–59 (1995). In *Lopez*, the Court held that the Commerce Clause empowers Congress to legislate regarding three things: (i) the use of channels of interstate commerce; (ii) instrumentalities and persons or things in interstate commerce; and (iii) intrastate activities that substantially affect interstate commerce. The *Moghadam* court focused on this third category.

189. In the absence of legislative findings of an interstate commercial nexus and in the absence of a jurisdictional limit, the *Moghadam* court would have to "determine independently whether the statute regulates 'activities that arise out of or are connected with a commercial transaction, which viewed in the aggregate, substantially affect[ ] interstate commerce.'" *Moghadam*, 175 F.3d at 1276 (citing *United States v. Olin Corp.*, 107 F.3d 1506, 1509 (citation omitted)).

190. *Id.*

191. *Id.* at 1277.

192. *Id.* ("[E]ach of the powers of Congress is alternative to all of the other powers, and what cannot be done under one of them may very well be doable under another.") (discussing *Heart of Atlanta, Inc. v. United States*, 370 U.S. 241 (1964)).

193. 455 U.S. 457 (1982); *see supra* notes 140–147 and accompanying text.

194. *Moghadam*, 175 F.3d at 1279.

195. *Id*. at 1279–80.

196. *See id.* at 1279–80 (qualifying that "[t]he Commerce Clause cannot be used by Congress to eradicate a limitation placed upon Congressional power in another grant of power" but nonetheless stating "that in some circumstances the Commerce Clause can be used by Congress to accomplish something that the Copyright Clause might not allow").

197. *Id*. at 1280.

198. *Id.*

199. *See infra* Parts II.A–B.

200. *See infra* Parts II.A–B.

201. *See United States v. Martignon*, 346 F. Supp. 2d 413, 417 (S.D.N.Y. 2004).

202. *Id.*

203. *Id.*

204. *Id.*

205. *Id.* at 429.

206. *See supra* note 11.

207. *See Martignon*, 346 F. Supp. 2d at 428–29.

208. *See id.* at 429 ("The anti-bootlegging statute's failure to impose a durational limitation on its regulation is 'fundamentally inconsistent' with the Copyright Clause's requirement that copyright-like regulations only persist for 'Limited Times.'").

209. *See id.* at 428–29.

210. *Id.*

211. *See Martignon*, 346 F. Supp. 2d at 422 ("Based on the anti-bootlegging statute's language, history, and placement, it is clearly a copyright-like regulation.").

212. *Id.* at 420.

213. *Id.* at 421 (citing the Senate Report on the Uruguay Round Agreement Act, S. Rep. No. 103-412, at 225 (1994)); *see also supra* note 72 and accompanying text.

214. *See* 17 U.S.C. § 1101 (2000); *see also supra* note 8 and accompanying text.

215. *See* 18 U.S.C. § 2319A (2000); *see also supra* note 8 and accompanying text.

216. *Martignon*, 346 F. Supp. 2d at 421 (citing 18 U.S.C. § 2319A(e)(1) (2000)) ("[T]he terms 'copy', 'fixed', 'musical work', 'phonorecord', 'reproduce', 'sound recordings', and 'transmit' mean those terms within the meaning of title 17.").

217. *Id.* at 420–22 (emphasis added).

218. *See supra* note 176.

219. *Railway Labor Executives' Ass'n v. Gibbons*, 455 U.S. 457 (1982); *see* U.S. Const. art. I, § 8 (conferring all of Congress' enumerated powers).

220. *See Martignon*, 346 F. Supp. 2d at 425 n.16. *See generally* Patry, *supra* note 106.

221. *See supra* notes 212–217 and accompanying text.

222. *See* U.S. Const. art. I, § 8, cl. 8; *see also* 17 U.S.C. § 302(a) (2000) (establishing a basic copyright term of life of the author plus 70 years).

223. *See* U.S. Const. art. I, § 8, cl. 8; *see also Bleistein v. Donaldson Lithographic*, 188 U.S. 239 (1903).

224. *See Martignon*, 346 F. Supp. 2d at 422–24 (Part II.C: "Sustainability of the Anti-Bootlegging Statute Under the Copyright Clause").

225. *See id.* at 424–29 (Part II.D: "When Copyright Clause Power Conflicts With Commerce Clause Power").

226. *Id.*

227. *See id*. at 426 n.17 ("Congress is not bound by the Copyright Clause's limitations when it legislates in an unrelated field and enacts legislation for a purpose other than the one embodied in the Copyright Clause. However, when Congress enacts copyright or copyright-like legislation, for the purpose stated in the Copyright Clause, it is constrained by the Copyright Clause's boundaries.").

228. *Id.* at 426 (citing *Gibbons*, 455 U.S. at 468–69).

229. The *Martignon* Order was entered on Sept. 24, 2004 and *KISS Catalog* on Dec. 21, 2004.

230. *KISS Catalog v. Passport Int'l Prods., Inc*., 350 F. Supp. 2d 823 (C.D. Cal. 2004).

231. KISS is a New York City-based band that became famous in the mid-1970s and is attributed with inventing much of the musical genre "heavy metal." The band is known for its elaborate stage shows, loud music, and extravagant costumes. *See* KISS, *at* http://en.wikipedia.org/wiki/KISS_%28band%29 (last visited Apr. 11, 2005). *See generally* Gene Simmons, KISS and Make-Up (2001).

232. *See KISS Catalog*, 350 F. Supp. 2d at 825.

233. *Id.*

234. *Id.*

235. *Id.*

236. *Id.* As of April 11, 2005, this DVD was still available, among other places, at http://www.mvc.co.uk/common/product.jhtml?pid=30049846.

237. *See KISS Catalog*, 350 F. Supp. 2d at 825. KISS Catalog is the holder of KISS trademarks. *Id.*

238. *KISS Catalog v. Passport Int'l Prods., Inc.*, 108 Fed. Appx. 525 (9th Cir. 2004).

239. *See KISS Catalog*, 350 F. Supp. 2d at 825.

240. *Id.*

241. *Id.*

242. *Id.* at 833 ("Since the Court cannot include a limited term of its own accord, the Court holds that the current version of the statute creates perpetual copyright-like protection in violation of the 'for limited Times' restriction of the Copyright Clause.").

243. *Id.* at 828.

244. Having found that the civil anti-bootlegging statute is a copyright-like statute the court next considered whether it was constitutional under the Copyright Clause. *Id.* at 831–32. Referencing the *Moghadam* court's discussion of the scope of the fixation requirement, the *KISS* court, like the *Moghadam* court five years earlier, stopped short of deciding the issue. *Id.* (citing *United States v. Moghadam*, 175 F.3d 1274, 1274 (11th Cir. 1999)). The court found fixation to be a close question because in a § 1101(a)(3) claim the bootlegged recording may, itself, satisfy the requirement. *Id.* at 832.

245. *See id*. at 825 (KISS performed the concert on July 10, 1976, while the defendants began selling the video in October 2003).

246. 17 U.S.C. § 1101(c) (2000) ("This section shall apply to any act or acts that occur on or after the date of the enactment of the Uruguay Round Agreements Act."). The "Lost Concert" recording took place in 1976, eighteen years before the anti-bootlegging statutes were enacted. *KISS Catalog*, 350 F. Supp. 2d at 825.

247. *KISS Catalog*, 350 F. Supp. 2d at 832.

248. *Id.* (citing 17 U.S.C. § 302 (2000)).

249. *Id.* at 833.

250. *Id.* at 830.

251. *Id.*

252. *Id.* at 834.

253. *Id.* at 836.

254. *Id.* at 836–37.

255. *Id.* at 836 (citing *Ry. Labor Executives' Ass'n v. Gibbons*, 455 U.S. 457, 469 (1982)).

256. *See supra* Part I.D.

257. *See supra* Part I.D.

258. *See United States v. Martignon*, 346 F. Supp. 2d 413, 420 (S.D.N.Y. 2004) (stating that it is "essential to determine how to classify a statute in order to ensure that it does not run afoul of any express limitations imposed on Congress when regulating in the respective arena") (citing *Gibbons*, 455 U.S. at 467); *KISS Catalog*, 350 F. Supp. 2d at 823 ("Like the *Martignon* court, this Court finds [*Gibbons*] to be the most instructive case on this issue.").

259. *Gibbons*, 455 U.S. at 467–68.

260. *Id.*

261. *See, e.g.*, *United States v. Moghadam*, 175 F.3d 1269, 1272 (11th Cir. 1999) ("The rights created by the anti-bootlegging provisions . . . are actually hybrid rights that in some ways resemble the protections of copyright law but in other ways are distinct from them.").

262. *Compare supra* notes 178–179 and accompanying text *with* notes 209–214 and accompanying text. In contrast, copyright prevents any substantial copying and grants multiple rights to exclude in 17 U.S.C. § 106 (2000 & Supp. 2002).

263. Of course, in the case of a performance of contemporary music, the underlying musical composition will often be protected by copyright, in which case, transcription of the composition and subsequent performance, although permitted by the anti-bootlegging statutes, would violate the Copyright Act's reproduction and public performance rights. *See* 17 U.S.C. § 106. However, performances of musical compositions that have fallen into the public domain, such as of Mozart, or improvisational or other works that have not been fixed in a tangible medium of expression, may be transcribed, performed, and distributed unhindered by the anti-bootlegging statutes which only protects against simultaneously produced recordings and transmissions. *See supra* note 8.

264. *Martignon*, 346 F. Supp. 2d at 422.

265. *Id.*

266. *Id.* at 420 (stating TRIPs "dealt completely with intellectual property").

267. *Moghadam*, 175 F.3d at 1276 ("The specific context in which section 2319A was enacted involved a treaty with foreign nations, called for by the World Trade Organization, whose purpose was to ensure uniform recognition and treatment of intellectual property in international commerce. *The context reveals that the focus of Congress was on interstate and international commerce*.") (emphasis added).

268. *See id.*; *see also supra* note 34. The anti-bootlegging statutes implement Article 14 of TRIPs which comes under the subheading of "Copyright and Related Rights." *See supra* note 8.

269. Nimmer & Nimmer, *supra* note 52, § 8E.05[A] ("In the context of Chapter 11 [of Title 17], the question arises how Congress viewed its enactment authority. There is no answer. Chapter 11 itself offers no clue as to how it might pass constitutional muster. The legislative history, Statement of Administrative Action, and floor statements are similarly bereft of support.").

270. *See Authors League of Am., Inc. v. Oman*, 790 F.2d 220 (2d Cir. 1986); *see also supra* notes 130 and 258 and accompanying text.

271. 17 U.S.C. § 601 (2000).

272. *See Authors League*, 790 F.2d at 224 (finding that the Manufacturing Clause was "clearly justified as an exercise of the legislature's power to regulate commerce with foreign nations"); *see also* U.S. Const. art. I, § 8, cl.3.

273. *See* 17 U.S.C. § 102(a)(8) (2000). Architectural works were added as copyrightable subject matter in 1990.

274. *See* 18 U.S.C. § 2319A (2000).

275. *See* 18 U.S.C. § 1030(b)(2)(B)(i) (2000).

276. *See United States v. Moghadam*, 175 F.3d 1269, 1272 (11th Cir. 1999) ("If bootlegging is done for financial gain, it necessarily is intertwined with commerce.").

277. *United States v. Martignon*, 346 F. Supp. 2d 413, 419–20 (S.D.N.Y. 2004); *see also* Laurence H. Tribe, American Constitutional Law 307 n.6 (2d ed. 1988) ("The question of the constitutionality of action taken by Congress does not depend on recitals of the power which it undertakes to exercise.") (citing *Woods v. Cloyd W. Miller Co.*, 333 U.S. 138, 144 (1948)).

278. *Ry. Labor Executives' Ass'n v. Gibbons*, 455 U.S. 457, 471 (1982).

279. *See id.* ("Although the debate in the Constitutional Convention regarding the Bankruptcy Clause was meager, we think it lends some support to our conclusion that the uniformity requirement of the Clause prohibits Congress from enacting bankruptcy laws that [in this case] specifically apply to the affairs of only one named debtor.").

280. *See supra* note 92 and accompanying text.

281. *Gibbons*, 455 U.S. at 472.

282. *Id.*

283. *See id.*

284. *See* Nachbar, *supra* note 18, at 338 ("There was very little discussion of the Intellectual Property Clause among the Framers; there is no record of any debate over it at the Federal Convention."); Karl Fenning, *The Origin of the Patent and Copyright Clause of the Constitution*, 17 Geo. L.J. 109, 114 (1929) ("The matter, on its merits, apparently aroused substantially no controversy either in the Convention or among the States adopting the Constitution.").

285. The Copyright Act of 1790 protected maps, charts and books for two fourteen-year terms. *See* Act of May 31, 1790, ch. 15, 1 Stat. 124. The 1909 Act doubled the term of protection and encompassed "all the writings of an author" from the moment of publication, while common law copyright continued to protect all unpublished works. *See* Act of March 4, 1909, ch. 320, §§ 4, 35 Stat. 1076, Comp. St. 1916, 9520 (repealed 1976). The Copyright Act of 1976 extended the term to life of the author plus fifty years and protected, from the moment of creation, all original works of an author fixed in tangible medium of expression under seven broad categories of subject matter. (*See* Pub. L. No. 105-298, 112 Stat. 2827 (codified as amended at 17 U.S.C. §§ 302(a) (1998)).

286. *See* Thomas B. Nachbar, *Judicial Review and the Quest to Keep Copyright Pure*, 2 J. Telecomm. & High Tech. L. 33, 59 (2003) (stating that the "exercise of the copyright power does not in any way impinge on the authority of the States."). *But see* Nimmer & Nimmer, *supra* note 52, § 8E.01[B] ("The federalization of control over unfixed productions departs from several centuries of American jurisprudence, given that regulation of activities lacking fixation has traditionally been the realm of state law protection. In th[is] sense, . . . chapter [11] represents a . . . departure from Constitutional moorings . . . .").

287. 17 U.S.C. § 1101(d) (2000).

288. *See United States v. Lopez*, 514 U.S. 549 (1995); *see supra* notes 133–134 and accompanying text.

289. *See Morrison v. Olson*, 487 U.S. 654 (1988); *see supra* note 135 and accompanying text.

290. *See* Nachbar, *supra* note 286, at 59 ("While vigilant judicial review in the federalism context is a response to the possibility that Congress has taken power from the States, thereby altering the balance of power so carefully established by the Constitution, the exercise of the copyright power presents no similarly fundamental danger to the constitutional order because exercise of the copyright power does not in any way impinge on the authority of the States.").

291. *Id.* at 34.

292. *Id.* at 68–70 ("[T]he Court applies the lower conceivable basis standard when it is satisfied that the sovereign in question does indeed have plenary power in the area being regulated.").

293. *United States v. Martignon*, 346 F. Supp. 2d 413, 425 n.16 (S.D.N.Y. 2004).

294. *See* Patry, *supra* note 106, at 398.

295. *See Martignon*, 346 F. Supp. 2d 413.

296. *See* Patry, *supra* note 106, at 384 ("In *Feist*, the Court made clear that originality is the dividing line of Congress's enumerated power.").

297. *See* 17 U.S.C. § 1101(a) (2000); 18 U.S.C. § 2319A(a) (2000).

298. *See* 17 U.S.C. § 1101(a) (2000); 18 U.S.C. § 2319A(a) (2000).

299. If the absence of a fixed form triggers any concern at all it is regarding the scope of the dissemination. Unless it is broadcast, live performance is accessible to only a limited number of persons. However, that concern is ameliorated by the rather circumscribed scope of the protection. The performance may be mimicked and otherwise copied after the performance without violating the statute. *See infra* note 323.

300. 487 U.S. 654 (1988).

301. *Id.* at 689–90.

302. *Id.* at 677.

303. *Id.* at 691 ("But the real question is whether the removal restrictions are of such a nature that they impede the President's ability to perform his constitutional duty, and the functions of the officials in question must be analyzed in that light.").

304. *Id.*

305. *Id.* at 694 (citing *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 714, 727 (1983)).

306. *Id.* at 691–92.

307. The Independent Counsel is an executive officer; executive officers are typically appointed and removed by the President pur-

suant to his Article I powers. *Id.* at 657–60. Congress, authorized by its Article II powers, delegated the authority to appoint the Independent Counsel to the Special Division of the D.C. Circuit Court, an Article III court. *See* Ethics in Government Act of 1978, 28 U.S.C. §§ 49,591 (1978). The Act also restricted removal by the President by requiring a showing of "good cause." *See id.*

308. 346 F. Supp. 2d 413, 424–25 (S.D.N.Y. 2004).

309. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974) (quoting *Sola Elec. Co. v. Jefferson Elec. Co.*, 317 U.S. 173, 176 (1942)).

310. *See* U.S. Const. art. I, § 8, cl. 18 ("To make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof.").

311. *See generally Bonito Boats, Inc. v. Thundercraft, Inc.*, 489 U.S. 141, 168 (1989).

312. *See Eldred v. Ashcroft*, 537 U.S. 186, 216 (2003) ("*Bonito Boats* reiterated the Court's unclouded understanding: 'It is for Congress to determine if the present system' effectuates the goals of the Copyright and Patent Clause.'") (citing *Bonito Boats*, 489 U.S. at 168).

313. *See* Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998).

314. *See* Martignon Brief for the U.S., *supra* note 27, at 16.

315. UMG Amicus Brief, *supra* note 27, at 13; Ass'n of Am. Publishers Amicus Brief, *supra* note 27, at 21.

316. *See, e.g.,* Martignon Brief for the U.S., *supra* note 27, at 16.

317. *See id*.

318. 499 U.S. 340 (1991).

319. *See* U.S. Const. art. I, § 8, cl.3.

320. *See United States v. Martignon*, 346 F. Supp. 2d 413, 423–24 (S.D.N.Y. 2004).

321. *See United States v. Moghadam*, 175 F.3d 1269, 1274 (11th Cir. 1999).

322. *KISS Catalog v. Passport Int'l Prods., Inc*., 350 F. Supp. 2d 823, 832 (C.D. Cal. 2004).

323. *See, e.g.*, *Estate of Hemingway v. Random House, Inc.*, 23 N.Y.2d 341, 349 (1968) ("Assuming, without deciding, that in a proper case a common-law copyright in certain limited kinds of spoken dialogue might be recognized, it would, at the very least, be required that the speaker indicate that he intended to mark off the utterance in question from the ordinary stream of speech, that he meant to adopt it as a unique statement and that he wished to exercise control over its publication."); *see also Falwell v. Penthouse Int'l*, 521 F. Supp. 1204 (W.D. Va. 1981) (finding oral interview does not come within narrow circumstances that can sustain a common law copyright cause of action).

324. Cal. Civil Code § 980(a)(1) (1982).

> The author of any original work of authorship that is not fixed in any tangible medium of expression has an exclusive ownership in the representation or expression thereof as against all persons except one who originally and independently creates the same or similar work. A work shall be considered not fixed when it is not embodied in a tangible medium of expression or when its embodiment in a tangible medium of expression is not sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration, either directly or with the aid of a machine or device.

Id.

325. *See* H.R. Rep. No. 94-1476 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5666 ("Two essential elements—original work and tangible object—must merge through fixation in order to produce subject matter copyrightable under the statute.").

326. *See* Nimmer & Nimmer, *supra* note 52, § 1.08[C][2] ("If the word 'writings' is to be given any meaning whatsoever, it must, at the very least, denote some material form, capable of identification and having a more or less permanent endurance.") (internal quotations omitted).

327. *See Feist Publ'ns v. Rural Tel. Serv*., 499 U.S. 340, 346 (1991).

328. *See CBS v. DeCosta*, 377 F.2d 315, 320 (1st Cir. 1967), *cert. denied*, 389 U.S. 1007 (1967) ("[W]hile more precise limitations on "writings" might be convenient in connection with a statutory scheme of registration and notice, we see no reason why Congress' power is so limited.").

329. *See* 17 U.S.C. § 101 (2000) ("A work consisting of sounds, images, or both, that are being transmitted, is 'fixed' for purposes of this title if a fixation of the work is being made simultaneously with its transmission."); *see also* H.R. Rep. No. 94-1476 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5666.

330. *United States v. Moghadam*, 175 F.3d 1269, 1281 (11th Cir. 1999).

331. *See* American Heritage Dictionary of the English Language (4th ed. 2000) (defining proto as "1. First in time, earliest . . . 2. First formed; primitive. . . ."), *available at* http://www.bartleby.com/61/62/P0616200.html (last visited Apr. 10, 2005).

332. The legal fiction protecting live transmissions that are simultaneously recorded is another example of proto-copyright protection. *See infra* note 336.

333. *See infra* notes 336–363 and accompanying text.

334. *See* Alan J. Hartnick, *Do Proposed Database Laws Protect Information Rather than Investment?*, 14(2) N.Y. St. B.A. Ent., Arts & Sports L.J. 61 (2003) ("If there is a new law, to avoid controversy, it will need to be narrowly drafted."); *see also* Patry, *supra* note 106. *Contra* Nachbar, *supra* note 18, at 274.

335. 17 U.S.C. § 101 (2000 & Supp. 2002).

336. *See Eldred v. Ashcroft*, 537 U.S. 186 (2003).

337. Although the Court has, in certain cases, analogized to patent law, recognizing "the historic kinship between patent law and copyright law," it has also emphasized that "[t]he two areas of the law, naturally, are not identical twins, and we exercise the caution which we have expressed in the past in applying doctrine formulated in one area to the other." *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 439 at FN 19 (1984). In *Eldred* the Court squarely states that durational limits is one area where fruitful analogies between patent and copyright may not be drawn. *See Eldred v. Ashcroft*, 537 U.S. at 217.

338. *P.C. Films Corp. v. Turner Entm't Co*., 954 F. Supp. 711 (S.D.N.Y. 1997) (deciding the effect of a copyright renewal upon a perpetual license under the 1909 Act).

339. *United States v. Martignon*, 346 F. Supp. 2d 413, 429 (S.D.N.Y. 2004) (citing *P.C. Films Corp*, 954 F. Supp. at 715 (citations omitted)).

340. *P.C. Films Corp*, 954 F. Supp. at 715.

341. *Scott Paper Co. v. Marcalus Mfg. Co*., 326 U.S. 249 (1945).

342. *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), *reh'g denied*, 79 U.S. 985 (1965).

343. *P.C. Films*, 954 F. Supp. at 715.

344. *See Eldred v. Ashcroft*, 537 U.S. 186, 216 (2003) ("[P]atents and copyrights do not entail the same exchange, and . . . our references to a *quid pro quo* typically appear in the patent context.").

345. *See id.* at 217.

346. *See generally* Schechter & Thomas, *supra* note 64, § 16.1.

347. *Id.*

348. *See Sheldon v. Metro-Goldwyn Pictures*, 81 F.2d 49, 54 (2d Cir. 1936) ("Borrowed the work must not indeed be . . . ; but if by some magic a man who had never known it were to compose anew Keats's Ode on a Grecian Urn, he would be an 'author,' and, if he copyrighted it, others might not copy that poem, though they might of course copy Keats's [since Keats's work is now in the public domain].").

349. *See* H.R. Rep. No. 94-1476, § 301, at 129 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5745.

350. *Eldred*, 537 U.S. at 216.

351. The anti-bootlegging statutes protect only against unauthorized recordings and transmissions, and only during the course of a live musical event. In contrast, copyright protects the copyrightholder from any form of copying for the entire term of protection, as well as against subsequent performances, and adaptations. *See supra* note 216. Similarly, there is no equivalent to the Copyright Act's broad distribution right in the anti-bootlegging statute. *See infra* notes 362–363 and accompanying text.

352. *See Bonito Boats, Inc. v. Thundercraft, Inc.*, 489 U.S. 141, 151 (1989); *see also Feist Publ'ns v. Rural Tel. Serv.*, 499 U.S. 340, 349–50 (1991).

353. *Eldred*, 537 U.S. at 224.

354. *See Feist*, 499 U.S. at 350; 17 U.S.C. § 107 (2000).

355. *See Feist*, 499 U.S. at 350.

356. *Id.* at 349 (citing *Harper & Row Publ'rs, Inc. v. Nation Enters.*, 471 U.S. 539, 589 (1985)).

357. *See Harper & Row*, 471 U.S. at 558.

358. *See supra* note 351.

359. *See* U.S. Const. art. I, § 8, cl. 8; *see also* 17 U.S.C. § 302(a) (2000) (establishing a basic term of life of the author plus 70 years).

360. *See supra* note 8.

361. *See* 18 U.S.C. § 2319A (2000); 17 U.S.C. § 1101 (2000).

362. *See* 17 U.S.C. § 106(3) (2000 & Supp. 2002) (providing the copyright owner the right to control the transfer of physical copies of the work).

363. *See* 17 U.S.C. § 302 (2000).

364. *See* 18 U.S.C. § 2319A(3)(b) (2000); 17 U.S.C. § 1101(a) (2000).

365. The statutes do not directly interfere with the Copyright Clause. However, they are in tension with the Copyright Act in certain circumstances.

In the case where there is a copyright in the underlying musical composition, if the court determines that the bootleg sound recording is a "fair use" under Section 107 of the Copyright Act, then the statute would seem to conflict with the Copyright Act. *See* 17 U.S.C. § 107 (2004). The anti-bootlegging statute would require forfeiture, destruction of the phonorecords, and damages or imprisonment of the bootlegger, while the Copyright Act, pursuant to the goals of the Copyright Clause, would permit free use.

Similarly, in the case where there is no copyright in the underlying work (for instance, in the case of an improvisation or performances of works in the public domain, such as Mozart), the bootlegger may claim a legitimate copyright in the bootleg sound recording itself and the statute would again seem to conflict with the Copyright Act.

These tensions are not constitutionally fatal. Copyright holders are subject to certain limits which are, in turn, subject to First Amendment balancing upon review. For example, federal regulation of indecency and obscenity limit a copyright holder's ability to make use of her exclusive right to distribute, display or perform a copyrighted work. *See, e.g.*, *FCC v. Pacifica Found.*, 438 U.S. 726 (1978) *reh'g denied*, 439 U.S. 883 (1978); *Miller v. California*, 413 U.S. 15 (1973). Similarly, a copyright holder may be held liable or penalized for publishing unlawfully obtained information, information that endangers individual safety, or information that endangers national security. *See, e.g.*, *Cohen v. Cowles Media Co.*, 501 U.S. 663 (1991) (unlawfully obtained information); *Rice v. Paladin Enterprises, Inc.*, 128 F.3d 233 (4th Cir. 1997) (individual safety); *United States v. Progressive, Inc.*, 467 F. Supp. 990 (W.D. Wis. 1979) (national security). *But see New York Times Co. v. United States*, 403 U.S. 713 (1971) (permitting publication of unlawfully obtained information). Each of these restrictions is in tension with the copyright interest in dissemination of facts and ideas to the public. However, enforcement of such statutes is subject to ad hoc First Amendment balancing of private and public interests, and not to any test arising out of the Copyright Clause itself.

Although there is no fatal conflict between the Copyright Clause and the anti-bootlegging statutes, a statutory amendment specifying that 17 U.S.C. § 1101 and 18 U.S.C. § 2319A only apply to works originally recorded or transmitted after the statutes' enactment in 1994 would increase clarity and decrease potential unfairness. Furthermore, an amendment admitting the "fair use" exception would be preferable to ad hoc First Amendment review of the statute as applied. Such an amendment might read:

> This act shall apply only to recordings and transmissions, as set forth in subsections (a)(1) and (a)(2) respectively, taking place on or after the date of the enactment of the Uruguay Round Agreements Act and to subsequent copies of the same. The limitation to exclusive rights set forth in 17 U.S.C. § 107 shall apply to this section, although any consideration of fair use shall consider the intention expressed herein to protect the interests of performers.

Brian Danitz is a second-year student at Fordham University School of Law and Symposium Editor of vol. XVI of the Fordham University *Intellectual Property, Media and Entertainment Law Journal*. Prior to attending law school, the author worked as a producer and cinematographer of documentary films, including Oscar winner *Bowling for Columbine* (2002) and Oscar nominee *Sound and Fury* (2000). Brian is a graduate of NYU Tisch School of the Arts' undergraduate film program and graduate Interactive Telecommunications Program. **The author would like to express his gratitude to Professors Hugh Hansen, Alan J. Hartnick and Stanley Rothenberg, for their invaluable advice and tutelage.**

A version of this article appears, in its entirety, in the Volume XV, No. 4, Summer 2005 Fordham *Intellectual Property, Media & Entertainment Law Journal*.

Attention, Enablers: Racing Drug Intervention Imminent

By Cheryl Ritchko-Buley

Like any substance abuse problem, recognizing that there is a problem is often the first step toward recovery. Identifying those who enable the problem is also integral to any recovery. "Enablers" are people whom, whether they mean to or not, help the user or addict continue on a destructive path. In some ways, the entire horse racing industry has enabled "users" or "juicers" by being too passive and is only helping racing continue in a direction that serves to damage, if not destroy, the sport.

The Chairman of the Thoroughbred Owners and Breeders Association offered these remarks regarding drug use in racing: "There are those who say that racing should address these [drug use] problems behind closed doors, and for most of our history we have. But we believe that we have to clearly demonstrate that we're facing these issues straight on and dealing with them. Otherwise someone else eventually will."[1]

It is apparent that this problem is not racing's alone; high-profile athletes competing in other sports are willing to risk their reputations and careers by using performance-enhancing substances as well. It is an issue that is no longer emerging; it has emerged. It is very much out in the open, and to protect the integrity of sports, a firm and swift solution is in order. "The world's fastest man could face a lifetime ban for alleged doping. Baseball's home run king is dogged almost daily with questions about whether he's used performance-enhancing drugs. The world's greatest cyclist has come under suspicion . . ."[2]

For years, many people in horse racing have suggested that unchecked cheating is occurring, and many believe that horses are being given performance-enhancing drugs and winning at unusually high percentages. However, a major obstacle in producing evidence to support this speculation has been that some drugs are not detectable.

For the first time in the history of racing, there is a growing number of people and organizations working in an industry-wide effort to improve and implement uniform testing procedures. Perhaps this is racing's equivalent to an "intervention" for substance abuse, where all of the affected parties confront the person with the habit and tell him how destructive it is. It is a collective wake-up call to encourage recognition of the habit and pursuit of help. A grassroots campaign is evolving, whereby racing's participants are not enabling anymore—they are seeking to eliminate, to the extent possible, the use of performance enhancing substances in racehorses.

Elements of racing's intervention are contained in four main points:

1. National Uniform Testing Procedures Supported by National Uniform Drug Rules

The Supreme Court of Appeals of West Virginia stated that in horse racing, it is the state racing commissions that have the power to make rules governing the conduct of racing as well as the rules to effectually guard against fraud and deception in racing, which may be effected through administering drugs or narcotics, or by any other means. The danger that such practices exist cannot be denied, and the need to eliminate them in order to save racing must be obvious to everyone.[3]

No one will deny that this power is vested with the state racing commissions, but the power is diminished by inconsistency among the states, differences in scientific opinions on the effects of certain substances, and a fragmented horse racing constituency. For decades, getting all the racing states to agree on the basic elements of racing regulation, including those related to drugs and penalties, has been fraught with a series of non-starters.

The horses would leave the gate, but never quite finish the race. The National Association of Racing Commissioners ("NARC"), Association of Racing Commissioners International ("ARCI"), and the North American Pari-Mutuel Regulators' Association ("NAPRA") have made earnest attempts to categorize drugs and medications and offer recommendations for penalties. These guidelines are loosely referenced or adhered to by state commissioners, but not strictly and uniformly adopted or enforced as regulations. Part of the conundrum is tied to economics.

Drug testing expenditures show wide variance state by state. Some states simply cannot afford to test for as many drugs as better-funded labs situated in others. Furthermore, high levels of spending do not necessarily guarantee excellent testing results, which depend on the methodology and the expertise of the laboratory.[4] The result is a labyrinth of testing methods and procedures as well as inconsistent enforcement of varying drug rules from state to state.

Meanwhile, even if the states had uniformity in testing, the chemists and scientists interpreting the test results are not necessarily in agreement as to what constitutes an actionable drug finding—when to call a positive. The linchpin to consistency is the need for scientists consulted for opinions on substances in racehorses to agree. Perhaps this will only happen with more sound research. Adequate financing of the scientific community responsible for researching drugs and medications in racing is necessary so that science will be a more reliable basis for meaningful regulatory judgments. One funding source discussed by industry leaders is an additional per-start fee per horse entered in certain types of races. Those states that adopt these model drug guidelines may well be the only ones that benefit from this nationally administered funding stream—an incentive worth consideration.

"While recognizing that medication rules were the responsibility of the individual states, the [National Thoroughbred Racing Association] NTRA showed a wish to do its part to maintain public confidence in the integrity of the sport which it had been charged to promote and market."[5] The NTRA's Drug Testing and Integrity Task Force (the "Task Force"), established in 1998, is working to make drug testing in horse racing world class. It is operating on the foundation established by the Jockey Club that commissioned the 1991 McKinsey Report, a blueprint for a better testing program. A decade later, the Task Force has established a foundation from which to build and house the solution.

It has engaged in three studies. First, a report, "Equine Drug Testing: An Assessment of Current Practices and Recommendations for Improvements," was prepared by Dr. Mel Koch, former worldwide director of analytical chemistry for Dow Chemical Company and a committee of other analysts outside the racing industry. That report guided the activities of the Task Force. Second, the Task Force engaged in a benchmark survey among thirty-two states of testing practices in the United States. Thirty of the states responded, which was the most comprehensive result ever undertaken. Third, the Task Force began a study of post-race samples as a broad scale assessment of testing for the industry as a whole. The samples were subjected to a "Supertest," a sophisticated drug-testing regimen used in some racing states, but not in the majority. The "Supertest" employed an array of ELISA (Enzyme-Linked Immunosorbant Assay) tests that was far more extensive than are used by most states. It also relied on instrumental screening rather than the Thin Layer Chromatography, used by most. Samples were also submitted anonymously by twenty-eight states.[6]

The samples submitted for the "Supertest" had already been screened by the participating state laboratories and deemed free of prohibited substances. As expected, given the more comprehensive screening of the "Supertest," substances were detected that had not been previously. The laboratories employed for the "Supertest" were two of the leading ones in the U.S.: Cornell University in New York and the U.C. Davis Kenneth L. Maddy Laboratory in California. This may have been an expensive and time-consuming way to verify what most people in the industry commonly accepted, that most state laboratories need to be testing for more drugs.

The Task Force is collectively working to not only create better testing, but to have the testing supported by consistent state drug and medication rules in racing. The first step in this process includes broad support by the ARCI as well as the NAPRA, both of which adopted national model drug rules in April 2004 at a joint convention. The new policy calls for voluntary use of Lasix/Salix on race days and use of one of three non-steroidal anti-inflammatory drugs no later than twenty-four hours before a race.

Only time will prove whether state commissions across the country will agree to adopt these rules. Some states may not see the need for perceived stricter standards and others may not see the need for perceived reduced standards.

The ARCI, NAPRA and the NTRA were not designed to change the rules in a given state, although they may aim to assist states in enforcing their rules. This critical need was recognized in a keynote speech made in 1962 at the Thirty-First Annual Dinner of the Thoroughbred Club of America, where Joe Estes, the editor-in-chief of a highly respected trade journal, *The Blood-Horse*, said:

> Racing in the United States is now so big an operation that it may be endangered by its own size. It sprawls and grows bigger and bigger, and there is no possibility of intelligent centralized control of its growth or of its lesser problems. The challenge now is to make possible, through access to information, intelligent decisions at the state and local levels. With adequate knowledge at hand, we should be able to salvage the best of our traditions and discard the worst of them.[7]

2. Higher Security Standards on the Backstretch Whether It Involves Cameras or Use of Detention Barns

A group of trainers signed a petition in November 2003, asking the California Horse Racing Board ("CHRB") for a rule establishing detention barns in which horses would be sequestered for as long as twenty-four hours prior to competition. "The point is to protect themselves from other trainers who may not be operating within the parameters of medication rules by placing all entered horses under surveillance. This is unprecedented. Trainers hate detention facilities, but about eighty percent of those working in Southern California have signed the petition."[8] This outcry led the CHRB to form a research committee to make recommendations on increased surveillance measures for potential adoption by the board. The committee is focusing on a camera security program and certain trainers are currently participating in a test program. Cameras have been set up in their barns for monitoring. A cost-benefit analysis will likely be conducted comparing the use of detention barns with and without camera surveillance.

In February 2004 the Illinois Racing Board ("IRB") started enforcing a harness rule that was on the books for more than two decades. Back when the rule was written, almost all horses trained at the track. Surely the intent of the rule was to give the state greater control over a few horses shipping into town for stakes races, and was never meant to apply to the entire horse population. Nonetheless, Barmoral Park president Johnny Johnson defended the stricter detention, calling it a "necessary step in detention as a catch-all for all of the various substances and medications that are being abused."[9]

This dormant rule has been activated and detains all harness horses racing on the circuit in Illinois subject to a four o'clock p.m. state-monitored detention barn. IRB Executive Director Mark Laino reported that the detention barn program has revealed that the win records of the smaller trainers have improved. Trainers who were being unfairly beaten by drug users enjoy a more level playing field with the deterrent effect of the detention facility.

New Jersey is recognized for state-of-the-art detention barn facilities even absent state regulations requiring them. The Sports Exposition Authority, however, requires these detention facilities. At the Meadowlands, an entire race card of horses is held from twelve to twenty-four hours before the race, depending on the type of race and purse level. Surveillance cameras with manned central monitoring and taped back-up are provided. New Jersey also conducts blood gas testing for a practice known as "milkshaking"[10] and when this test was challenged in court, the New Jersey Racing Commission prevailed.[11]

New York does not have rules on the books requiring detention barns; however, the New York State Racing and Wagering Board (the "Board") is exploring this initiative in conjunction with industry representatives. Historically, New York's emphasis has been in the strength of its drug-testing program, as it tests for more drugs than any other equine drug-testing program in the world. The Equine Drug Testing Program for all thoroughbred and harness racing within New York State is performed by the New York State College of Veterinary Medicine at Cornell University under contract with the Board. Equine drug testing is mandated by Chapter 47-A of the Consolidated Laws of the State of New York, The Racing, Pari-Mutuel Wagering and Breeding Law, in section 902.

Again, there are different approaches in the different racing jurisdictions. National efforts are underway by various associations, including the NTRA and the National Horsemen's Benevolent and Protective Association, to advance pre-race security measures to deter illicit or accidental administrations of substances to race horses.

3. A Treating Veterinarian with a Vested Interest in Horses' Performance Must Not Have Access to Her Horses on Race Day, Even to Administer Lasix

Most racing states allow only an anti-bleeding medication, Lasix, now known as Salix, to be administered on race day. When Lasix was approved, some in the scientific community convinced regulators and the industry that this increased medication usage would increase field size, allow horses to race longer, and make more starts per year. However, the facts today show the reverse. "Horses make 50 percent fewer starts per year today than 30 years ago. Jockey Club statistics show that the average horse races for only two years today, compared to four years 30 years ago."[12] Field sizes have diminished; tracks struggle to fill the races. The breed may be weakening. The average distance of all races is continually shortening.

The racing life of the horse is half what it used to be—two years instead of four. Gasper Moschera, formerly the leading trainer of the New York Racing Association's circuit from 1993 through 1998, quit the game in 2003 after twenty-five years. He said that the decline in his business as a trainer began when New York became the last racing jurisdiction in the country to permit Lasix.[13] Veterinarians who have a vested interest in the horses' performance should not be administering Lasix/Salix to horses "in to race," as is the case in many racing jurisdictions, including New York State. Lasix/Salix veterinarians have ample access and opportunity to mix drugs other than Lasix/Salix into the syringe and administer substances in addition to Lasix/Salix on race day. Furthermore, Lasix/Salix is a powerful diuretic and it has been argued that it can help to mask illegal medications.

According to the book *Run Baby Run*, written by Bill Heller, an astonishing ninety-two percent of thoroughbreds in this country raced on Lasix in 2001.[14] This near-universal use of race-day Lasix presents the argument that two years after New York approved Lasix, more than two-thirds of New York's thoroughbred population began to bleed. The United States is one of a small group of countries worldwide that allows race-day Lasix; others include Canada, Saudi Arabia, and five South and Central American countries. Great Britain, France, Japan, Australia, and New Zealand do not permit its use and are apparently conducting racing perfectly well without it, or any other race-day medication. Here in the United States, Lasix/Salix is being used preventively, just in case the horse might bleed, not necessarily for proven bleeders.

Canada has developed a noteworthy initiative, commonly called the "Vet-tech" program, whereby treating veterinarians are not permitted to administer Lasix/Salix on race day; instead a laboratory is used to provide "vet-techs" to administer the medication. This way, treating veterinarians are not tempted by access or opportunity to commit a wrongful administration.

Many states use Lasix barns, where horses are brought to a secured barn for the administration of Lasix. Pre-loaded Lasix syringes are used in some jurisdictions, so that treating veterinarians cannot mix any other medication or substance into the vial. Illinois, for thoroughbreds, enforces a security stall program, and a treating veterinarian is not permitted access to her horses for four hours prior to the start of the given race. Signs making this abundantly clear are posted on the stalls. If the treating veterinarian needs to see her horse, she must contact the racing board and be accompanied by a commission representative and/or the state veterinarian employed at the track. This system removes the veterinarian's potential defense that she did not know which horse was going to race and therefore administered a substance to a horse that she thought was not racing. This concept was used at Finger Lakes Racetrack recently with considerable success, and this signage program may be advanced by the New York Racing Association ("NYRA").

In 2004 in New York, the Board disciplined a trainer, assistant trainer, and veterinarian for two tranquilizers found in the system of the thoroughbred racehorse Vagabond Saint following a second-place finish at Aqueduct. "Investigators were told by the trainer's assistant that the drugs were administered when a groom took out the wrong horse the day of the race and the drugs remained in the horse's system. Vagabond Saint was disqualified and placed last in the order of finish."[15]

4. Greater Accountability of Veterinarians and Trainers for the Submission of Records Prior to Racing

Many racing jurisdictions require the submission of treatment records of their patients, the horses, by veterinarians or trainers prior to the horses' races. For obvious reasons, this practice does not allow veterinarians to revise their records after a race if a positive occurs. In some circumstances, treatment records will be a mitigating factor for a veterinarian or trainer during a legal proceeding. If the commission questions the administration of the Lasix/Salix, the records may be offered as proof of administration timing.

A new rule is being considered by the Board to amend 9 N.Y.C.R.R. §§ 4120.9 and 4043.9 in order to require the submission of written records no later than twenty-four hours after treatment, or, if it is within twenty-four hours of post time (the time at which the race begins), no later than one hour prior to post time. Presently, the veterinarians are required to maintain these records and submit them upon the request of the Board. The records are often submitted late, are inadequate in detail, and the time of their creation is often questioned. The submission of contemporaneous records may facilitate the prompt and proper investigations concerning the use of equine drugs in racehorses. Comparison of these records to reported drug testing findings, and the details of the training and veterinary care, may be valuable in proving or disproving facts and circumstances of treatment. Currently, there is no practicable way to obtain these records from veterinarians who are not licensed by the Board. This requirement would make all relevant treatment records available without imposing the requirement only for treatment by Board-licensed veterinarians, since the records are required under the trainer's responsibility.

Under Board procedures, when the Equine Drug Testing Program at Cornell University detects and confirms the presence of a prohibited substance, the laboratory immediately informs the Board's Chief of Racing Operations and its Chief Counsel. Immediately thereafter, the Chief of Racing Operations informs the state steward or presiding judge at the racetrack where the horse's sample originated, along with other appropriate board personnel. Investigation into the matter is begun after the horse and its trainer are identified by the steward or presiding judge. The sample identifying numbers are matched by the steward or presiding judge to her previously locked documentation of collected samples. After identification, investigation into the circumstances, including interviews with all involved parties, begins. The responsible trainer[16] (under 9 E NYRCC 4043.4) is afforded the option of having a "split" sample of the original tested at an approved laboratory of her choice at her expense. After investigation is completed and all other information gathered and studied, the licensee, if necessary, is assessed a penalty from the state steward or presiding judge. Should the licensee not agree with the penalty given, there is an appeals process that affords the licensee a full hearing before a Board-appointed hearing officer. Upon receipt of the hearing officer's report, the three-member racing board renders a decision. A listing of the most commonly used substances and medicines in the equine racing world is contained within the Board's rules. Also contained is the number of hours "out" (before race day) that these listed drugs may be administered.[17]

At the Jockey Club's Annual Round Table Conference in 2002, Gary Biszantz, then chairman of the National Thoroughbred Owners and Breeders Association, passionately shared his philosophy. He characterized his position on equine drugs as "less is better than more." He asserted, "Economic decisions outweigh the horse's health, fairness, and safety for both the horse and the rider. I grew up believing the horse was first, the trainer was in charge, and the veterinarian was there if we had injury or illness," and expressed his hope that "we can go back to thinking that the horse, safety, and fairness are more important (than getting an edge)."

Another outspoken critic of drugs in racing is Barry Irwin, president of Team Valor, a thoroughbred racing syndicate. In the 2004 season, Team Valor has won forty races from one hundred and fifty-five starts and employing twenty-one different trainers for forty-four runners. Recently, Team Valor immediately terminated its employment contract with a prominent trainer, who took over training for the Kentucky-based stable of syndicated runners in January. The trainer and veterinarian were suspended and fined after the latter was caught injecting a Team Valor entrant in the receiving barn at Belmont Park (in New York). In explaining why the trainer was fired, stable president Barry Irwin said "Team Valor has a zero-tolerance policy with regard to drugs. We had no choice other than to do what we did."[18]

Irwin authored an opinion column in the *Blood-Horse* entitled "Break the Habit," where he espoused:

> The only answer is hay, oats and water. A policy of hay, oats and water would place everybody on a level playing field. It would save the expense-plagued owner thousands of dollars every year on every horse in the barn. . . . The game is running out of players willing to pay the bucks to support a drug habit that is being pushed by the very guardians of our sport. Who is going to step up to the leadership position and take a stand to roll back the current medication policies?[19]

Leadership has to come from entities that have the statutory authority to regulate racing, the state racing commissions, and the responsibility and integrity of those who are participating in a sport loved and adored by so many. "Like steroid-fueled Olympic athletes or bicyclists supercharged with illegal oxygen carriers, drug-using horses undermine the public's faith in sports."[20] The only difference is that more money is at stake in racing.

Fair play is essential to the game's success. People sometimes forget that horse racing is not only a sport; it is a pari-mutuel game in which people trust billions in wagering dollars on an annual basis.

Interventions in substance abuse situations are often the catalyst for a new beginning. Horse racing is making real strides, but more gains are required. Historic change appears to be in the works, but appearances do not count. It is time for racing regulators to use the information and research the industry has brought to bear on drugs in racing and finally finish the race . . . with a clean post-race report. Some states will require legislative approval, while others will require administrative approval. Either way, it is a lengthy and unpredictable process.

If there is an equivalent to lameness, or some other reason or excuse as to why uniformity cannot be achieved among racing states, an act of Congress may be the only means to force the states to take cognizance. Whether Congress amends the Interstate Horseracing Act, or proposes a national anti-doping statute, racing states would then be required by federal law to promulgate uniform rules. While the doping issue in sports remains a "hot-button" issue, this may be the most immediate way to mandate uniformity. Certainly, however, it is a bitter pill for some states to swallow.

* * *

Drug Intervention Update

Since a version of this article was published in the Fall of 2004, the industry did more during the Spring of this year to combat the use of illegal performance-enhancing drugs in horseracing than it has in decades. This has been accomplished through progress in achieving uniformity of regulations in key racing states, increased drug testing of blood and urine samples of the race horses, and greater security surveillance of the race horses situated on the tracks' backstretches.

Uniform Drug Rules

In 2002, the NTRA initiated uniformity in drug testing by establishing the Racing Medication and Testing Consortium ("RMTC"). Its mission is to develop uniform drug policy for the thirty-eight jurisdictions in the United States—both in testing for therapeutic medications and performance enhancing drugs, as well as for the issuance of more consistent penalties for drug positives. Twelve months after the ARCI and NAPRA jointly adopted model equine drug rules, thus far, fourteen states (Arkansas, Colorado, Delaware, Illinois, Texas, Kansas, Kentucky, Nebraska, Ohio, Oklahoma, Virginia, Washington, West Virginia and Wyoming) have adopted and implemented all or part of these equine model drug rules. Many more states are expected to adopt all or part of the chapter by the end of 2005, to include Arizona, Birmingham County (Alabama), California, Florida, Maine, Maryland, Michigan, New Jersey, New Mexico, New York, North Dakota and Pennsylvania. In the vast majority of states, the changes necessary to conform to the uniform model rule will be the responsibility of the racing commissions; however, there are two states that will require legislative changes: Iowa and Indiana. In both states, the commissions and stakeholders are supportive; however it will likely take additional time due to the legislative component.

Absent federal intervention, there will probably never be perfect uniformity in the drug rules from state to state, but the most fundamental elements of the rules are moving closer to consistency than they ever have been. For some states, the uniform rules are stricter than the rules they have been following almost out of tradition, while for others, it is relatively consistent with current practice. Kentucky, for example, was perceived as a state that was permissive in its approach to the use of drugs in racehorses. When it adopted the new, stricter drug rules, a message was sent to the industry that it had indeed awakened to its drug problem. By adopting the uniform rules, Kentucky (home to America's most famous horse race, the Kentucky Derby, and some of the world's most prestigious breeding farms) has taken leaps, not steps, toward cleaning up its act. Hopefully, this action will continue to have a ripple effect and influence other racing states to adopt tougher drug rules. New York, I am pleased to report, has earned a reputation for being a strict racing state in its drug policies.

Increased Drug Testing in New York

The Board recently implemented a program to test the blood-gas levels of horses at some of the state's tracks (soon to be all), thoroughbred and harness alike. This has made a substantial difference in deterring the practice of "milkshaking," referred to above.

Additionally, New York is testing for blood doping agents called erythropoietin and darbepoietin ("E and D"). The laboratory cannot detect the presence of these substances itself, but can detect the antibodies that form in a horse's system from administrations of the drug. The horses that test positive are banned from competitive racing until such antibodies disappear. Unlike other post-race positives where only the trainer is held responsible, the owner feels the burden of the penalty as her horse is suspended from racing until the stewards determine that it is fit to race. However, the test is only for human E and D, and not horse E and D, second or third generation E and D, or designer E and D. More funding is needed to develop testing in an effort to detect different forms of the substances. Tests for new bronchodialators are currently in use. However, tests for mild sedatives that keep horses relaxed in the paddock and before a race, cone snail venom and other substances that kill pain also need to be developed. Designer drugs are a real concern, as chemists can concoct them using slightly different molecular configurations, so as not to "ring the bell" or make for a positive finding of a blood or urine sample at the drug-testing lab. Equine labs, including that of Cornell University in New York, are constantly working to develop new tests for new substances. The NTRA's Racing Medication and Testing Consortium has put forth a request for proposals from laboratories and universities to conduct research in the following areas:

- **Prohibited Drugs—**Developing and validating screening and qualitative confirmatory methods for prohibited drugs to include analgesic peptides such as ziconotide (cone snail venom) and cobra venom; novel detection strategy for detection of race day ethanol administration (breathalyzers); growth hormone (equine somatotrophin) and IGF-1; as well as other drugs that have no therapeutic use in the horse and which have high potential to affect the horse during racing.
- **Therapeutic Drugs—**Developing and validating screening and quantitative confirmatory methods for certain therapeutic drugs. The focus here is to establish consistent thresholds or withdrawal guidelines among racing states.
- **Environmental Contaminants and Substances of Human Use—**Identifying and documenting sources of contamination and distinguishing contamination from administration. These include caffeine, morphine, cocaine, and atropine.
- **Special Categories—**Determining efficacy of "adjunct bleeder medications" managing exercise induced pulmonary hemorrhage in racehorses. The only race day anti-bleeding medication used in New York is Lasix, but other states use other anti-bleeding medications in addition or adjunct to Lasix. Another special category of research is in studying the effects and best methods for forensic control over bicarbonate loading in thoroughbreds. The project will be designed to simulate race day conditions as much as possible and can be designed around any product that produces metabolic alkalosis.[21]

The laboratory at Cornell University is now freezing blood samples of racehorses for up to five years—a cost-effective deterrent. Drug laboratories across the country are constantly working to develop new tests for new drugs, but generally have been outpaced by new, undetectable drugs. By freezing the blood samples, scientists will be able to use new science on samples collected in the past. New tests are continuously being developed for new substances, and the likelihood of facing stiffer penalties if caught should work to have a chilling effect on the willingness to administer performance enhancing drugs to race horses. Today's new, undetectable designer drug may be tomorrow's routine post-race positive.

Increased Security and Surveillance of Race Horses

At the one hundred and thirty-first running of the Kentucky Derby this year at Churchill Downs, backstretch security was ramped up like never before. Louisville police officers and Jefferson County sheriff's deputies, as well as extra private security guards hired by the track surveilled the barns of Derby horses. Additionally, track and racing commission investigators were keeping a watchful eye.

The NYRA, operating three thoroughbred race tracks in New York—Saratoga, Belmont, and Aqueduct—implemented a new policy of detaining horses that are in to race in a secured barn six hours before their races, with only the NYRA track veterinarian having access to the horses during that time. The only other people with permission to visit horses in the detention barn are trainers, stable employees, Board and security personnel, and other NYRA track veterinarians. This new security barn program went into effect the opening day of the one hundredth anniversary Belmont Park Spring season.

The most obvious opportunity for cheating prior to the deployment of the new detention barn was the private veterinarian having full access to the horse at four hours prior to post-time (the start of the race), potentially mixing another drug into the syringe with the Lasix. The track now has full control of the process, as a track veterinarian is administering the Lasix. Mentioned earlier, for several years, Canada has been using a similar program whereby the state employs veterinarian technicians who administer the Lasix.

Even though this year's Kentucky Derby involved police and security watching Lasix injections, potentially, a dishonest veterinarian could have treated a horse with five cc (cubic centimeter or one thousandth of a liter) of Salix and five cc of an illegal drug in the same syringe, instead of the permissible upper limit of ten cc of Salix. There is no suspicion or proof whatsoever that such administrations occurred, but I hypothesize this as an area of regulatory weakness. If a track is going to pay for security to watch injections, it should also have complete assurance of what is in the syringe. Tracks could authorize only pre-dosed syringes, or even better yet, use a policy like the NYRA's or Canada's, where the treating veterinarian is not permitted to administer the race day injection at all.

The Board has been urging the NYRA in recent years to use detention barns, and the NYRA's actions are to be commended. The Board may be in a position to adopt rules requiring other tracks in the state do the same. Every track poses different logistical issues, and varying degrees of expense to accomplish the use of detention barns and track administered Lasix, but each track should make these short-term goals. Now that many of the state's tracks are benefiting from Video Gaming Machine revenues, budgets could provide for necessary deterrent programs such as these.

Horsemen are complaining that if there is a Lasix overage, will the trainer be held responsible under the trainer responsibility rule? There are many worthwhile "what if" legal arguments to consider, but none, apparently, that would compel the NYRA to abandon its deterrence program. In a practical sense, the Board and the NYRA will have to thoughtfully consider each new legal matter as it occurs, as it would pertain to this new security program. History has taught racing that too many "what ifs" have stifled progress on the drug deterrence front in the past.

Upon reflection, writing the update to this article has been gratifying because at the time of the first writing last year, I would have been hard-pressed to believe that such sweeping reforms were possible in the short-term; but they have come almost overnight. Not only has the industry acknowledged that the drug problem does exist, it has also—with the guidance and will of its regulators—put into action a recovery program that can continually be made better. The racing fans and betting public deserve nothing less.

Endnotes

1. Stuart S. Janney III, Chairman of the Thoroughbred Owners and Breeders Association, The Jockey Club, Remarks at the Forty-Eighth Round Table Conference, On Matters Pertaining to Racing (August 13, 2000).
2. Steroid Targets Narrow, Albany Times Union, June 25, 2004.
3. *State ex rel. Morris v. West Va. Racing Comm'n*, 133 W. Va. 179 (1949).
4. A. Gary Lavin, VMD, The Jockey Club, Remarks at the Forty-Ninth Annual Round Table Conference (August 19, 2001).
5. Ogden Mills Phipps, The Jockey Club, Remarks at the Forty-Ninth Annual Round Table Conference (August 19, 2001).
6. James Gallagher, The Jockey Club, Remarks at the Forty-Ninth Annual Round Table Conference (August 19, 2001).
7. Ann Hagedorn Auerbach, Wild Ride (1994).
8. Paul Moran, The Inside Track, Newsday, November 26, 2003.

9. Larry Hamel, Harness Racing, Chicago Sun-Times, February 27, 2004.
10. "Milkshaking" is the administration of a substance that has as its base bicarbonate of soda (baking soda) and sugar. The "milkshake" is intended to neutralize the build-up of lactic acid in a horse's muscles that may cause a horse to tire during a race.
11. *Campbell* v. N.J. Racing Comm'n, 781 A.2d 1035 (2002).
12. NYTHA Newsletter, vol. 5, Sept., 2002.
13. David Grening, at http://www.DRF.com (January 2, 2003).
14. *Run Baby Run: What Every Owner, Breeder & Handicapper Should Know About Lasix in Racehorses*, p. 11 (2002).
15. Blood-Horse, June 21, 2004.
16. 4043.4 Trainer's responsibility.

    A trainer shall be responsible at all times for the condition of all horses trained by him. No trainer shall start or permit a horse in his custody, care or control to be started if he knows, or he might have known or have cause to believe, that the horse has received any drug or other restricted substance that could result in a positive test. The trainer shall be held responsible for any positive test unless he can show by substantial evidence that neither he nor any employee nor agent was responsible for the administration of the drug or other restricted substance. Every trainer must guard each horse trained by him in such manner and for such period of time prior to racing the horse so as to prevent any person, whether or not employed by or connected with the owner or trainer, from administrating any drug or other restricted substance to such horse contrary to this Part.
17. 2001 New York State Racing and Wagering Board Annual Report.
18. Barry Irwin, Team Valor release, at http://www.Bloodhorse.com (June 20, 2004).
19. Barry Irwin, Breaking the Habit, Blood-Horse, July 1, 2003.
20. Ed Newton, Miami New Times, May 29, 2003.
21. Racing Medication and Testing Consortium, Inc., http://www.rmtcnet.com, "2004 Research Priorities" document.

Cheryl Buley, appointed to the Racing and Wagering Board by Governor Pataki, was confirmed by the New York State Senate on June 13, 2000 and is the first woman to serve on the Board. New York is a member of the Association of Racing Commissioners International (ARCI), and Ms. Buley serves as Vice Chairman of the recently formed ARCI Wagering Systems and Security Committee. A *summa cum laude* graduate of Boston University, she earned a masters degree in public relations in 1988. Prior to that, Ms. Buley completed an international business program at the University of Copenhagen in Denmark and holds a bachelor's degree in business and marketing from The State University of New York at Plattsburgh. Ms. Buley began her career working as a legislative aide for New York State Senator Joseph L. Bruno from 1985 to 1986. During this time, she was exposed to a wide range of topics affecting Mr. Bruno's district, which included horse racing. Since that time, she moved into the private sector as a consultant, where she developed award-winning public information campaigns for McDonald's Corporation and The Dental Society of the State of New York. Among the clients she has served is the president of the American Dental Association and McDonald's Corporation, where she managed regional chapters of Ronald McDonald House Charities, Sheraton Hotels, and Marine Midland Bank. She also worked in Oslo, Norway for Arthur Young as a market analyst in 1990.

A version of the earlier portion of the article appeared in the *Government, Law and Policy Journal*, Fall 2004, Vol 6, No. 2, a publication of the New York State Bar Association, Committee on Attorneys in Public Service, produced in cooperation with the Government Law Center at Albany Law School.

Domain Name Dispute Resolution

By Leonard D. DuBoff and Christy O. King

If a website is the storefront of twenty-first century business, then a domain name is like a street address—that crucial piece of information that brings customers to the door. But domain names are even more than that—federal courts have recognized that domain names identify the entity that owns the website.[1] In that way, domain names function as trademarks by identifying the source of the goods or services being offered for sale on the Internet. Domain names, like trademarks, are valuable business assets.

Domain names also present an avenue by which a business's name can be misused or its trademark rights infringed. Because registering a domain name is a quick and inexpensive process, it is easy for anyone to register a domain name that incorporates a trademark, whether that trademark belongs to that person or not. This may very well confuse potential customers who think they are accessing your client's site. A cyberpirate can hijack a name or term and divert a potential customer seeking information about your client's business to its own website or that of another. Thus, every business attorney should be aware of the importance of domain names and know how to protect a client's valuable intellectual property assets, its good name and its potential customer base.

Resolving disputes over domain names requires an understanding of the nuances of trademark law. Attorneys should be aware of the means of protection from infringement and the unique ways in which a business's or firm's name or trademark can be misused in cyberspace, such as cybersquatting and typosquatting. This applies not only to clients, but also to the law firm itself, as the Internet provides an important venue for the marketing of both products and services, including professional services.

What Is Cybersquatting?

Cybersquatting occurs when a party registers as a domain name another's name or trademark for the purpose of selling the domain name to the rightful owner at an inflated price. Joe Toeppen was one of the first notorious cybersquatters. In the mid-1990s, when the system of domain name registration was still in its infancy, Toeppen registered hundreds of words as domain names. Some of the registrations he acquired were for generic words, like <water.com>, and some were trademarks, like <deltaairlines.com>, <eddiebauer.com> and <neimanmarcus.com>. Toeppen offered to sell his registrations to the trademark owners for thousands of dollars. One of the trademark owners was outraged and filed suit in federal court in California.[2] The district court addressed the then-novel question of whether Toeppen's Internet activities were sufficient to subject the Illinois man to personal jurisdiction in California and ultimately ruled in favor of the California plaintiff. Although courts do exercise jurisdiction over foreign defendants engaging in cyber-misconduct, cybersquatting still occurs, as do other methods of misusing domain names.

> *"[E]very business attorney should be aware of the importance of domain names and know how to protect a client's valuable intellectual property assets, its good name and its potential customer base."*

Typosquatting is another type of domain name misuse. Typosquatting occurs when a party registers a domain name that is very close to another's trademark or name for the purpose of capitalizing on an Internet user's typographical errors when entering a web address. For example, the domain name <microsof.com> would catch a number of Internet users searching for Microsoft, and <ggogle.com> would divert users seeking to reach Google.[3] Typosquatters position themselves to take advantage of a potential customer's mistake and either cause them to think they have reached the intended site or lure them away from that business. Even if the visitor quickly realizes that the site is not the one desired, the typosquatter will already have diverted the visitor to its own activities.[4]

Dealing with URL Misuse

What can you do if someone is using <businessname.com> or <trademark.com> as a domain name without permission of the rightful owner? Or what if someone is using a domain name that is intended to divert customers away from your client's or your firm's website?

One option is to sue in federal court. In 1999, Congress passed the Anti-Cybersquatting Consumer Protection Act, which has been codified as part of the Lanham Act, the law that governs unfair competition and trademark law.[5] A federal lawsuit can, however, be very expensive and take years to reach a resolution. Also, the international nature of the Internet means that the entity misusing another's name in cyberspace may be located in a foreign jurisdiction. Filing a lawsuit in U.S. courts is possible, but the complication and expense of the litigation increase when there are foreign parties.

Domain name registrations are easier and cheaper to obtain than are federal trademark registrations. Domain name registration, unlike federal trademark registration, is not regulated by an agency that works to weed out duplication or attempts to avoid the likelihood of confusion. If the rightful owner of the mark is forced to litigate domain name disputes, then the cost of owning and protecting one's trademark or business name becomes even greater.

While domain names, like trademarks, are often business assets valuable enough to justify the time and expense of a federal lawsuit, there is an alternative means for resolving domain name disputes that is faster and less expensive.

Mandatory Online Arbitration System

As an alternative to federal court, there is an international arbitration system, which provides a quick and inexpensive forum to resolve domain name disputes.

The Internet Corporation for Assigned Names and Numbers ("ICANN") is a private, nonprofit technical coordination body for the Internet's name and numbering system.[6] ICANN coordinates the domain name system to ensure that every address is unique and that all users of the Internet can locate valid addresses.[7] ICANN also sets minimum standards for domain name registrars. In that capacity, ICANN adopted a Uniform Domain Name Dispute Resolution Policy (the "Policy"). The Policy has been adopted by all ICANN-accredited domain name registrars, which includes all registrars for names ending in .com, .net and .org.[8] Anyone registering a domain name through an accredited registrar agrees to be bound by the Policy, which sets out guidelines for the dispute resolution procedure. Thus, the arbitration system is mandatory for respondents.

ICANN does not itself resolve disputes between parties. Instead, disputes are arbitrated by one of several approved domain name resolution service providers that must follow ICANN's Policy. The World Intellectual Property Organization ("WIPO") is one such approved service. WIPO is an international intellectual property organization associated with the United Nations. It has been providing domain name mediation services since 1994. While WIPO is not the only approved domain name resolution service provider, it is the oldest and one of the most respected.[9]

WIPO Arbitration Procedure

To attempt to stop interference with a business or diversion of potential clients away from a website through cybersquatting or other improper domain name use, a complaint can be filed with the WIPO domain name dispute arbitration panel. The dispute can be resolved by a three-member panel or by one arbitrator. The cost for filing a complaint and electing one arbitrator is $1,500.[10] Once the complaint is filed and the dispute resolution provider formally commences the administrative proceeding, the respondent has twenty days to submit a response. If the case is to be decided by a single arbitrator, the administrator will appoint an arbitrator within five days of the receipt of the respondent's reply. The complainant then has an opportunity to submit an additional filing, but whether the arbitrator reads the additional filing is discretionary. After appointment, the arbitrator will decide the issue and notify the relevant parties within seventeen days.

The substantive law applied by the arbitrator is determined by the contract between the registrar and the respondent. The domain name registration agreement, which binds the registrant to the mandatory system, also sets forth the governing law. Thus, in arbitrating a claim based on a domain name registered through a registrar in the United States, the panel will use U.S. law, including relevant principles of U.S. trademark law.

The arbitrator will resolve the complaint in one of three ways: (1) The arbitrator will order the domain name registrar to cancel the domain name; (2) the arbitrator will order the domain name registrar to transfer the registration to the complainant; or, (3) if the complainant fails to carry the substantive burden, the arbitrator will deny the complaint.

Substantive Burden

To prevail in the dispute and have the respondent's domain name cancelled, the complainant must establish that its domain name is identical or confusingly similar to the respondent's domain name or trademark, that the other party has no legitimate interest with respect to the name, and that the other party has registered or is using the domain name in bad faith.

The first element, showing that the domain name is identical or confusingly similar, involves analysis of the same factors that govern a trademark infringement lawsuit's finding of a likelihood of confusion. A WIPO arbitration panel that determined <walsucks.com> was likely to be confused with <walmart.com> relied on the same eight-factor test developed for the resolution of trademark infringement suits.[11] The test for likelihood of confusion weighs the following factors: strength of the mark; proximity of the goods; similarity of the marks; evidence of actual confusion; marketing channels used; type of goods and the degree of care likely to be exercised by a purchaser; defendant's intent in selecting the mark; and the likelihood of the expansion of product lines.[12]

A domain name can be deemed identical to a word mark, notwithstanding the domain name format. All domain names contain the .com or .net or another generic Top Level Domain ("gTLD") identifier. A party that places a .com at the end of a trademark cannot claim that the domain name is no longer identical to the trademark. Arbitration panels have held that the form a domain name is required to take in order to function as a web address does not automatically make it distinct from a trademark which it wholly incorporates. That is, the addition of .com or .net to a trademark does not diminish the fact that the mark is identical.[13]

The legitimate interest factor involves the determination of whether the respondent is making a noncommercial, fair use of the petitioner's trademark. It can be difficult to predict how a court or arbitrator might rule on the complicated issue of fair use, but, as with the confusingly similar factor, arbitrators are guided by trademark analysis in their determination of commercial use and fair use. Complaint or protest sites, which may invoke free speech issues, have been found not to be fair use if there is a commercial aspect to the website. Diverting customers away from the target website has been held to be a commercial use, even if the protesting site is not attempting to make a profit.[14]

Prior federal registration of a trademark by the petitioner will help show that the respondent has no legitimate interest in the infringing domain name. A federal registration imparts a presumption of validity to a trademark.[15] WIPO panel decisions have also incorporated the concept of constructive knowledge that exists in U.S. trademark law.[16] Thus, a federal registration provides constructive knowledge of the existence of the trademark to third parties in the United States, and a respondent will, therefore, have a more difficult time asserting that it has any legitimate rights in the use of the infringing domain name.

Finally, the bad faith element incorporates trademark issues to determine whether the user of the mark is attempting to attract, for commercial gain, users to its website or to create confusion as to whether the petitioner's business sponsors or is affiliated with the respondent's website. Bad faith is shown if the respondent offers to sell the petitioner the domain name registration at an inflated price. The communications between the parties to discuss the use of the domain name can also contain evidence of bad faith. In addition to requesting an inflated amount of money for the registration, failing to respond to the petitioner's requests at all or providing an inappropriate response may be evidence of bad faith.

Thus, the issues raised in a domain name dispute involve fact-specific arguments, as well as complex legal analysis of intellectual property law.

Arbitration versus Litigation

The arbitration system does not provide for the recovery of damages or attorney fees, both of which may be available in a federal lawsuit.[17] A plaintiff in a federal trademark infringement suit may recover damages that can include the defendant's profits, the plaintiff's actual damages, which may be trebled in an appropriate case, plus the costs of the action and, at the court's discretion, attorney fees.[18] Damages may be difficult to prove, however, and attorney fees are awarded only in "exceptional cases." Thus, the efficiency and economy of the arbitration procedure and the limited remedies it provides must be weighed against the expense and uncertainty of federal litigation and the possibility of recovering damages, as well as attorney fees.

Conclusion

Lawyers and their clients must evaluate the merits of filing a federal lawsuit and the potential recovery available in litigation against the more expeditious and less costly arbitration procedure when domain name disputes are involved. Since complex intellectual property law pervades both proceedings, it is important to work with an experienced intellectual property attorney if you are not familiar with the principles of trademark law.

Endnotes

1. *Panavision International v. Toeppen*, 141 F.3d 1316, 1327 (9th Cir. 1998).
2. *Id*.
3. *Go Daddy Software, Inc. v. Daniel Hadani*, WIPO Case No. D2002-0568.
4. *V&S Vin & Spirit AhB v. Giovanni Pastore*, WIPO Case No. D2002-0926.
5. 15 U.S.C. § 1125.
6. ICANN Frequently Asked Questions, available at http://www.icann.org/faq/.
7. *Id*.
8. The Policy, available at http://www.icann.org/dndr/udrp/policy.htm.
9. Other domain name resolution centers include Asian Domain Name Dispute Resolution Centre (ADNDRC); CPR Institute for Dispute Resolution; eResolution; and the National Arbitration Forum (NAF). See Approved Providers for Uniform Domain

Name Resolution, available at http://www.icann.org/dndr/udrp/approved-providers.htm.

10. The cost of a three-member panel is $4,000. These prices are dependent upon the number of domain names included in the complaint. The price for both single arbitrator and the three-member panel increases if the number of domain names in the complaint is greater than five. Schedule of Fees under the ICANN UDRP Policy, available at http://arbiter.wipo.int/domains/fees/index.html.
11. *Wal-Mart Stores, Inc. v. Walsucks and Walmarket Puerto Rico*, WIPO Case No. D2000-0477. (citing *AMF v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979).
12. *Sleekcraft Boats*, 599 F.2d at 348-349.
13. *Bruce Springsteen v. Jeff Burger and Bruce Springsteen Club*, WIPO Case No. D2000-1532.
14. *E&J Gallo Winery v. Hanna Law Firm*, WIPO Case No. D2000-0615.
15. 15 U.S.C. § 1115(a).
16. *The Sportsman's Guide, Inc. v. Modern Limited, Cayman Islands*, WIPO Case No. D2003-0305.
17. 15 U.S.C. § 1117.
18. *Id.*

Leonard D. DuBoff is an attorney concentrating in business and intellectual property law. He is the founder of The DuBoff Law Group, which represents clients throughout the United States, Canada, Asia, and the United Kingdom. DuBoff was a law professor for more than 25 years who began his teaching career at the Stanford Law School and then taught at Northwestern School of Law Lewis & Clark College in Portland, Oregon, where he taught business and intellectual property courses. He has authored more than 20 books, including *Art Law in a Nutshell* (West Publishing, 2000) and the seminal two-volume art law text entitled *The Deskbook of Art Law* (Oceana Publications, 1993—updated through 2005), which is frequently cited by judges, lawyers, legal commentators, and others who are interested in finding out about this important field of law. He has also written two casebooks: *Art Law: Cases and Materials* (William S. Hein, 2004), which has been adopted by several law schools, and *First Amendment and Censorship* (Oceana Publications, 2005). His *The Law (In Plain English)®* series, which consists of 11 volumes, has received numerous favorable reviews. For more information, please visit www.dubofflaw.com.

Christy O. King has practiced with the law firm of The DuBoff Law Group, LLC, for more than 11 years and is editor-in-chief of the newsletter *Critical Issues* published by that firm. King coauthored the *Deskbook of Art Law* and *Art Law in a Nutshell*. Her practice areas include intellectual property, business and corporate law.

The authors wish to thank William Dolan, formerly of The DuBoff Law Group, for assistance with this article.

Standing at the Crossroads: Compulsory Licensing and the Future of Online Music Distribution

By Matthew F. Abbott

[S]ome may feel about the road ahead as Woody Allen expressed it: "we stand at a crossroads, one road leading to despair and hopelessness, the other road leading to extinction, and I hope we have the wisdom to choose correctly."

—Senator Orrin Hatch
Senate Judiciary Committee Hearing:
"Online Entertainment: Coming Soon To A Digital Device Near You"
April 3, 2001

With the new millennium came dramatic and unforeseen changes in the distribution of musical recordings. The market for online music was born independently from the music industry itself, arising instead from the convergence of enabling technology and tremendous consumer demand. This phenomenon was based on both the popularity of the MPEG Audio Layer-3 ("MP3") audio compression format,[1] which allowed large-scale storage of music files on the hard drives of personal computers, and the emergence of Napster, a peer-to-peer ("P2P") file-sharing program that allowed users to share and exchange the audio files on their hard drives through a vast computer network.[2] The consumer demand for online music proved to be insatiable, and Napster became wildly popular, with over sixty million users at the height of its popularity.[3] Having shown little interest in developing the online marketplace, the music industry suddenly found the demand for online music thrust upon it under the worst possible circumstances: Consumers were downloading millions of sound recordings on a daily basis without anything being paid to the copyright owners.[4] The Recording Industry Association of America ("RIAA")[5] promptly sued Napster for contributory and vicarious copyright infringement, and succeeded in shutting the service down after it was unable to comply with the terms of an injunction.[6] The question remained as to how the music industry was to make sense of the new and untamed marketplace.

It was against this backdrop in 2001 that committees from both the House and the Senate met to discuss the future of music distribution over the Internet.[7] A major issue raised in these hearings was whether Congress should enact a compulsory license for the distribution of sound recordings over the Internet.[8] Testimony was heard from the RIAA and the major record labels, as well as from online music services and artists themselves.[9] Representatives of online music services argued that compulsory licensing legislation was necessary due to the unwillingness of the record labels to negotiate for use of their copyrights,[10] and based on the difficulty of obtaining all the necessary rights through a negotiation process.[11] The RIAA and record labels argued that the existing laws were well-suited for development of the online music market,[12] and that they would soon launch two "legitimate" online music services that were intended to satisfy the voracious consumer demand for online music.[13] Ultimately the committees responded favorably to the prospect of the labels' services,[14] and treated the compulsory licensing proposals with both wariness and some outright resistance.[15]

Since then, the online music marketplace has largely defied the music industry's efforts to wrest control of it. Annual music sales declined by two billion dollars between 2000 and 2003,[16] with the total value of recorded music sales dropping by twenty percent over the four-year period.[17] Numerous P2P file-sharing services such as Kazaa, Gnutella, Morpheus, Limewire, eDonkey and iMesh were developed,[18] hosting significantly more users than Napster had in its heyday.[19] In response to the popularity of P2P file-sharing, the RIAA filed thousands of lawsuits against individual file-sharers.[20] Its campaign of litigation sparked considerable controversy and prompted Congressional hearings,[21] legislative proposals[22] and responsive lawsuits.[23]

The online music services so highly touted by the record industry during the 2001 hearings have continued to meet largely with consumer indifference, based largely on restrictive limitations placed upon users.[24] The notable exception is the Apple iTunes service, which comprises seventy percent of the global market for online music, with over 300 million songs downloaded since its launch in 2002, and a current sales rate of around 1.25 million songs per day.[25]

This article discusses whether, in light of the ongoing uncertainty and instability in the music industry, expansion of the compulsory licensing provision is a necessary solution to restore order and balance to the online music marketplace. While compulsory licensing has been proposed as applicable to other forms of copyrighted material available on the Internet, this discussion focuses solely on its applicability to the online distribution of digital sound recordings as "downloadable" files.

Compulsory Licensing: An Overview

The right of copyright owners most relevant to the transmission of music over the Internet is the exclusive right to reproduce copyrighted works.[26] This right applies to both the sound recording and the underlying musical work contained within it.[27] Although reproduction rights are exclusive, they are not absolute, and may be subject to limitations that allow others to exercise rights that would otherwise exclusively belong to the copyright owner. A compulsory license represents such a limitation, because it allows the licensee to reproduce the work without the owner's permission.[28] A compulsory license is a statutorily established license that a copyright owner is "compelled" to issue to a licensee, subject to the statutory terms. Under the compulsory "mechanical" licensing system for the distribution of musical works in phonorecords, for example,[29] a licensee is required only to give adequate notice of the usage to the copyright holder[30] and pay a statutory royalty in order to reproduce the musical work.[31] This limitation has been described as a copyright law "safety valve" installed by "copyright pessimists" who espouse less restrictive copyright protection in instances where there would be little potential harm.[32] Compulsory license legislation has been enacted only rarely, and under specific circumstances.[33] Currently, only four compulsory copyright licenses are available.[34]

The earliest enactment of compulsory licensing legislation came in 1909,[35] in reaction to the Supreme Court's opinion in *White-Smith Publishing v. Apollo*.[36] That case was brought against a manufacturer of player pianos by a music publisher who claimed that the pianola rolls used by pianos to play songs were infringing copies under copyright law.[37] Prior to this decision, composers and music publishers viewed pianola rolls as a threat to their livelihoods because the rolls were pre-empting traditional sheet music sales without payment of any revenues to the copyright owners.[38] In 1905, when Congress began its revision of the 1870 Copyright Act, composers and publishers lobbied for an amendment that would given them an exclusive license against the manufacture and sale of devices mechanically enabled to record a musical work.[39] The player piano manufacturers opposed the bill based on fears that it would allow the Aeolian Company to establish a pianola roll monopoly. Aeolian was a pianola roll company that had previously bought up the exclusive rights to manufacture and sell from the catalogs of almost all of the music publishing companies. Aeolian had financed White-Smith's lawsuit, in anticipation of a favorable ruling from the Supreme Court.[40] The Court, however, held that a pianola roll was not a "copy" under the current law, since it was not a "legible embodiment" of the notes on a page, and thus was not provided protection under the then-existing copyright law.[41]

In response, Congress resumed hearings a month later.[42] The result was the Copyright Act of 1909, which added copyright protection against the unauthorized mechanical reproduction of musical compositions, including pianola rolls and phonograph records, subject to a compulsory license.[43] This provision created a compromise between the interests of the competing parties by neither establishing an exclusive property right nor denying the right altogether.[44] The underlying motivation in the enactment of the compulsory license was the defeat of the Aeolian monopoly.[45]

Congress made several unsuccessful attempts to revise the copyright law between 1924 and 1940.[46] In 1955, Congress authorized a copyright revision project that led to twenty-one years of hearings, studies and lobbying.[47] Throughout the process, a major issue of focus was the question of whether to eliminate the compulsory license altogether.[48] In 1961, the Register of Copyrights recommended that Congress eliminate the provision, but was met with strong protest from the recording industry.[49] The Register subsequently backed away from his position, and the resulting Copyright Act of 1976 extended the mechanical compulsory license and updated the 1909 law by providing a mechanism for royalty rate increases.[50] Additionally, it added three other compulsory copyright licenses: the jukebox license, for use of sound recordings in public jukebox performances;[51] the cable television license, for re-transmission of network broadcasts over cable systems;[52] and the noncommercial public broadcasting license for transmission of sound recordings within public television broadcasts.[53]

In 1995, Congress passed the Digital Performance Right in Sound Recordings Act ("DPRA").[54] This gave copyright owners of sound recordings an exclusive right to publicly perform their copyrighted works by means of a digital audio transmission.[55] The exclusive performance right was subject to limitation by the requirement of a compulsory license for the reproduction and distribution of a musical work within a digital transmission.[56] For example, if a website made available a recording of "My Favorite Things" performed by John Coltrane, and a user connected to the site and downloaded that song, it would constitute a digital transmission of that phonorecord from the website to the user.[57] In order to provide this service, the website would be required to obtain a compulsory license and pay a statutory royalty to the copyright owner of the musical work contained within the sound recording, in this case the publisher representing the interests of the songwriters Rodgers and Hammerstein.[58] The record label that released John Coltrane's recording, as owner of the sound recording copyright, would maintain its exclusive right to perform the recording by means of a digital transmission, and thus the website would also be required to negotiate a license in order to legally transmit the recording.

The core issue that surrounds compulsory licensing of online music is whether the copyright law should expand the compulsory licensing provisions to include the digital transmission of a sound recording, in addition to the underlying musical work. If the provisions were expanded in this manner, online music services would be able to transmit whatever sound recording they chose, subject only to an adequate notice requirement and payment of a statutory royalty. While a statutorily imposed license may streamline the licensing process, the proposal must be fully examined both in its historical context and in relation to present day concerns in order to be properly considered.

Historical and Contemporary Considerations for Enacting Compulsory Licensing Legislation

Historical Considerations in Enacting Compulsory Licensing

Since its initial enactment, the compulsory license has remained a lightning rod for controversy. In the decades following the passage of the 1909 Act, numerous legislative attempts were made to repeal or limit the compulsory license provision.[59] As the general revision of the copyright laws commenced in the late 1950s, the question loomed as to whether compulsory licensing was to survive. In 1961, the Register of Copyrights made a recommendation that compulsory licensing should be eliminated, based largely on the findings of two studies prepared as part of the general revision.[60] This recommendation was based on the Register's belief that the removal of a compulsory license would not result in exclusive licensing practices. In part, he looked to the laws of other countries where, despite the absence of a compulsory license, musical works were licensed in a nonexclusive manner.[61] In response, the recording industry argued that the continuation of the provision would have beneficial effects, including providing the public with multiple versions of compositions that might not be available under exclusive licensing, enabling small companies to compete with large companies in offering different recordings of the same songs, and creating additional revenue for authors and publishers with multiple recordings of their compositions.[62] To a large degree, the issues debated in the 1960s continue to apply to the present day discussion of compulsory licensing of online music. A primary issue is whether the failure to expand the compulsory licensing provision will necessarily lead to exclusive or monopolistic licensing practices by the music industry.[63] Likewise, attempts to enact compulsory licensing legislation in related areas for the purpose of encouraging market growth and competition have fallen woefully short of their goals, based on the political strength of the recording industry and the realities of the legislative process.

Monopolies and Exclusive Licensing Practices

Fear of a major label monopoly over the online music business arose with the launch of MusicNet and Pressplay, and led to the 2001 compulsory licensing debate before the Senate and House committees. However, this threat has been significantly reduced by a combination of government scrutiny, healthy competition from independent services and the presence of P2P file-sharing.

Since the initial surge in demand for recorded music in the late 1950s, a handful of major recording companies have dominated, commanding up to ninety percent of the market for musical recordings.[64] In 2001, five major labels controlled eighty-five percent of the market.[65] That same year, AOL Time Warner, EMI and Bertelsmann ("BMG") rolled out MusicNet, an online music service that they promised would be the solution for the online marketplace. Soon thereafter, Pressplay's debut was announced by Sony Music ("Sony") and Universal Music Group ("Universal").[66] As these companies together controlled eighty-five percent of the copyrights for recorded music, they maintained virtual control over the development of any competitors in the marketplace.[67] Although the services themselves met with consumer indifference,[68] complaints arose that the companies were refusing to negotiate with startup ventures, or imposing royalty rates so high that competing companies simply could not afford them.[69]

Arguments against extending compulsory licensing prior to 1976 had pointed to the lack of antitrust laws at the time of the original provision's passing in 1909. Opponents also questioned the continued need for a provision enacted to address monopolistic practices when a robust statutory framework already existed for addressing such concerns.[70] Today, antitrust laws have been used to scrutinize business practices of the major record labels. Furthermore, in 2001, the European Commission launched an antitrust investigation of the major labels' online music ventures,[71] soon followed in the U.S. with the opening of an investigation by the Department of Justice ("DOJ").[72] The DOJ conducted an intensive investigation of the digital ventures, focusing on their licensing tactics.[73] The investigation was finally closed in December 2003, finding no evidence of illegal practices.[74] Additionally, in 2001, the Federal Trade Commission ("FTC") ruled that Universal and Warner had violated U.S. antitrust law by conspiring to fix the price of a recording of the "Three Tenors" released under a joint venture between the two companies.[75] The decision was appealed by the companies, but upheld by the FTC in 2003.[76]

Governmental scrutiny has influenced the recording industry to turn away from potentially anti-competitive licensing practices.[77] The success of iTunes has demonstrated that there is money to be made in licensing copyrights to competitors,[78] and several additional independent services have emerged alongside industry-affiliated services.[79] It appears that the major labels have abandoned the exclusive licensing practices utilized at the time of MusicNet and Pressplay.

A tremendous additional influence is the free availability of online music through P2P file-sharing services, an "alternative market" which has continually frustrated the recording industry's attempts to dictate online music distribution on its own terms.[80] The current situation is thus distinguishable from the one that Congress faced in 1909, where a single company had positioned itself to hold a monopoly over distribution of copyrighted music that could only be prohibited through government intervention.[81] Therefore, sufficient mitigating factors exist today in the online music marketplace, such that fears of monopolistic practices do not themselves provide adequate justification to enact compulsory licensing legislation.

Legislative Considerations in Enacting Compulsory Licensing

The realities of the legislative process further illustrate the inadequacy of compulsory licensing as a response to online music market conditions. Much criticism of compulsory licensing in this area stems from the established political influence of the recording industry and historically observed difficulties in repealing or amending statutory provisions.[82] Historically, the recording industry has exerted a large influence in shaping the development of copyright law. In 1976, it successfully lobbied to extend the compulsory licensing provision, despite the contrary recommendation of the Register of Copyrights and strong opposition from scholars, composers, publishers and members of the copyright bar.[83] Where susceptibility to lobbying heavily influences the determination of a statutory royalty rate, it may result in legislation that is weighted heavily in one party's favor. An example of this is found in the compulsory licensing royalty rate of 1909. The rate was set at two cents per composition, but with no provision for the rate to increase relative to inflation.[84] Due to the lobbying efforts of the recording industry, the rate stayed constant from 1909 until 1978, with songwriters and music publishers receiving a royalty that in no way reflected inflation or the changing conditions in the marketplace over the sixty-nine year period.[85]

A more contemporary example is found in the battle between the RIAA and webcasters over the establishment of a compulsory royalty rate for non-interactive digital transmissions.[86] Under the Digital Millennium Copyright Act ("DMCA"), the royalty rate was to be determined by a voluntary negotiation, or failing that, by the Copyright Office through a Copyright Arbitration Royalty Panel ("CARP").[87] Although several private agreements were reached, the parties could not come to an industry-wide agreement, and a CARP was convened to find a solution, subject to the review of the Librarian of Congress ("LOC").[88] After six months of hearings, the CARP recommended a royalty rate that neither party found to be satisfactory.[89] The proposed rate had been determined by examining an agreement between Yahoo!, Inc. and the RIAA, while disregarding twenty-five other agreements that had been reached between the RIAA and smaller webcasters.[90] The LOC stepped in, ruling that the CARP had erred in several of its findings, and issued a revised recommendation.[91] As a result, the number of active webcasters dropped by thirty-one percent, with many facing bankruptcy due to royalty payment requirements beyond their means.[92]

The CARP proceedings have been criticized for their unfair expenses, as all parties are required to pay their own legal, as well as arbitrators' fees, and the costs of extensive evidentiary hearings. As a result, many of the smaller, independent broadcasters have been forced to drop out, leaving mainly larger companies to arbitrate their own agendas.[93] Additionally, the proceedings do not follow the Federal Rules of Civil Procedure, and do not allow depositions, requests for admission or interrogatories. Critics have charged that this does not allow the opportunity to test the assertions of an opponent, and may lead to the consideration of distorted or false statements.[94]

Where the legislation was intended to strike a balance between the interests of the webcasting and recording industries, the actual result was that the former was significantly reduced by the economic impact of the imposed rate. Even though one argument in favor of compulsory licensing for sound recordings has been that such a license will open up the marketplace to smaller independent music services,[95] the recent history of the webcasting license indicates that even where legislation allows for negotiation between parties in determining the rate, the final result is highly susceptible to lobbying interests and may put significant restraints on the expansion of the market. This concern is compounded by the difficulty in repealing legislation, as evidenced by the longevity of the 1909 two-cent royalty. As one commentator has observed, a potential downside of a compulsory license is that it will function to "lock in" one solution, when a better idea might be just around the corner.[96] These concerns suggest that at the legislative level, enacting a compulsory license may potentially do more harm than good.

The Influence of the Darknet

The question then becomes whether other considerations exist that would override the uncertainty and potential for harm in enacting a compulsory license. A popular argument in favor of compulsory licensing is that it provides a viable solution to the unauthorized sharing of copyrighted materials over the Internet. This unauthorized sharing is enabled by what has been termed the "darknet," described as "a collection of networks and technologies used to share digital content . . . [including] peer-to-peer file-sharing, CD and DVD copying, and key or password sharing on email and newsgroups."[97] The attraction of the compulsory licensing solution is its ability to instantly "legitimize" file-sharing by imposing a tax or fee that cannot be avoided by the user. The recording industry has devoted considerable resources in an attempt to shut down the darknet, but to date these efforts have been ineffectual, and there are strong indications that the darknet will continue to resist any such attacks.[98] The question thus arises as to whether the ongoing existence provides a suitable justification for the enactment of a compulsory license.

Ever since Congress exhibited its disinterest in compulsory licensing,[99] the recording industry has cited the darknet as the greatest threat to its existence and has attempted to shut it down through development of protective digital rights management ("DRM") technology, litigation against both corporations and individual consumers, and the release of competitive online music services. To date, the darknet has shown great resiliency to all of these attacks. Furthermore, an examination of the history of the darknet and its interaction with the recording industry suggest that it is playing a partly beneficial role in the development of a robust and stable online music market.

DRM

The first industry attack against the darknet was in the form of security technologies intended to "lock up" digital content and prevent its unregulated distribution over the Internet. In the early days of online music it was believed that technology would soon provide adequate security for music files and quickly curb the free exchange of copyrighted materials.[100] The reality, however, is that numerous attempts have failed, while the market for digital music has far exceeded any attempts to contain it. Two months after the passing of the DMCA in 1998, the recording industry announced the formation of the Secure Digital Music Initiative ("SDMI"), a joint initiative formed with other music rights organizations and a variety of technology companies.[101] SDMI's goal was to design a standard security architecture that would be uniformly installed in home electronic equipment and effectively block the use of illegally obtained digital music files.[102] This architecture was to be implemented by "watermarking" all digital music files with an undetectable audio characteristic that would instruct an SDMI-compatible device whether to allow or disallow the recording or playback of the file.[103] After developing four different watermark technologies, SDMI issued an open challenge to the digital music community: If anyone could breach its technology by successfully "stripping" the audio files of their watermarks, SDMI would offer a ten thousand dollar reward. Any technology that was cracked would be taken out of the running.[104] Princeton computer science professor Edward Felten took up the challenge, and within the three week deadline he and his team had successfully stripped all four watermarks.[105] Felten reported that "people outside the university certainly could have done it. Anyone with enough time and a general understanding of signal processing could have done it."[106] SDMI attacked the findings as inconclusive, claiming it had not yet been determined whether sound quality had remained intact, and that there was no indication that the process could be repeated on different songs. As Felten prepared to defend his work by presenting his findings at a workshop, he received a letter from the RIAA threatening a lawsuit under the DMCA if he went ahead with the presentation. Felten and his team decided not to present the paper.[107]

While SDMI was foundering, the market for digital music had quickly overtaken it. Napster had kicked open the floodgates, and now the "second generation" of file-sharing services were enabling tens of millions of consumers to share files, with the consumer electronics companies increasingly eager to take advantage of this lucrative market.[108] SDMI has been "on hiatus" since 2001,[109] but DRM efforts have continued on a smaller scale, with individual content providers developing their own formats.[110] Compatibility is a major issue for many of the formats in commercial use. Files downloaded from one music service will not work in the player software of another's, nor will DRM-protected files work in many digital music players.[111] Additionally, several DRM technologies have proven vulnerable at the most rudimentary levels. In 2002, Sony released a Celine Dion album that was protected by Sony's "Key2Audio" technology. Soon thereafter, major news outlets were reporting that the DRM technology could be defeated simply by blackening out the edge of the shiny side of the CD with a felt tip marker.[112] The album caused further controversy as it was reported that not only were the CDs completely unreadable by many computers, but loading the CD into an Apple computer would cause it to crash, prevent it from rebooting and require it to be taken in for servicing.[113] In 2003, a Princeton graduate student reported that a DRM protection developed by SunnComm Technologies ("SunnComm") could be disabled merely by pressing the "shift" key when the protected CD was in the CD drive.[114] Sunncomm threatened to sue, claiming related losses of ten million dollars in its share value, but later backed off the suit amidst heavy controversy.[115]

In early 2005, a programmer discovered that the copy-protected songs available for download on the now-legitimate Napster service could be converted to unprotected files using America Online's WinAmp music player and a readily available plug-in for the software.[116] Napster offers a subscription service that provides unlimited downloads for the duration of the subscription, but which deletes all downloaded files upon the user's cancellation of service. The effect of the "hack" was to allow users to sign up for Napster's fourteen-day free trial, download an unlimited quantity of music and then convert it to an unprotected file format through WinAmp, to avoid deletion of the files upon the expiration of the trial period.[117] America Online soon responded by removing the plug-in from the WinAmp website and announcing its intention to fix the WinAmp software.[118]

DRM has proven to be an ineffective solution to the exchange of copyrighted songs over the Internet. The recording industry's efforts to preemptively develop and apply a uniform DRM standard, while well-organized and well-funded, have been defeated, due to the failure of technology and the explosive growth of the online music market. Existing individual DRM solutions are not compatible with each other, and generally impede the growth of the market. Even as technology advances, these individual DRM solutions have still shown a susceptibility to being compromised, often in simple, "low-tech" ways. The ongoing setbacks and failures in successfully implementing DRM suggest that it is unable to provide a feasible solution to wide-scale copyright infringement over the darknet.

To date, technology has proved incapable of curtailing the growth of the darknet, and there are strong indications that no technological solution will be able to completely halt the sharing of unauthorized copyrighted material over the Internet. This sentiment has been expressed by many in the scientific community for years, most recently (and perhaps most persuasively)[119] by a team of Microsoft engineers, in their paper titled, "The Darknet & The Future Of Content Distribution."[120] The paper analyzed existing and future darknets to conclude that P2P file-sharing networks will continue to grow in efficiency and complexity and will likely remain available on a wide scale.[121]

Litigation

A second attack brought against the darknet has been through litigation instigated by the recording industry. The RIAA has filed lawsuits on three fronts; against electronics manufacturers, P2P file-sharing services and individual users. In 1998, the RIAA brought suit against Diamond Multimedia, the manufacturer of Rio, a portable MP3 player similar to a Walkman, which stored approximately an hour of digital music.[122] The RIAA relied on a provision of the Audio Home Recording Act of 1992 ("AHRA") which required a "serial copy management system" to be included in any "digital audio recording device."[123] The district court found for the defendant, and the Ninth Circuit affirmed, holding that the hard drive used by the Rio could not be considered a "digital audio recording device" and that a serial copy management system would serve no purpose, since MP3 files are not encoded with copyright information, and the Rio is not capable of copying downloaded files.[124] This ruling effectively halted industry attempts to stop file-sharing through regulation of the manufacturers of devices.

The RIAA then commenced litigation against P2P file-sharing services. While the lawsuit against Napster successfully shut the service down, the emerging "second generation" file-sharing services were designed to avoid similar legal attacks,[125] as decentralized networks in which the corporate owner had no direct control over the content being transferred over the network.[126] RIAA efforts to dispose of these newer services through litigation were dealt a serious setback in a 2003 decision granting summary judgment to the defendant P2P services against claims of contributory copyright infringement and vicarious liability.[127] The decision was affirmed by the Ninth Circuit,[128] and subsequently vacated and remanded by the Supreme Court in June, 2005.[129]

Recently, the recording industry filed lawsuits against individuals who share copyrighted music over the Internet.[130] This approach stirred up a considerable amount of controversy. First, the limited scope of RIAA investigations led to complaints of lawsuits filed unfairly or entirely in error.[131] Additionally, the RIAA's initial subpoena procedure was successfully challenged on constitutional grounds by the Internet service provider ("ISP") Verizon.[132] The effect of this ruling was to halt the RIAA's cost-saving strategy of obtaining user information directly from an ISP and using it to force a settlement with the alleged infringer.[133]

Further controversy has surrounded the RIAA's "Clean Slate" amnesty program, through which the RIAA agreed not to "support or assist in copyright infringement suits" against infringers who delete all copyrighted sound recordings and send a notarized affidavit.[134] This program drew heavy criticism[135] and prompted a lawsuit filed against the RIAA, demanding that the program be shut down and the RIAA inform the public it was "false and misleading."[136]

Initially, at least, the RIAA lawsuits caused a significant decrease in activity on Kazaa, the largest of the file-sharing services.[137] However, the amount of overall file-sharing activity has risen steadily since then.[138] The RIAA has stated that the goal of its lawsuits is not to catch every "hard-core" infringing file-sharer, but to educate casual infringers that their behaviors are wrong.[139] So far, this tactic appears to have had minimal effect; a New York Times/CBS News poll taken several months after the RIAA's initial announcement of the lawsuits found that only thirty-seven percent of those polled agreed that online file-sharing is never acceptable.[140] Furthermore, it has been suggested that the RIAA's aggressive litigation in this area is creating a new incentive for file encryption technology to become a standard for private communications.[141] Already file-sharing services are incorporating features that make monitoring more difficult, such as file encryption and the re-routing of files across the Internet.[142] Smaller scale P2P networks, such as Direct Connect and DC++, have grown in popularity for their abilities to create smaller "closed networks" that hinder copyright enforcement efforts.[143] Additionally, programs such as BitTorrent have provided a completely decentralized and efficient way for users to directly share large-sized files over the Internet.[144] Although these services do not always offer the selection and ease of use that the larger file-sharing services may offer, they are better suited for protecting user privacy and may represent the next evolutionary step in P2P file-sharing.

A further complication in enforcing copyrights concerns the application of the varying laws of other countries to content that is made available throughout the world via the Internet. For example, the popular Russian online music service Allofmp3.com has been offering digital downloads to the global market for several years, priced at around two cents per megabyte, or four to ten cents per song.[145] The site claims that it has received proper licenses from the Russian Multimedia and Internet Society, but U.S. record companies claim that that organization had no authority to grant rights to their recordings.[146] In February 2005, Moscow police completed an investigation and recommended to prosecutors that they charge the operators of the site with criminal copyright violation. In March, the press reported that prosecutors had declined to press charges, citing Russian copyright law.[147] As of June 2005, Allofpm3.com continues to do brisk business online, offering digital downloads at one-tenth of the price of other online music services. To date, litigation has failed to shut down the darknet because technology is capable of moving much faster than the courts. As soon as a lawsuit strikes a blow for the recording industry, technology demonstrates an ability to adapt and produce a solution that circumvents the particular legal difficulty.[148] As a result, the RIAA is constantly playing a game of catch-up, and has ultimately been forced to sue its own customers when other approaches have failed. Lawsuits against individuals, while showing some limited initial success in reducing P2P traffic, face a daunting combination of contrary public opinion, responsive litigation brought by powerful corporate adversaries, the emergence of secure networks and an overwhelming volume of file-sharing activity. Notwithstanding the Supreme Court's ruling against Grokster and other similar file-sharing companies, it appears highly unlikely that file-sharing activities via the darknet will be eradicated or even substantially lessened. While it may signal the end for the current model of large-scale P2P file-sharing services with commercial aspirations, such as Grokster and Kazaa, it will likely hasten a new generation of darknet technology that is better equipped to evade detection and enforcement.[149] Additionally, it may stimulate consumer interest in offshore services that are subject to different copyright laws and not necessarily compatible with laws of the U.S.

Legitimate Online Music Services

Accepting the ongoing existence of the darknet, the question becomes whether it provides such an immediate and dangerous threat to the music industry that a compulsory licensing solution becomes necessary. The Microsoft darknet paper concluded that restrictive DRM security was a disincentive to legal commerce, because "if you are competing with the darknet, you must compete on the darknet's own terms: that is, convenience and low cost rather than additional security."[150] The implication is that the existence of the darknet provides mitigating factors that serve to address the concerns that have surrounded compulsory licensing since the recommendation of the Register of Copyrights in 1961. These include the potential restrictive practices of copyright owners in granting exclusive licenses for their songs, the opportunity for smaller companies to compete in the marketplace, and the imposition of both unreasonable prices and burdensome limitations on the personal use of digital music. The darknet, by providing an alternate source of downloadable music free of costs and restrictions, has essentially forced the recording industry to compete with it very close to its own terms. This conclusion is supported by the indifferent consumer response to the online music services rolled out by the major labels following the demise of Napster.[151] MusicNet and Pressplay were both released with heavy personal use limitations on content.[152] Consumers rejected them, flocking instead to "second generation" file-sharing services such as Kazaa and Morpheus.

Forced to compete with the darknet, music services must lure consumers by offering options that exceed those available through P2P file-sharing, both in selection and ease-of-use. Already, there are indications that this is happening. It was not until the release of the consumer-friendly Apple iTunes service in 2002 that a "legitimate" online music service gained widespread consumer interest. By offering individual song downloads with considerably lesser content restrictions,[153] the iTunes service has reported over 400 million downloads since its launch in 2002 and comprises seventy percent of the global market for online music.[154] Napster 2.0 launched in 2003, and numerous new or expanded online music offerings have followed, including services from AOL Time Warner ("MusicNet"), RealNetworks ("Rhapsody"), Buymusic, Inc., Yahoo! Inc., Musicmatch, Inc. and Microsoft ("MSN Music").[155] Many of these services have offered similar terms and limitations to those of iTunes on their content.[156] The indication is that digital music consumers will increasingly use online music services, as such services offer greater selection and quality of tracks. While use of the darknet may be reduced as legitimate services grow increasingly popular, it will always exist as a check against anticompetitive practices and unreasonable restrictions that may arise in the future.

The indication that the darknet has helped mitigate many of the concerns that originally prompted the call for a compulsory license, together with the positive outlook for the growth of the online music market in the next few years, suggests that the darknet has brought beneficial influences to the online marketplace in regard to competition and consumer interest. When balanced with the considerations discussed previously, the removal of the darknet does not provide adequate justification for enacting a compulsory license.

Existing Legislative Proposals

Existing Compulsory License Proposals

Several different proposals have been offered as to how a fair compulsory licensing system might be implemented, although these are mostly theoretical and face significant challenges before being successfully implemented in the marketplace. Professor Neil Netanel has proposed the "Noncommercial Use Levy" ("NUL"),[157] and Harvard professor William Fisher has proposed a similar system in which digital files are uniquely identified by the Copyright Office.[158] In both proposals, the burden of taxation falls on the ISPs, since taxing either the consumer or the individual file-sharing services is impracticable, and because ISPs are in the best position to pass the costs on to the consumer. Verizon itself has proposed a similar compulsory licensing system for online digital content.[159]

The question of how royalties will be distributed is a particularly controversial issue in the debate over the viability of compulsory licensing systems.[160] One proposal is the "watermark and census" system, which requires each file to be uniquely identified, whether through a digital "watermark," a digital "fingerprinting" technique or a unique filename.[161] Both the NUL and Professor Fisher's proposal fall in this category.[162] A second proposal is the "Nielsen Family" system, which would determine usage statistics in a manner similar to how the Nielsen ratings are calculated, wherein a scientifically accurate group of digital content consumers would have its online activities monitored, and overall digital content usage would be projected based on the data gathered.[163]

The "watermark" proposal has been criticized in two respects. The first is that watermark technology has shown a proven susceptibility to being compromised. The second criticism is the potential for the watermark and census system to be "gamed," or manipulated to achieve individual ends, so that collected data is skewed inaccurately, either by "hacking" the watermarked file or by less technical means.[164] Such "gaming" of the system could be motivated by a number of different factors, such as the desire to increase a particular artist's royalty payments, or the desire to reward or punish an artist for taking a political stance.[165] The concern with such a new and untested system, which depends on precise data both to compensate artists and determine tax rates, is that there will be tremendous incentive to "game" the system, and no foolproof way to prevent it from happening in some form.[166]

The Nielsen Family proposal is criticized on its ability to generate accurate statistics, and on the potential unfairness of determining the large-scale allocation of royalties based on the digital entertainment consumption of a relatively small group of consumers.[167] The first concern is that while the Nielsen model may work for a consolidated group of networks showing a limited amount of programs, it will not functionally extend to networks where millions of individual files are being exchanged on a daily basis. The potential for the smaller and less popular copyright owners to "fall through the cracks" and lose out on royalty payments seems extraordinarily large when using a sampling group. Additionally, consumers may balk at the idea of taxes being levied on them based on the habits of a sampling group that may not accurately reflect their own.[168]

Even this brief survey of the technical challenges in implementing a workable compulsory licensing system indicates that there is a significant amount of uncertainty as to whether such a system would be fair and effective, or whether it would introduce a whole host of new problems to the online marketplace. The technical difficulties in accurately tracking the amount of digital content being exchanged over the Internet present a challenge not encountered in previous compulsory licensing applications, and the ongoing debate suggests that the implementation of such a system has the potential to replace one set of problems in the online marketplace with an entirely different set.

The Music Online Competition Act

The introduction of the Music Online Competition Act ("MOCA")[169] in 2001 was a response to the House and Senate hearings of that year and represented a legislative attempt to encourage competition within the online music industry.[170] MOCA fell short of calling for an expansion of the compulsory license provision, a decision of the sponsors that was influenced by announcements that MusicNet and Pressplay would begin granting licenses to their competitors.[171] Instead, it called for an assurance of nondiscriminatory licensing, wherein copyright owners would be required to license their sound recordings under terms and conditions no less favorable than those offered to any other company offering "similar services."[172] However, the nondiscriminatory licensing provision has been criticized for its inability to restrict anticompetitive practices.[173] While the provision would require all terms and conditions to be equally favorable, there is nothing to prevent the major labels from charging exorbitantly high royalty fees to licensees, although such terms are technically no less favorable than those offered to their affiliate companies.[174]

MOCA drew strong criticism from the RIAA, which took the position that the nondiscriminatory licensing provision was tantamount to a compulsory license and unnecessary, since the market was already "moving in the right direction" and addressing the needs of consumers.[175] As non-affiliated music services increase in number and offer increased competition to the affiliated services, it seems unlikely that any Congressional action will be taken on MOCA. While it has drawn criticism from those on both sides of the issue, MOCA suggests that, should a legislative response become necessary, perhaps the best option lies somewhere between government inaction and the enactment of a full compulsory license.

Despite several tumultuous years, it is apparent that the road before the music industry does not lead, as Orrin Hatch remarked in 2001, to despair and hopelessness or to extinction. Rather, the online music market is experiencing growing pains and attempting to readapt itself to the changing needs of the consumer, while dealing with the numerous technical and legal challenges that have arisen as a result of the widespread use of digital music. Under these current circumstances, the enactment of a compulsory license becomes an unnecessary and problematic solution that should be avoided. Although fears of monopolies and exclusive licensing practices have led to passage of compulsory licensing legislation in the past, the circumstances surrounding the online music market are sufficiently distinguishable such that historical justifications for imposing such a license are inapplicable. While fears of anti-competitive practices have not lost their relevancy, adequate safeguards exist. Another significant consideration is compulsory licensing's susceptibility to lobbying, and its potential to impose an inflexible licensing system that may prove difficult to repeal as market conditions change and evolve. While compulsory licensing has been advocated based on its ability to balance the online music marketplace, the webcasting industry's efforts to obtain workable licensing terms demonstrates that government intervention itself does not necessarily provide an adequate solution, even with the best intentions.

The darknet has shown an ability to mitigate concerns previously raised in favor of compulsory licensing. By creating an "alternative market" on which terms the online music market must compete, the darknet has facilitated greater competition from independent companies and forced more competitive prices and personal use allowances from major services. The ongoing existence and increasing sophistication of the darknet will continue to force innovation and competitiveness on the part of the legitimate online music industry, preventing stagnation and anti-consumerism. While the darknet will likely never completely disappear, the challenge for the online music industry is to beat it at its own game.

In the meantime, an examination of existing proposals for compulsory licensing systems has shown that their practical implementation is fraught with issues and uncertainties, with a strong potential to replace the existing problems in the marketplace with a set of unforeseen problems. The online music industry must endure its growing pains on its own, and without the assistance of an intrusive and problematic measure. The indications are that the industry is moving in the right direction, albeit slowly and painfully, and that the turmoil of the last few years may soon be a thing of the past.

Endnotes

1. *See* Fraunhofer Institute, *Audio & Multimedia MPEG Audio Layer-3: History*, *at* http://www.iis.fraunhofer.de/amm/techinf/layer3/index.html (last visited Nov. 4, 2003). MPEG Audio Layer-3 is an algorithm created by researchers at the Fraunhofer Institute that is capable of shrinking sound data from a CD by a factor of 12 or more, with little or no difference in sound quality audible to the human ear. For practical purposes, this allows audio files to be compressed to a fraction of their former length, so that they may be transmitted more quickly over the Internet and more efficiently stored on a computer's hard drive.

2. *See* Amy Harmon, *Potent Software Escalates Music Industry Jitters*, N.Y. Times, March 7, 2000, at A1; *see also* Wikipedia, The Free Encyclopedia, "Peer-to-peer," *at* http://en.wikipedia.org/wiki/Peer-to-peer" (last visited Nov. 4, 2003) ("[A] peer-to-peer (or P2P) computer network refers to any network that function as both clients and servers to the other nodes on the network. This model of network arrangement is contrasted with the client-server model. Any node is able to initiate or complete any supported transaction.").

   Practically speaking, P2P software allows the user to make a folder or directory on his hard drive available to all other users connected to the network, so that the files contained therein may be freely exchanged between users by downloading them from the network. P2P became widely popular due to its high level of usability. Programs created an online database of available files that were as easy to search as traditional Internet search engines, facilitating the discovery and exchange of files.

3. Benny Evangelista, *Napster Back From The Dead; Resurrected Music Service to Vie With Expanded iTunes*, S.F. Chron., Oct. 10, 2003, at B1.

4. *See* Harmon, *supra* note 2.

5. *See* Rec. Indus. Ass'n of Am., About Us, *at* http://www.riaa.org/aboutus/default.asp (last visited Nov. 4, 2003). The RIAA is a trade group representing the recording industry in the United States. Its members are record companies that together manufacture and distribute 90 percent of the sound recordings purchased in the U.S.

6. *See A & M Records, Inc. v. Napster*, 284 F.3d 1091 (9th Cir. 2001) (Appeals court affirmed the district court's preliminary injunction and shutdown order for Napster, based on Napster's inability to successfully patrol its own system for copyright infringement as pursuant to the terms of the injunction.).

7. *Hearing Before The Senate Comm. on the Judiciary on Online Entertainment: Coming Soon To A Digital Device Near You*, 108th Cong. (2001) *available at* http://www.judiciary.senate.gov/hearing.cfm?id=198 (hereinafter "Senate Comm."); *Hearing Before the Subcommittee for Courts, the Internet and Intellectual Property, House Comm. on the Judiciary on Internet Music Availability*, 108th Cong**.** (2001) (hereinafter "House Subcomm.").

8. *See* Senate Comm., *supra* note 7 (Statement of Hank Barry) ("[C]ompulsory licenses have a long history of success, allowing for the widespread implementation of a new technology while ensuring that rights holders are compensated. Congress has repeatedly used such licenses as a way of advancing public policy goals in the context of new and frequently inefficient markets."); *see also* House Subcomm., *supra* note 7 (Statement of Rob Glaser); *but see* Senate Comm., *supra* note 7 (Statement of Richard Parsons) ("Quite simply, a vibrant, vital democratic culture can't exist without the legal right of individual artists and the enterprises that nurture, develop and distribute their work to direct how and where it is used. . . . The answer is simple: Strong, market-driven competition.").

9. *See generally* Senate Comm., *supra* note 7; House Subcomm., *supra* note 7. Those testifying included Hank Barry, interim CEO of Napster, Hilary Rosen, then-president of the RIAA, Ken Berry, president of EMI Recorded Music, Robin Richards, president of Mp3.com, Rob Glaser, CEO of RealNetworks, Edgar Bronfman, Executive Vice Chairman of Vivendi Universal, and recording artists Don Henley and Alanis Morrissette.

10. *See* Senate Comm., *supra* note 7 (Statement of Hank Barry) ("I have tried for the last 9 months to make an agreement under which Napster can get a license from the record companies and music publishers. We were able to reach agreement with Bertelsmann. . . . [Y]et I cannot today report that any other agreement has been reached with a major label.").

11. *See* House Subcomm., *supra* note 7 (Statement of Rob Glaser) ("Unfortunately, music publishing rights are one of the most tangled areas of our copyright system. My legal team advises me that up to eight claimed rights arguably are needed to clear a single song to be placed on a computer server and delivered to a consumer via downloading and streaming. While some of these rights can be efficiently licensed today, others cannot.").

12. *See id.* (Statement of Edgar Bronfman); Senate Comm., *supra* note 7 (Statement of Hilary Rosen).

13. *See* John Markoff, *New Venture to Seek Fees For New Music*, N.Y. Times, April 3, 2000, at C1; Bob Tedschi, *Record Labels Struggle With Napster Alternatives That Will Make Money and Please Consumers*, N.Y. Times, April 23, 2001, at C7. These services were named MusicNet and Duet. Duet was subsequently renamed Pressplay before its release, and has since been folded into the Napster 2.0 service.

14. *See* Amy Harmon, *Senators Hear Debate About Online Music*, N.Y. Times, April 4, 2000, at C4.

15. *See* House Subcomm., *supra* note 7 (Statement of Rep. Howard Berman). ("[O]nly in extraordinary circumstances, such as demonstrable market breakdowns caused by antitrust violations, does our government require property owners to make their property available to the public at government established rates. . . . [C]onvenience of access to entertainment seems a particularly weak justification for the abridgement of Constitutionally sanctioned property rights."

16. Neil Strauss, *The Price Of Music: The Industry; Executives Can See Problems Beyond File-sharing*, N.Y. Times, September 9, 2003, at C1.

17. Rec. Indus. Ass'n of Am., 2003 Year End Statistics *available at* http://www.riaa.com/news/newsletter/pdf/2003yearEnd.pdf (last visited March 17, 2005). However, the first half of 2004 saw a 3.6 percent increase in total value of music sales by U.S. manufacturers, suggesting an end to the steep decline. Rec. Indus. Ass'n of Am., 2004 RIAA Mid-Year Statistics *available at* http://www.riaa.com/news/newsletter/pdf/2004midYrStats.pdf (last visited March 17, 2005).

18. J.D. Biersdorfer, *Napster's Descendents; His Beyonce, Her Beatles: A Primer On Trading*, N.Y. Times, Sept. 18, 2003, at G7.

19. *See* Jefferson Graham, *File-sharing Is A Hit, Despite Legal Setbacks*, USA Today, May 14, 2002, at 4D.

20. Amy Harmon, *The Price Of Music: The Overview; 261 Lawsuits Filed On Music Sharing*, N.Y. Times, Sept. 9, 2003, at A1. The RIAA was reportedly choosing to sue a cross-section of users from different file-sharing networks, who had each made over 1,000 songs available for other users to download.

21. *Hearing On Privacy & Piracy: The Paradox of Illegal File-sharing on Peer-To-Peer Networks and the Impact of Technology on the Entertainment Industry Before the Senate Comm. On Governmental Affairs, Subcomm. On Permanent Investigations*, 110th Cong. (2003) *available at* http://www.senate.gov/~gov_affairs/index.cfm?Fuseaction=Hearings.Detail&HearingID=120 (hereinafter "Senate Subcomm.").

22. In 2002 Senator Fritz Hollings proposed a bill that would require a government-imposed DRM standard on all interactive digital devices sold in the U.S., if no satisfactory DRM solution has been adopted within two years. *See* Hiawatha Bray, *IBM To Unveil Antipiracy Software, Says It Would Stop Illegal Copying of Entertainment Files*, Boston Globe, April 8, 2002, at C1.

23. *In re Verizon Internet Services, Recording Indus. Ass'n of America v. Verizon Internet Services*, 240 F. Supp. 2d 24 (D. D. C. 2003).

24. *See* David Pogue, *The Internet As Jukebox, At A Price*, N.Y. Times, March 6, 2003, at G1.

25. Press Release, Apple Computer, iTunes Music Downloads Surpass 30 Million (March 2, 2005) *available at* http://www.apple.com/pr/library/2005/mar/02itms.html (last visited March 17, 2005). Where the music industry itself has consistently failed to

generate consumer enthusiasm, Apple is blazing the trail through the unexplored online music marketplace, driven largely by sales of its iPod MP3 players. *See* John Markoff, *With Flare, Apple Extends Its Reach Into Online Music*, N.Y. Times, Oct. 17, 2003.

26. 17 U.S.C. § 106(1).

27. Every song consists of at least two copyrights. The first is the copyright to the sound recording, the fixation of sounds in a recorded format, such as a compact disc. The second is the copyright to the underlying musical composition within the recording, embodied in the sequence of notes or words written by the composer. For example, the recording of "My Favorite Things" performed by John Coltrane contains both the copyright to the sound recording of Coltrane's performance and the copyright to the underlying musical work composed by Richard Rodgers and Oscar Hammerstein.

28. *See* R. Anthony Reese, *Copyright and Internet Music Transmissions: Existing Law, Major Controversies, Possible Solutions*, 55 U. Miami L. Rev. 237, 241 (2001).

29. For a more detailed discussion of mechanical licensing, see *infra* notes 36 to 45 and accompanying text.

30. 17 U.S.C. § 115(b) (2003) ("Any person who wishes to obtain a compulsory license under this section shall, before or within thirty days after making, and before distributing any phonorecords of the work, serve notice of intention to do so on the copyright owner.").

31. *Id.* at § 115(c) (The royalty under a compulsory license shall be payable for every phonorecord made and distributed in accordance with the license. For this purpose, and other than as provided in paragraph (3), a phonorecord is considered "distributed" if the person exercising the compulsory license has voluntarily and permanently parted with its possession.").

32. Paul Goldstein, Copyright's Highway: From Gutenberg to the Celestial Jukebox 12-15 (2000).

33. *See* Register of Copyrights, *infra* note 48 (stating that the 1909 compulsory mechanical license was enacted to address monopoly fears); Register of Copyrights, 87th Cong., 1st Sess., *1961 Report On The General Revision Of The U.S. Copyright Law* (Comm. print 1961), *reprinted in* G. Grossman, Omnibus Copyright Revision Legislative History 32 (1976) (stating that jukebox operators had enjoyed a last minute exemption placed in the 1909 Act, that there is no good reason for this exemption and recommending a jukebox license be enacted).

34. *See infra* notes 51, 53 and accompanying text. These include the compulsory mechanical license, the compulsory jukebox license, the compulsory cable television re-transmission license, and the noncommercial public broadcasting compulsory license.

35. Ch. 320, 1(e), 35 Stat. 1075 (1909), now superseded by 17 U.S.C. § 115 (1988).

36. 209 U.S. 1 (1908).

37. *See id.* at 15. Pianola rolls were perforated sheets of paper that would be fed through a player piano, with the perforations instructing the machine which notes to play in sequence. In 1902, 70,000 to 75,000 player pianos and 1–1.5 million pianola rolls were in use in the U.S.

38. Goldstein, *supra* note 32, at 51-52.

39. *Id.*

40. *Id.* at 52.

41. *White-Smith Pub. Co.*, 209 U.S. at 31 ("These perforated rolls are parts of a machine which . . . produce musical tones in harmonious combination. But we cannot think they are copies within the meaning of the copyright act.").

42. Goldstein, *supra* note 32, at 53.

43. Ch. 320, 1(e), 35 Stat. 1075 (1909), now superseded by 17 U.S.C. § 115 (1988). The statute established a statutory rate of two cents per composition for compulsory licensing. Despite inflation, the two cent rate remained unchanged until 1976, a fact strongly criticized by opponents of compulsory licensing. *See* Robert P. Merges, *Contracting Into Liability Rules: Intellectual Property and Collective Rights Organizations*, 84 Cal. L. Rev. 1293, 1309 (1996).

44. Goldstein, *supra* note 32, at 53 ("Congress brought phonograph records as well as pianola rolls within the new law, and also took account of the feared Aeolian monopoly by subjecting the rights to a compulsory license.").

45. *See Copyright Law Revision: Hearings On H.R. 4347, H.R. 5680, H.R. 6831 & H.R. 6835 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 89th Cong., 1st Sess. 667, 674-75 (statement of the RIAA) ("The key to understanding the statutory licensing system lies in the reasons that impelled Congress to impose this limitation on musical copyright in 1909. In a phrase, it was prevention of [industrial] monopoly."); Register of Copyrights, 87th Cong., 1st Sess., *1961 Report On The General Revision Of The U.S. Copyright Law 5* (Comm. print 1961), reprinted in 3 G. Grossman, Omnibus Copyright Revision Legislative History (1976) ("To forestall any danger that [a single] company would acquire a monopoly in the making of records, the committees adopted the device of the compulsory license.").

46. Register Of Copyrights, 89th Cong., 1st Sess., Supplementary Report on The General Revision Of The Copyright Law 53-54 (Comm. print 1965), at Preface X, reprinted in 4 G. Grossman, Omnibus Copyright Revision Legislative History (1976). These attempts were unsuccessful due largely to competing interests.

47. David J. Moser, Music Copyright For The New Millenium 14 (2002).

48. 17 U.S.C.A. § 115 (1982) (Historical Note). See notes 56-59 *infra* and accompanying text for a discussion of this debate over compulsory licensing.

49. *See* Note, *Compulsory Licensing of Musical Compositions for Phonorecords under the Copyright of 1976*, 30 Hastings L.J. 683, 693 (1979).

50. 17 U.S.C. § 115(c). The mechanical royalty rate now increases every two years based on the consumer price index. In 1998, however, representatives from the music publishing and recording industries negotiated a ten-year schedule. Currently the rate is set at the greater of 8.5 cents per song, or 1.65 cents per minute.

51. 17 U.S.C. § 116 (2003); *see also* 18 Am. Jur. 2d Copyrights §106. The Copyright Act if 1976 repealed the exemption that jukebox operators had previously enjoyed and required that they obtain a compulsory license and pay a yearly statutory fee for the public performance of recorded music on the jukebox.

52. 17 U.S.C. § 111 (2003); *see also* M. William Krasilovsky & Sidney Shemel, This Business Of Music 114-15 (8th ed. 2000). The Copyright Act of 1976 changed the existing law. A compulsory licensing system was enacted, wherein cable television systems were required to register information with the Copyright Office and pay a statutory fee in order to obtain licenses to re-transmit distant non-network programming.

53. 17 U.S.C. § 118 (2003); *see also* Am. Jur. 2d Copyrights § 108. Noncommercial public broadcasters may license published nondramatic musical works by either compulsory license or voluntary negotiation. Unlike other compulsory licenses, there is no fixed statutory fee. Instead, negotiations between the parties are encouraged, with the Copyright Royalty Tribunal (now the Copyright Arbitration Royalty Panel) determining the fee if one cannot be negotiated.

54. Pub. L. No. 104-39, 109 Stat. 336 (1995).

55. *Id.* at 2(6), codified at 17 U.S.C. § 106.

56. *Id.* at 4(3)(A), codified at 17 U.S.C. § 115.

57. *See* 17 U.S.C. § 101 ("'Phonorecords' are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.").

58. 17 U.S.C. § 115(a)(1) ("A person may obtain a compulsory license only if his or her primary purpose in making phonorecords is to distribute them to the public for private use, including by means of a digital phonorecord delivery.").

59. Harry G. Henn, The Compulsory License Provisions of the U.S. Copyright Law, *reprinted in* G. Grossman, Omnibus Copyright Revision Legislative History 35 (1976).

60. *See* Register Of Copyrights, *supra* note 46, at 53-54.

61. *See id.* According to the Register, even if exclusive licenses resulted from the repeal of the provision, additional considerations would offset any loss, including: 1) a variety of available recordings of selected music works, 2) the ability of smaller companies to compete with larger companies by not having their songs reproduced and "smothered" by large companies with greater resources, and 3) the ability of smaller companies to leverage their interests through choosing between either exclusive or non-exclusive licenses.

62. Register of Copyrights, 87th Cong., 1st Sess., *1961 Report On The General Revision Of The U.S. Copyright Law 5* (Comm. print 1961), reprinted in 3 G. Grossman, Omnibus Copyright Revision Legislative History 713 (1976).

63. *See, e.g.*, Senate Comm., *supra* note 7 (statement of Hank Barry).

64. *See* Merges, *supra* note 43, at n.37; Harry G. Henn, The Compulsory License Provisions of the U.S. Copyright Law, reprinted in Copyright Law Revision, 86th Cong., 1st Sess., *Studies Prepared For The Subcomm. on Patents, Trademarks and Copyrights of the Senate Comm. on the Judiciary* 3 (Comm. Print 1960). In 1954, seven major companies encompassed 85 percent of the dollar volume of the musical recording marketplace, while the approximately 9,993 other recording companies shared the remaining 15 percent.

65. Matt Richtel, *Aggressive Strategy Brought On Inquiry of Recording Industry*, N.Y. Times, Oct. 22, 2001, at C10.

66. For a discussion of MusicNet and Pressplay, see *infra* notes 143-44 and accompanying text.

67. Kelly Donohue, *MusicNet & Pressplay: To Trust Or Antitrust?* 1, *available at* http://www.law.duke.edu/journals/dltr/articles/pdf/2001/DLTR0039.pdfhttp://www.law.duke.edu/journals/dltr/articles/pdf/2001/DLTR0039.pdf (last visited Nov. 4, 2003) ("The labels had already been criticized by trade groups, legislators, even Napster's Judge Marilyn Patel, for using MusicNet and Pressplay to squeeze out smaller players in the online music market by denying competitor's rights to their music licenses and unfairly controlling distribution fees.").

68. *See* Jefferson Graham, *RIAA Lawsuits Bring Consternation, Chaos*, USA Today, Sept. 10, 2003, at D4.

69. *See* Brad King, *Music Rights Battle Spins On*, Wired, Oct. 17, 2001, *at* http://www.wired.com/news/print/0,1294,47632,00.html; Richtel, *supra* note 65, at C10. ("One executive of a start-up, who insisted on anonymity, said that for nearly a year he had negotiated with the labels but found them not genuinely interested in a deal. The deals they do offer, he said, are at such expensive royalty rates that they would ensure a start-up's bankruptcy. 'If you go back a year ago, there were 25 companies wanting to license music from them,' the executive said. 'Among them are many who are now dead and departed.'").

70. *See, e.g.*, *Comments And Views Submitted To The Copyright Office On The Compulsory License Provisions Of The U.S. Copyright Law (Letter of Irwin Karp)*, reprinted in 3 G. Grossman, Omnibus Copyright Revision Legislative History 71 (1976).

71. *New Net Music Sites Under Fire*, Newsday, June 13, 2001, at A49. (quoting Competition Commissioner Mario Monti's statement that "the consumer interest is clear: Yes, online music services should develop rapidly, but with a diversity of service providers.") European Union regulators had expressed similar antitrust concerns to the proposed purchase of EMI by Time Warner a year earlier, and the transaction had been abandoned based on this criticism.

72. *U.S. Probing Online Ventures*, USA Today, Aug. 6, 2001.

73. John Healey, *Antitrust Probe Of Music Firms Intensifies*, L.A. Times, Oct. 15, 2001, at 1 (reporting that the DOJ had conducted interviews regarding labels' licensing practices, demanded copies of proposed and final licenses, documents analyzing these licenses, and documents discussing how much music is needed to start a successful online music business).

74. Statement By Assistant Attorney General R. Hewitt Pate Regarding The Closing Of The Digital Music Investigation, U.S. Department of Justice: December 23, 2003, *available at* http://www.usdoj.gov/opa/pr/2003/December/03_at_719.htm. The DOJ stated that many of its concerns in opening the investigation had been alleviated by the subsequent growth and diversification of the online music market.

75. *See Polygram Holding, Inc.*, 2002 F.T.C. LEXIS 28 (2002); Brooks Boliek & Tamara Conniff, *FTC Rejects Appeal In Tenors Price-Fixing Case*, Hollywood Reporter, July 29, 2003. The companies were worried that the recording would not sell as well as had previous recordings from the World Cup, and so agreed to restrict discounts and advertising for the older performances at the time of the new performances release.

76. *Polygram Holding Inc.*, 2003 F.T.C. LEXIS 120 (2003) (Final Order).

77. *See* Richtel, *supra* note 65, at C10 (quoting Forrester Research analyst Eric Sheirer's statement that "Seen through a political lens, [the DOJ investigation] is calculated to encourage the industry to solve this in the marketplace—to create a wider legitimate marketplace.").

78. *See* Markoff, *infra* note 13.

79. In addition to industry-backed offerings such as Napster and MP3.com, companies including Microsoft, Wal-Mart, RealNetworks and America Online have also launched online music services.

80. *See infra* note 97-98 and accompanying text.

81. *See supra* notes 35-45 and accompanying text.

82. Merges, *supra* note 43, at 1312-13 ("Indeed, it is a well-accepted precept that 'U.S. intellectual property law is extremely difficult to change. . . . In Washington, it is much easier to stop a bill than move one through the legislative maze, and any party that feels short-changed can exercise virtual veto power.'") (quoting Ralph Oman, *Intellectual Property After The Uruguay Round*, 42 J. Copyright Soc'y U.S.A. 18, 21-22 n.8 (1994).).

83. Scott L. Bach, *Music Recording, Publishing, And Compulsory Licensing: Toward A Consistent Copyright Law*, 14 Hofstra L. Rev. 390-91 (1986).

84. Ch. 320, 1(e), 35 Stat. 1075 (1909), now superseded by 17 U.S.C. § 115 (1988).

85. *See supra* note 46 and accompanying text.

86. *See generally* Karen Fessler, *Webcasting Royalty Rates*, 18 Berkeley Tech. L.J. 407-08 (2003). This separate conflict arose over the setting of royalty rates for "non-interactive" digital transmissions of songs over the Internet, generally meaning "web radio" broadcasts.

87. 17 U.S.C. § 112(e)(4).

88. *See* 17 U.S.C. §§ 801-802 (2000), *see also* Karen Fessler, *Webcasting Royalty Rates*, 18 Berkeley Tech. L.J. 407-08 (2003).

89. *See id.* at 408-09, 412. The RIAA requested a rate of .04 cents per song and a minimum fee of $5,000 for all webcasters. The webcasters requested 0.014 cents per song, and a minimum of $250. Ultimately the CARP recommended 0.14 cents for Internet transmissions only, and .07 cents for radio re-transmissions on the Internet. Thus, for every 1,000 people who used their computers to listen to a non-interactive song broadcast on the web, the webcaster would pay a royalty of 70 cents per song, or $1.40 if the transmission was re-broadcast from a terrestrial radio station. These figures were based largely on examination of the existing agreement between Yahoo! Inc. and the RIAA.

90. *Id.* (citing In The Matter Of Rate Setting for Digital Performance Right in Sound Recordings and Ephemeral Recordings, Report Of The Copyright Arbitration Panel, *available at* http://www.copyright.gov/carp/webcasting_rates.pdf).

91. *Id.* at 409-10. The LOC determined that the CARP had misinterpreted the RIAA-Yahoo! agreement, and re-set both Internet-only and retransmission rates to .07 cents per song.

92. *Id.* at 412.

93. *Id.* at 415. Additionally, the arbitration panels have been criticized for inconsistency. Because a new panel is convened for every proceeding, it lacks familiarity with the issues that would exist with a consistent panel. There has also been difficulty in finding arbitrators with experience in the relevant area of law, leading to decreased predictability and increased LOC oversight. *Id.* at 415-416.

94. *Id.*

95. *See* Senate Comm., *supra* note 7 (Statement of Hank Barry).

96. *See* Edward Felten, Freedom to Tinker, Compulsory Licensing: Responses, Oct. 2, 2002, *at* http://www.freedom-to-tinker.com/archives/000169.html.

97. *See* Biddle, et al., *The Darknet & The Future Of Content Distribution*, Microsoft Corp., *available at* http://www.crypto.stanford.edu/DRM2002/darknet5.doc.

> The idea of the darknet is based upon three assumptions: (1) Any widely distributed object will be available to a fraction of users in a form that permits copying, (2) Users will copy objects if it is possible and interesting to do so, (3) Users are connected by high-bandwidth channels. The *darknet* is the distribution network that emerges from the injection of objects according to assumption 1 and the distribution of those objects according to assumptions 2 and 3.

This article uses the term "darknet" to refer generally to the file-sharing apparatus existing on the Internet, as defined in the paper.

98. *Id.*

99. *See* House Subcomm., *supra* note 7 (Statement of Rep. Howard Berman).

100. Benny Evangelista, *Bay Area Firms Turn Up Volume With MP3s; Some Bay Area Firms Hope To Make CDs a Thing Of The Past By Selling Pirate Proof Web Music*, S.F. Chron., Jan. 11, 1999, at C1.

101. *See* Strategic Digital Music Initiative, Participant List, *at* http://www.sdmi.org/participant_list.htm (last visited Oct. 23, 2003) As of October 18, 2000, there were 147 organizations participating in SDMI.

102. *See* Goldstein, *supra* note 32, at 173-74; Strategic Digital Music Initiative, Home Page, *at* http://www.sdmi.org/index.htm.

103. *Id.* at 176.

104. John Borland, *SDMI Offers $10,000 Challenge To Hackers*, CNET, Sept. 8, 2002, *at* http://news.com/2100-1023-245518.html.

105. Felten, et al., *Reading Between The Lines: Lessons From The SDMI Challenge, Presented at the 10th USENIX Symposium*, August 13-17, 2001, at 2. Each participant was to submit his clean copy of the file to an "oracle" posed on the SDMI website, which would inform him if the watermark had been adequately removed and the file retained quality to sound like the original. Felten received confirmation of his success from all four watermarking "oracles."

106. Goldstein, *supra* note 32, at 178.

107. *See* Letter to Felten, et. al., sent by Matt Oppenheim, Senior Vice President, Business and Legal Affairs, RIAA, April 9, 2001, *available at* http://www.cs.princeton.edu/sip/sdmi/riaaletter.html ("Unfortunately, the disclosure that you are contemplation [sic] could result in significantly broader consequences and could directly lead to the illegal distribution of copyrighted material. Such disclosure is not authorized by the Agreement, would constitute a violation of the Agreement and would subject your research team to enforcement actions under the DMCA and possibly other federal laws.") A week later, the RIAA issued a press release stating that SDMI "does not —nor does it ever—intend to bring any legal action against Professor Felten." Goldstein, *supra* note 32, at 180. Felten subsequently brought a lawsuit challenging the DMCA as an unconstitutional violation of free speech, but the action was dismissed. *See* Janet Kornblum, *Judge Dismisses Copyright Lawsuit*, USA Today, November 29, 2001, at 3D.

108. *See SDMI: Quintessential Vaporware,* Wired, Apr. 29, 2002, *available at* http://www.wired.com/news/politics/0,1283,52163,00.html.

109. Strategic Digital Music Initiative, Home Page, *at* http://www.sdmi.org/index.htm ("Based on all of the factors considered by the SDMI plenary, it was determined that there is not yet consensus for adoption of any combination of the proposed technologies. Accordingly, as of May 18, 2001, SDMI is on hiatus, and intends to re-assess technological advances at some later date.").

110. Apple iTunes, for example, uses its AAC format to encode files available through its service. *See* Apple Computer, Inc., Overview *at* http://www.apple.com/itunes/overview.html.

111. *SDMI: Quintessential Vaporware?*, *supra* note 108.

112. *CD Crack: Magic Marker Indeed*, Wired, May 20, 2002, *available at* http://www.wired.com/news/technology/0,1282,52665,00.html ("Internet postings claim that tape or even a sticky note can be used to cover up the security track. . . . [A]nd there are suggestions that copy protection schemes used by other music labels can be circumvented in a similar way").

113. Matthew Ruben, *Celine Dion Killed My iMac!,* Macopinion.com, May 28, 2002, *at* http://www.macopinion.com/columns/curmudgeon.

114. Lisa Napoli, *Compressed Data; Shift Key Opens Door to CD and Criticism*, N.Y. Times, Oct. 13. 2003, at C3.

115. *See* Declan McCullagh, *SunnComm Won't Sue Grad Student*, CNET, Oct. 10, 2003 (quoting Sunncomm CEO's statement that: "I felt the researcher has an agenda, which he does. . . . [B]ut that's not relevant, and I learned that . . . [t]he long-term nature of the lawsuit and the emotional result of the lawsuit would obscure the issue, and it would develop a life of its own.").

116. *See* David F. Gallagher, *For Users, Napster of Old is Just A Few Tweaks Away*, N.Y. Times, February 21, 2005, at 6. The plug-in sends the output to a wave file rather than through the sound card, creating an unprotected, uncompressed file that can then be recorded to CD or compressed to a smaller file format. *See* CDFreaks.com, Napster Hack Leads To Free Downloads That

Have No Expiration, February 17, 2005, *available at* http://www.cdfreaks.com/news/11375.

117. Gallagher, *supra* note 116 at 6. Napster's initial response was to play down the matter, stating that it could "be likened to the way people used to record songs from the radio onto cassette tapes." *Id.*

118. *Id.*

119. *See* Edward Felten, Freedom To Tinker, Darknet, Nov. 25, 2002, at http://www.freedom-to-tinker.com/archives/000206.html.

120. Biddle, et. al, *The Darknet & The Future Of Content Distribution*, Microsoft Corp., *available at* http://www.crypto.stanford.edu/DRM2002/darknet5.doc. This paper coined the term "Darknet" to describe "a collection of networks and technologies used to share digital content . . . [including] peer-to-peer file-sharing, CD and DVD copying, and key or password sharing on email and newsgroups."

121. *Id.* at 14. ("There seem to be no technical impediments to darknet-based peer-to-peer file-sharing technologies growing in convenience, aggregate bandwidth and efficiency. . . . [W]e believe that, at least for some classes of user, and possibly for the population at large, efficient darknets will exist.").

122. *See RIAA v. Diamond Multimedia Sys.*, 29 F. Supp. 2d 624 (C.D. Cal. 1998). The RIAA sought to preliminarily enjoin Diamond Multimedia's alleged violations of the Audio Home Recording Act of 1992.

123. 17 U.S.C. § 1002. ("No person shall import, manufacture, or distribute any digital audio recording device or digital audio interface device that does not conform to—(1) the Serial Copy Management System.").

124. *See RIAA v. Diamond Multimedia Sys.*, 180 F.3d 1072 (9th Cir. 1999).

125. *See A & M Records, Inc. v. Napster*, 284 F.3d 1091 (9th Cir. 2001). The courts found that Napster had the ability, and thus the duty to police its own network for infringements. The service was ultimately shut down when Napster could not satisfactorily comply with this order.

126. *See* Susan Emmett, *Music Plays On After Dying Note From Napster*, London Times, Feb 17, 2001. Gnutella is one of the earliest examples of these decentralized services, but following the *Napster* decision, all subsequent file-sharing services were to be designed in a similar manner. The defendant's lack of control over the system was the key legal distinction from *Napster*, for it precluded the plaintiffs from showing that defendant was contributorily infringed based on knowledge of the infringement by users of the system.

127. *See MGM v. Grokster*, 259 F. Supp. 2d 1029 (C.D. Cal. 2003) ("While the parties dispute what defendants feasibly could do to alter their software, here, unlike in Napster, there is no admissible evidence before the Court indicating that defendants have the ability to supervise and control the infringing conduct.").

128. Linda Greenhouse, *Lively Debate As Justices Take On File Sharing*, N.Y. Times, March 30, 2005 at C5.

129. *Metro-Goldwyn Mayer Studios v. Grokster,* 545 U.S. ___ (2005). The Court held that those who distribute a device "with the object of promoting its use to infringe copyright, as shown by clear expression and other affirmative steps to foster infringement" would be liable for acts of infringement by third parties. *Id*. at ____. The opinion suggested that the defendants had promoted their device's use to infringe copyright by, among other things, touting themselves as replacements for the Napster service after it had shut down, using trade names derived from the name "Napster," and sending a newsletter to users promoting the ability to provide various copyrighted materials. Additionally, the Court found that the defendants' failure to take any steps to prevent infringement was evidence underscoring their intent to promote infringement. *Id*. at ___.

130. *See* Harmon, *supra* note 20, at A1. The RIAA has reported that it has selected its targets by choosing a sampling of those using major file-sharing services, including Kazaa, iMesh, Blubster, Grokster and Gnutella, who have made over 1,000 songs available for download from their hard drives. *Id*. The RIAA has obtained evidence by searching for specific copyrighted song titles on these services, then using features that allow one user to display all of the shared files of another user. When discovering users who are sharing in excess of 1,000 files, RIAA investigators take a "screen shot" of the shared files in order to later determine whether to bring a suit against that user. The RIAA then files a subpoena in federal court, requiring the ISP to supply the name and address of the customer who is associated with the net address used on the file-sharing service. Finally, the RIAA compiles the relevant evidence and files the lawsuit. Generally defendants have been offered the opportunity to settle, at amounts between $3,000 and $17,000. *See* John Borland, *File Swapping Lawsuits; Are You Next?*, CNET, Sept. 8, 2003, at http://news.com.com/2100-1027-5073004.html.

131. *See* John Schwartz, *She Says She's No Music Pirate. No Snoop Fan, Either*, N.Y. Times, Sept. 24, 2003, at C1. Sarah Ward, a 66-year old retired schoolteacher, was sued for engaging in millions of dollars of copyright infringement through the use of Kazaa. Mrs. Ward had in fact never shared a file in her life, and used an Apple computer, a machine incapable of running the PC-based Kazaa application. Comcast, her ISP, stated it had given the RIAA the correct identifying information (an "IP address"), but that such information changes every time a user logs on, making identifying a particular user especially difficult. The RIAA eventually withdrew the lawsuit, but retained the right to sue in the future. Ross Plank, another Comcast subscriber, received a similar subpoena which was found to be based on an IP address that Plank had not used since before the subpoena was issued. *See Group Contends Labels Have The Wrong Guy; The Electronic Frontier Foundation Asks The RIAA To Drop Its Case Against a Playa del Rey Man Who Says He Doesn't Download Songs*, L.A. Times, Oct. 14, 2003, at B2. In January 2005, the RIAA brought suit against a deceased woman from West Virginia. *See* Nick Mamatas, Village Voice, Music: Meet John Doe, *available at* http://www.villagevoice.com/music/0510,mamatas,61813,22.html (last visited March 17, 2005).

Lorraine Sullivan testified in a Congressional hearing that she was being held personally liable for a number of infringements far exceeding what she was actually responsible for, because she and her roommates shared a computer and her name was the one on the cable bill that identified her to the RIAA. *See* Senate Subcomm., *supra* note 21 (testimony of Lorraine Sullivan). Additionally, many targets of lawsuits have been parents and grandparents, unaware of what children have been doing on their computers and often unaware of the illegality of file-sharing. *See* Graham, *supra* note 68, at D4.

132. *See* John Schwartz, *Court Limits Efforts To Unmask Music Swappers*, N.Y. Times, Dec. 20, 2003, at A1. Verizon challenged the constitutionality of provisions in the DMCA allowing copyright owners to directly demand the identity of users they believe are illegally using copyrighted content, claiming that the provisions were violating the users' rights to privacy by circumventing the subpoena process through the courts. The RIAA argued that users who have made their hard drives available on the Internet may not claim a right to privacy. The district court ruled against Verizon initially, see *In re Verizon Internet Services, Recording Indus. Ass'n of America v. Verizon Internet Services*, 240 F. Supp. 2d 24 (D. D. C. 2003), but on appeal the court held that a subpoena could be issued only to an ISP engaged in storing infringing material on its servers, and not to an ISP that was a mere "conduit," such as Verizon. *See Recording Indus. Ass'n of America v. Verizon Internet Services*, 2003 U.S. App. LEXIS 25735 (D.C. Cir. 2003).

133. Although viewed as a major setback for the RIAA, this ruling has not changed its litigation strategy. A month following the court's decision, the RIAA brought 532 additional lawsuits against file-sharers, in what has been described as a showing of resolve in the face of the D.C. Circuit decision. *See* Carrie Kirby, *RIAA Goes After 532 Unnamed Filesharers*, S. F. Chron., Jan. 22, 2004, at B1. The RIAA has continued to file an ongoing stream of lawsuits against individual filesharers. *See* Press Release, Rec. Indus. Assoc. of America, Copyright Infringement Lawsuits Brought Against 753 Additional Illegal File Sharers (Feb. 28, 2005) available at http://www.riaa.com/news/newsletter/022805.asp (last visited March 17, 2005). This litigation and settlement strategy has been criticized as a "volume business" and "spamigation," where the fact of the defendant's liability comes second to the cost-cutting procedures in place to turn litigation into high-volume practice. *See* Mamatas, *supra* note 131.

134. *See* Clean Slate Description, RIAA, at http://www.riaa.com/pdf/cleanSlateDesc.pdf (Last visited Oct. 26, 2003); Clean Slate Affidavit, RIAA, at http://www.riaa.com/pdf/cleanSlateAffidavit.pdf (Last visited Oct. 26, 2003). In exchange for agreeing to delete all copyrighted songs and not to download or share copyrighted songs on P2P networks in the future, the RIAA agrees not to "support or assist" in an action for copyright infringement against an individual. RIAA regulations require the affidavit to be notarized and that the individual must include a copy of a picture ID.

135. *See* Why RIAA's Amnesty Offer Is Sham, Electronic Frontier Foundation, *at* http://www.eff.org/share/amnesty.php (Last visited Oct. 26, 2003). These criticisms are based on the fact that an individual's admission under the Clean Slate program only grants immunity from RIAA lawsuits, but does not exclude lawsuits from any of the actual copyright holders, i.e. record labels and music publishing companies. Neither does it exclude potential criminal liability and government prosecution under the No Electronic Theft Act ("NETA"). Finally, the amnesty only applies to those who have not been sued or are not "under investigation," with no way to predetermine whether or not an individual is under investigation.

136. *RIAA Sued Over Amnesty Program*, L.A. Times, Sept. 10, 2003, at B3. In the midst of these proceedings, the RIAA abruptly announced that it had discontinued the Clean Slate Program, citing the success of its education efforts, and rendering the case moot. *See* Electronic Frontier Foundation, Deep Links, Fake "Clean Slate Gone"—How About A Real One?" *available at* http://blogs.eff.org/deeplinks/archives/001435.php (last visited March 17, 2005).

137. *See* Press Release, NPD Group, Nov. 5, 2003, *at* http://www.npd.com/press/releases/press_031105.htm. Additionally, the NPD group reported that in August 2003, 1.4 million households deleted all the digital music files on their PCs, in response to the publicity surrounding the RIAA lawsuits. The NPD Group estimated that 80 percent of these consumers had fewer than 50 files saved, and 10 percent had more than 200 files.

138. *See* Graham, USA Today, Online File Swapping Endures (July 11, 2004) *available at* http://www.usatoday.com/tech/news/2004-07-11-fileswap_x.htm (last visited March 17, 2005) According to Internet research company BigChampage, as of June 2004, 8.3 million people were online at a given time using unauthorized file-sharing services, up 19 percent from 6.8 million in June 2003. Although Kazaa, the largest of these services, saw a decrease in users due to widespread adware, spyware and viruses, users were reported to be migrating to smaller, "cleaner" services such as iMesh and eDonkey.

139. Saul Hansell, *Crackdown On Copyright Abuse May Send Music Traders Into Software Underground*, N.Y. Times, Sept. 15, 2003, at C1.

140. Amy Harmon & John Schwartz, *Despite Suites, Music File Sharers Shrug Off Guilt And Keep Sharing,* N.Y. Times, Sept. 19, 2003, at A1, Correction, Sept. 20, 2003.

141. *See* Clay Shirky, *The RIAA Succeeds Where the Cypherpunks Failed*, Clay Shirky's Writings About The Internet, at http://www.shirky.com/writings/riaa_encryption.html. The article argues that prior to the RIAA lawsuits, encryption of private communications did not succeed because users had nothing to hide. Now, faced with a situation where user identity is in the hands of a third party and is threatened with legal action, encryption is poised to become a uniform standard.

142. *See* Hansell, *supra* note 139, at C1.

143. *See id.* These smaller networks consist of "hubs" set up by individual users, often created along niche areas of interest, such as reggae music, Japanese anime films, and Norwegian "death metal." The network provides access to hundred or thousands of hubs, and each hub may host dozens or hundreds of individual users. Users may log onto multiple hubs at one time, although many hubs often require a minimum amount of shared files in order to participate, i.e., a site may require that a user share more than one gigabyte of files in order to share on the network.

144. *See* Ryan Naraine, *BitTorrent, 'Gi-Fi' and other trends in 2004*, Internetnews.com, *at* http://www.internetnews.com/ent-news/article.php/3294271. Rather than just let individual users download entire files from each other, as with traditional P2P, BitTorrent breaks each file into tiny pieces, and then downloads the pieces from all around the network and "reassembles" it on the downloader's computer. The end result is that large files can be downloaded extremely quickly, and the more people who use the network, the faster the download speed. Websites provide users with "torrent" files, which point the Internet browser to the stored information elsewhere on the web, much as a search engine points to sought information. In early 2005, entertainment companies began taking legal action against owners of websites that contain "torrent" files. *See* Graeme Wearden, UK Man Threatened With Bittorrent Lawsuit, Cnet.com, *at* http://news.com.com/U.K.+man+threatened+with+BitTorrent+lawsuit/2100-1032_3-5626029.html (last visited March 17, 2005).

145. *See* John Borland, MP3s For Pennies? Russian Cops Say No, CNET, *at* http://news.com.com/MP3s+for+pennies%3F+Russian+cops+say+no/2100-1027_3-5586034.html?tag=st.rn (last visited March 17, 2005). The songs available on the service include songs by artists that have never authorized digital distribution, such as The Beatles.

146. *See* John Borland, Legal Reprieve For Russian MP3 Site?, CNET, *at* http://news.com.com/Legal+reprieve+for+Russian+MP3+site/2100-1027_3-5602743.html (last visited March 17, 2005).

147. *Id.*

148. This assertion is supported by the rise of Kazaa, Morpheus and others in the wake of Napster. As the RIAA gathers information from P2P networks to support its lawsuits, the next P2P generation is being developed to be far more protective of user privacy. DirectConnect and similar encrypted networks are an indication of this already happening.

149. The *Grokster* decision makes it very likely that commercial file-sharing services will be forced to implement self-policing copyright enforcement measures and re-package themselves as both capable of and actually engaging in significant non-infringing uses. This will undoubtably force a large number of users of these services to find alternatives elsewhere, increasing the demand for darknet alternatives to commercial P2P.

150. *Id.* at 15.

151. *See* Jefferson Graham, *Students Face Swapping Rules*, USA Today, July 30, 2003, at 4D (reporting that while Kazaa has over 250 million users worldwide, MusicNet and Pressplay have fewer than 300,000 combined).

152. *See* Tom Di Nome, *You Listen, You Pay: Post-Napster Services*, N.Y. Times, March 7, 2002, at G9. Upon MusicNet's release, the service offered 125 streams and 125 downloads for a monthly fee of $19.95. The files could neither be burned onto a CD nor transferred to any other computer or device. Furthermore, the files would expire after 30 days. Pressplay's comparable plan offered 750 streams, 75 downloads and 15 burns for $19.95. No more than two tracks from a single artist could be burned in one billing cycle, and all downloaded files would expire upon the expiration date of a user's Pressplay subscription.

153. *See* iTunes, *at* http://www.apple.com/itunes/store/ (Last visited on Oct. 26, 2003). iTunes offers individual song downloads for 99 cents each, as well as transfers between 3 additional computers and unlimited CD burning.

154. Tony Smith, *Apple iTunes Sales Past 400M*, The Register, *available at* http://www.theregister.co.uk/2005/05/10/apple_itunes_400m/ (last visited May 30, 2005); *see also* Brad Cook, TMO Reports – Goldman Sachs Says AAPL Should "Remain In Neutral" but "Business Is Healthy," The Mac Observor, *at* http://www.themacobserver.com/article/2005/05/27.10.shtm (last visited May 30, 2005).

155. *See* Paul Bond, *Microsoft Flexes Musical Muscle*, Hollywood Reporter, Nov. 18, 2003, *available at* http://www.hollywoodreporter.com/thr/article_display.jsp?vnu_content_id=2030715.

156. Musicmatch, Buymusic.com, Wal-Mart, MusicNet and Microsoft have adopted the "pay-per-download" model popularized by iTunes, while Napster and Rhapsody use a subscription service similar to the model originally adopted by MusicNet and PressPlay.

157. Neil Netanel, *Impose A Noncommercial Use Levy To Allow P2P File-sharing*, *available at* http://www.utexas.edu/law/faculty/nnetanel/Levies_chapter.pdf. The compulsory license would apply to non-commercial use of literary works that are not primarily tools (i.e. software). A tax is imposed on commercial providers of digital content who are "substantially enhanced" by P2P file-sharing (presumably ISPs). The tracking of digital files is done by the ISPs, based on digital fingerprinting and sampling techniques to determine what amount of tax will be levied.

158. William Fisher, *Digital Music: Problems & Possibilities*, Oct. 10, 2000, *available at* http://www.law.harvard.edu/faculty/tfisher/Music.html#III. Under this proposal, a tax is imposed on services that provide access to digital entertainment. Under Professor Fisher's proposal, copyright owners are required to register with the Copyright Office in order to receive a unique filename which then allows each file to be tracked. Using these filenames, digital entertainment services then can determine usage statistics.

159. *See* Anupam Chander, *Verizon's Solution In The Napster Debate*, Findlaw's Legal Commentary Writ, (May 30, 2002), *at* http://writ.news.finslaw.com/commentary/20020530_chander.htm (last visited Dec. 2, 2003).

160. Such a debate can be found on the Pho List, an online forum dedicated to discussion of the convergence of entertainment and technology between professionals in the industry. *See* Derek Slater, A Copyfighter's Musings, *Compulsory Licenses Discussion On Pho*, Aug. 7, 2003; Pho List, Home Page, *at* http://www.pholist.org.

161. *Id.* (Post of Ernest Miller).

162. *See* Netanel, *supra* note 157; Fisher, *supra* note 158.

163. *See* Slater, *supra* note 160 (Post of Ernest Miller).

164. *See id.*

165. *Id.*

166. *Id.*

167. *Id.*

168. *Id.*

169. H.R. 2724; 107th Cong. (2001). MOCA was a bipartisan bill sponsored by Rep. Chris Cannon (R-UT) and Rep. Rick Boucher (D-VA).

170. Summary of MOCA, *at* http://www.house.gov/boucher/docs/moca-summary.htm (last visited Nov. 2, 2003). ("Recent hearings in the House of Representatives and Senate highlighted several problems with current law that are impeding the deployment of innovative, legitimate Internet music services to an eager listening public. The Music Online Competition Act is narrowly tailored to . . . promote a legitimate online music marketplace that will benefit the public, the creators of copyrighted works, and America's technology industry.").

171. *See* Introductory Statement of Representative Chris Cannon, *at* http://house/gov/cannon/press2001/aug03.htm (last visited Nov. 2, 2003) ("[a] number of people did come to us seeking a compulsory license, but Rick [Boucher] and I felt that would be premature —especially now that MusicNet and Pressplay have announced that they will license downloads to some of their competitors.").

172. *See* H.R. 2724, 107th Cong. 4(b)(A)(1). Under the current law, this requirement exists for companies licensing the right to publicly perform a sound recording via a digital audio transmission, although "interactive services" (including music download services) do not qualify as a "similar service" under the statute. See 17 U.S.C. § 114(h)(1).

173. *See* Merrit A Gardiner, *The Music Online Competition Act of 2001*, 22 J. Art & Ent. L. 30 (2002); Alexander Davie & Christine Soares, The *Music Online Competition Act of 2001: Moderate Change or Radical Reform?*, 2001 Duke L. & Tech. Rev. 33 (2001).

174. *Id.*

175. *See* Davie & Soares, *supra* note 173, at 37.

Matthew F. Abbott is a recent graduate of St. John's University of School of Law, where he was an editor of the *St. John's Law Review* and a recipient of the American Bar Association/Bureau of National Affairs Award for Excellence in the Study of Intellectual Property Law. A version of this article received first place in the 2004 ASCAP Nathan Burkan Memorial Writing Competition. Prior to law school, Matthew worked for many years in the music industry as a music supervisor and creative consultant for film and television soundtracks. In Fall 2005 he will join Kramer Levin Naftalis & Frankel as an associate in its Intellectual Property department.

File-Sharing and Market Harm: An Economic Approach

By Michael A. Einhorn, Ph.D.

In a number of recent interchanges, several academic researchers discussed whether or not file-sharing suppresses record sales. At least one research team, comprised of Felix Oberholzer and Koleman Strumpf, was so inspired by its findings that it filed an amicus brief[1] on behalf of the file-sharing networks Grokster and Streamcast, which were respondents in the recently decided Supreme Court case of *MGM v. Grokster*. Presumably, the content industries should have no objection to allowing unrestrained uses of a file-sharing technology, even if such uses are unauthorized and a licensing fee could otherwise be collected, so long as file-sharing does not depress sales.

This narrow question of store loss fails to recognize elementary concepts in common law and microeconomic theory. As a matter of common law, rights owners now enjoy the right to license use of protected material, even if the use may stimulate commercial demand.[2] As a matter of economics, any uncompensated transaction may displace opportunities for other market arrangements and licensing institutions.

The music industry continues to confront key bottlenecks in the retailing chain and in the presentation of new releases to potential buyers. Through the growth of digital technology, these markets are experimenting with new forms of production, distribution, communication, and retailing. With new and responsive relationships, artists and labels may provide more content, reduce producer risk, and enhance the audience experience. This rapid innovation implicates processes, organizational structures, and methods of presentation that markets must test.

I shall make no prediction of the outcome of any present litigation, guess whether the actions taken by the Recording Industry Association of America ("RIAA") against individuals are effective, or even attempt to discuss whether file-sharing depresses or stimulates sales. Rather, I will point out only that file-sharing technology is a competitive option in the marketplace. The enabling networks now access many of the same works that a competitive service would license and sell for a small profit or otherwise market with advertising, playing devices, or related product. The potent and reactive forces unleashed and filtered in the market crucible will be weakened considerably if infringing services are permitted to take inputs freely and preempt market space from other competitive providers of similar services.

The Retail Bottleneck

Some seventy-five to eighty percent of record sales in the U.S. market are produced by four major companies that own forty-three labels. In addition, the four companies also distribute records for over nine hundred independent labels. The production sector is shifting toward the latter group.

A record label is primarily a financing organization that invests unsecured amounts in performing artists, sometimes unknown, in order to provide new releases. Major labels may invest some two hundred thousand to three hundred thousand dollars for an advance in order to fund the production of a master recording. These amounts are supplemented by additional expenses for CD manufacture, artwork, radio promotion, store display, print advertising, video, and concert promotion. Since fan taste is uncertain, labels fail to recover incurred costs in nine out of ten cases. Labels cover their commercial losses through profits earned by the relatively few acts that do succeed.

Since 2000, when the value of shipments began a five-year decline, the major record labels have experienced tough times. As a consequence of an ongoing market downturn, record companies have shed labels, fired workers, and dropped artists. While copyright infringement has probably caused some loss, negative market trends related to changes in production, distribution, and promotion were in motion before 2000 and should not be overlooked as long-run depressing factors.

A key factor in reducing the profitability of major record labels has been the increasing domination of retailing by "big box" stores.[3] With amazing growth in the past decade, Wal-Mart, Best Buy and Target now sell over fifty percent of all record albums sold in U.S. stores.[4] The expansion has hurt other specialized record chains and record clubs; some one thousand one hundred chain and independent record stores closed in the year 2003 alone.[5] Wherehouse Entertainment and Tower Records were the most recent bankruptcies in a retail sector that has been experiencing such downturn since 1994.

"Big-box" chains have the buying clout to negotiate wholesale prices to rock-bottom levels and reassign floor space from noncompliant suppliers. As a marketing practice, "big box" outlets sell CDs below wholesale price—for example, as loss leaders—in order to attract shoppers to other store merchandise, such as home appliances, electronics, groceries, and processing. Selection at the "big box" is generally smaller than at the record store; by one account, the average Wal-Mart store displays five thousand titles, which contrasts with sixty thousand titles displayed at a specialized record store.[6]

With lower profit margins and less shelf space at retail outlets, record labels may have a serious retail bottleneck so long as most albums are purchased through "big box" outlets. Data from the Almighty Institute of Music Retail confirm that the trend in store openings continued in 2004 at full pace and that market trends are not about to reverse.[7]

	Opening	Closing
Independent Stores	24	362
Specialized Chains	14	210
Big Box	290	48

Moreover, retail margins will continue to dwindle. Market leader Wal-Mart announced plans in October 2004 to negotiate wholesale prices for CDs down to the average retail price of nine dollars and seventy-two cents.[8] This could erode label profits for each CD sold by a full two dollars. It is reasonable to expect Target and Best Buy to try a similar maneuver. The concatenation of events then is likely to make the "bricks and mortar" sector a less profitable retail channel.

Independent Labels

While major labels now account for seventy-five to eighty percent of registered retail sales in the U.S., the website allrecordslabel.com now provides the names of sixteen thousand six hundred labels from eighty-seven thousand artists in two hundred and forty-four genres, including categories as narrow as Afro-Latin (eighty-three labels), Beach (eighteen labels), Bossa-Nova (seventy-two labels), Gay/Lesbian (forty-eight labels), and Polka (twenty-two labels). Despite limits in distribution, the independent sector has grown tremendously in the past decade; the annual number of new releases from 1991 through 2001 grew from seventeen thousand to thirty-seven thousand.[9]

Compared with major labels, independent labels carry a smaller roster of acts. Without deep pockets, they offer smaller advances and invest less in breaking the act in traditional retail and promotional channels. With less upfront investment, independent labels can offer artists a larger share of profits from CD sales (usually fifty percent, as distinguished from ten to fifteen percent at a major). Consequently, a band can make five to seven dollars per incremental CD sold, and double if it owns the label itself.

Affiliated Distribution

Independent labels distribute fare to retail establishments through national distributors often operated by the major record companies, or independent regional distributors that serve individual stores and regional one-stops. The website Answers.com now lists over one thousand two hundred independent labels now affiliated with a major or independent distributor and an additional three hundred and ten that realistically could. Besides distributing for their in-house labels, the four major recording companies operate four distributor coalitions, Red Distribution (Sony BMG Music Entertainment), Fontana (Universal Music Group), Caroline (EMI Group), and the Alternative Distribution Alliance (Warner Music Group), which distribute for over nine hundred independent labels.

A knowledgeable authority lists nine different arrangements that major distributors and independent labels may structure with one another.[10] In addition to joint ventures, cross-licensing, and general risk-sharing arrangements, the majors can provide money to indie labels as a form of incubator financing. In an innovative process called *upstreaming*, major distributors promote independent artists with an option to "pick up" the band for a contracted buyout fee. As another arrangement, the recently divested Warner Music Group now promises to pick up entire labels that are successful at developing acts.

The rationale behind the distribution revolution was accurately summarized by one of its architects, Andy Allen of Alternative Distribution Alliance. "In the early '90s, indie labels had to cobble together a national network of regional independents to achieve national distribution. . . . If you were a large indie and trying to compete, it was a pretty difficult system. So, the thought was to create a system with the same kind of visibility and safety and security of a national major, but scaled for independents."[11]

While major labels have suffered stagnation and decline since 2001, a number of significant independents have done quite well, including Sub Pop, Domino, Or, Enjoy, Matador, Bloodshot, New West, and Rounder Records. Due to the shift in relative business positions, independent labels now increasingly serve as the nerve endings of the industry, championing new trends and finding new artists. For its part, the major distributor asserts marketing clout and more efficiently diversifies risk.

Digital Distribution

For bands that choose to produce physical albums, independent manufacturers such as Oasis, Discmakers, A2Z, Cybernotes, and Media Services can produce finished CDs for as little as eighty-four cents per unit. Product can be shipped directly to online retailers (e.g., CD Baby, Amazon, Borders, and Waldenbooks.)

Of these retail stores, CD Baby, which is second only to Amazon in total CDs sold, markets independent CDs exclusively. For a thirty-five dollar fee per registered release, CD Baby also makes a dedicated webpage designed to showcase the release, including clips, links to artist websites, and text articles. The master site gets over one hundred and fifty thousand hits a day. Artists choose their prices; the service keeps four dollars per CD sold.

Another major innovation in the distribution of new acts is the Orchard, which now distributes records from over two thousand five hundred independent labels in over fifty countries. For a forty-nine dollar release fee, a band may provide each song on a CD on a track-by-track basis to twenty-three music services in the U.S. and ninety-seven more in twenty-five foreign countries. For an additional ninety-nine dollars, the act may register with a supplemental Orchard service that distributes to online retailers and one-stop distribution partners that serve major retail outlets. Artists receive seventy percent of Orchard net revenues generated from the sale of music.

However, cash-starved recording acts do not even need to press CDs to get their music widely distributed. To test the popularity of a particular track before pressing a CD, promotional library Band Radio operates a satellite service that makes single tracks available to a worldwide audience of radio stations, background music users, and other music programmers. Bands may also directly upload recorded tracks to Ingrooves and Digital Musicworks, which make content available to the major music services, including Apple's iTunes, MSN's Music Store, Rhapsody, Napster, and Sony Connect. With Freeplay, bands may upload content available for free use in television synchronization; money is earned from performance royalties collected when the program is subsequently aired.

The Music Services

In the past five years, a number of new services have emerged to enable the retailing of digital audio transmissions, downloads that are permanently captured or streamed for one use. Within the past two years alone, Apple, Sony, Napster, RealNetworks, Wal-Mart, Microsoft, Virgin, and MusicMatch have attracted some recognition as music providers.

A few points are in order. First, the market for music services is vigorously price-competitive. The market price of ninety-nine cents per download on iTunes, Sony Connect, MusicMatch, and Napster is roughly equal to the related cost of licensed content, bandwidth, credit card services, and administration that these services pay to labels and service providers.

Second, the diverse music services feature a number of business models. Apple has sold over four hundred million download tracks at a virtual loss in order to sell its iPod playing device at a considerable profit. Sony BMG has a similar strategy for the Walkman AOL Music, and Yahoo! Music merged its search engines with radio webcasting, music and advertising services. Between them, subscription services Rhapsody and Napster now serve over one million customers with an "all you can eat" streaming service for nine dollars and ninety-nine cents per month. For an additional five dollars per month, fans may download subscription tracks to portable players.

As a variation on the theme, "bricks and mortar" businesses (e.g., McDonald's, Pepsi, American Airlines, Citibank, and the Gap) have either sold or given away music tracks in order to promote other products. Starbucks allows customers to burn tracks from in-store locations and thereby avoid bandwidth and related distribution expense. Circuit City bought the digital music platform MusicNow (formerly known as Full Audio), Target has a distribution deal with Napster, and Best Buy distributes music services from Rhapsody and Napster.

The music services easily accommodate independent labels. As the market leader in downloads, Apple's iTunes now targets indie fans with rights to six hundred labels; Microsoft now offers content from three thousand independent labels. Recent launches by eMusic and Audio Lunchbox respectively feature catalogs of three thousand five hundred and four thousand two hundred labels. Wippit, Weed, IntentMedia, and Cornerband now sell licensed catalogs drawn exclusively from independent labels. With more openness, thirty percent of all track downloads sold in a recent period on the music services were licensed from independent labels, in contrast with the offline counterpart of twenty percent.[12]

There is yet a major bottleneck in the new digital market—the lack of interoperability of different services and devices. If all devices and services were interoperable, a prospective buyer could build up a catalog without worrying about later obsolescence of any one device or service option. However, with a seventy percent market share among playing devices, Apple's iPod playing device is designed—through its DRM technology Fairplay—to accommodate only tracks sold through its Apple iTunes. The additional compatibility with different services would evidently spur sales of Apple's iPod device but reduce the sales of its iTunes downloads. Since the iPod is very profitable but tracks are not, it is surprising that Apple has not accommodated interoperability.

The Communications Bottleneck

A second part of the bottleneck on new music has been the lack of channels to enable performance of new sounds not signed to major label contracts.

Broadcast Radio

Some twenty chains of forty or more local stations now own most of the nation's ten thousand commercial radio stations, including the six thousand three hundred that play music. Radio stations regard their mission to be the sale of advertising to local and national businesses. The importance of the broadcast channel to music producers is crucial; a full seventy-five percent of the surveyed population identified radio as a determinant of their last CD purchases, in favorable contrast with recommendations (forty-six percent), music video (forty-five percent), store view (forty-two percent), soundtrack (thirty-seven percent), and live performance (twenty-nine percent).[13]

Recent trends in the radio industry are not fully conducive to the promotion of new music. First, program managers at each national chain now design playlists based on telephone research of audiences in national and local markets. This scientific approach to audience tastes may have led to standardized playlists and reduced regional diversity. There is also some conflicting evidence that these programming practices have reduced playlist size and increased format overlap.

Second, stations until recently have increased the share of advertising minutes and reduced the share of music play time in each broadcast hour.[14] Aware that it may have saturated the market with advertising, Clear Channel Communications recently adopted a "Less is More" campaign to reduce advertising minutes.[15] Third, listeners have increasingly found favor in niche broadcasting formats, such as talk, Spanish and Christian, which do not promote a general wide market sound.[16]

Finally, until recently, radio stations had accepted money from record labels for airplay. This was made possible by selling advanced copies of a station's playlists to independent radio promoters.[17] Payments per song ranged from eight hundred dollars to five thousand dollars, depending on the size of the station.[18] Historically, only the major labels have had the financial resources to have material performed on major broadcast stations. This advantage can interact with the retail bottleneck, as the largest chain stores often demand airplay as a prerequisite to shelf display.

For whatever the reason, radio stations in the past six years have lost audiences in all age groups, with the worst percentage drops among teenagers (twelve to seventeen) and young adults (eighteen to twenty-four) who are more enthusiastic about new music.[19] Moreover, while broadcast radio is a convenient medium for reaching adult audiences during rush and work hours, it is less appealing to teenage buyers who now migrate to portable music players, video games, music services, and file-sharing services that displace radio time. Simultaneously, older listeners can be expected to migrate to subscription satellite radio (e.g., XM Satellite and Sirius) with all-music formats, specialized music genres, and no advertising interruptions.

Community and Recommendation

The radio bottleneck is also challenged by alternative communication arrangements made possible through the music services, peer-to-peer ("P2P") networking, and general Internet technology. Service features such as email, blogging, playlisting, and personalized recommendations now facilitate communication among online users. With the emerging technology, new performers, independent labels, and music fans can present new sounds without having to negotiate radio, retail, and video bottlenecks.

A number of music services now allow friends to send playlists to one another; depending on the service, recipients may sample tunes up to five times for free. Weedshare pays thirty-five percent of sales revenues to customers who "superdistribute" songs to other users through email, blogs, website, or file-sharing networks. In Wurld Media's legitimate P2P service, each user gets paid ten percent for recommending a sold track and up to up to five percent for owning a track later distributed through the network. In OD2's personalized recommendation service, expert musicologists provide recordings to individual subscribers based on an analysis of their preferences in the previous month.

P2P networks have performed other legitimate roles in allowing users to trade information. "Jam bands" (e.g., Phish, String Cheese Incident, Widespread Panic, and moe) are unsigned acts that permit fans to tape and trade music performed at live concerts. Concentrating on these new sounds, organizers of the annual South by Southwest ("SXSW") music festival—a major event for indie bands—seeded on P2P network BitTorrent a superfile that included tracks from over seven hundred and fifty performing bands at its most recent event.

The opportunity for specific applications of digital technology for research and recommendation abound. With an eye to potential audience, market research firm BigChampagne surveys online use of individual songs on file-sharing networks. Marketers (including all of the major record labels) use BigChampagne surveys to learn grassroot tastes and to suggest modifications. Users at Cornerband.com may find local bands by entering certain key words; for example, a user who enters "Black Sabbath" and "Chicago" will learn of websites, downloadable content, and possible appearances of any similar performing act in her city's metropolitan area. Researchers at Upto11.net identified listener patterns in the contents of over two hundred and fifty thousand music folders on different file-sharing networks; within seconds after entering the name of a band that she knows, a user can read articles and listen to selected tracks from others in a similar genre.

Search, Advertising, and Video

Recent developments increasingly accommodate the integration of music, advertising, video, and broadband. These make possible a wider slate of options for content presentation and distribution, and may thereby bypass retail and online bottlenecks for presentation and distribution.

Search engines are now monetized through the sale of online advertisement, which has enjoyed a strong comeback since 2000. Total online spending rose in 2004 to its annual maximum of $9.6 billion, which is up thirty-three percent from 2003 and fifty-four percent from 2002.[20] Forrester Research found recently that half of marketers now plan to shift spending from traditional to online channels; the research organization forecasts total online spending of $14.7 billion in 2005 and twenty-six billion dollars in 2010.[21] This suggests that Yahoo!, AOL, and MSN will play aggressively for advertisers by expanding their technical services and enriching their entertainment offerings.

While radio listener levels dropped four percent in the past year from two hundred and three million to one hundred and ninety-four million, the not-insignificant market for online radio expanded to twenty-two percent, from 45.3 million to 53.5 million.[22] This expanding digital sector of specially programmed stations will bring in new programming and new listening applications on home computers and mobile devices. To add to the marketing potential, digital radio is primarily populated by key players Yahoo!! (Launchcast), AOL Radio, MSN Music, Live 365, and Clear Channel Communications.

A most impressive player in the past twelve months, Yahoo!! Music now claims to attract twenty-five million users per month. Yahoo! entered the music sector with an investment in programmable online radio stations with the buyout of Launch Media in 2001 for twelve million dollars. Launch Media now offers eighty-seven basic stations and one hundred and forty premium stations across nineteen different music genres.[23] In 2004, Yahoo! doubled its listening audience with the acquisition (one hundred and sixty million dollars) of Musicmatch, a leading provider of music management software, an a-la-carte song download service, and a streaming music subscription service that provides unlimited access to more than eight hundred thousand songs.

Yahoo! announced in May 2005 a new beta release of a competitive subscription service, Music Unlimited, with deeply discounted introductory rates (as low as four dollars and ninety-nine cents per month).[24] Playing for platform openness, Yahoo! is also developing an audio search engine feature that can search for tracks over all available services,[25] and has designed its Music Engine to accommodate user plugins that will include podcasting.[26] Both AOL and MSN now similarly offer open access to their respective music properties, integrating download/subscription services, online radio, news, and video.

Both AOL's and Yahoo!'s music services are powered by MusicNet, an online music provider that creates customized download/subscription services, radio, and video that individual companies may brand for retail uses. Wholesale buyers may then differentiate their offerings to reach different market niches and accommodate diverse customer relationships. With a catalog of over 1.2 million songs pulled from twenty-five thousand different labels, the wholesaler now also distributes through Virgin Entertainment, HMV, Trans World Entertainment, Cdigix, and Synecor; it now provides more music for ultimate sale than any one retail service.

The development of broadband capabilities, particularly music video and live concerts, will enable new market synergies among cable and telephone companies that are determined to sell rich content through personal computers, set-top boxes, and wireless phones. AOL recently closed licensing deals with Universal and Warner Music Groups, and Yahoo! now serves approximately three hundred and fifty million videos per month. Video powerhouse MTV is developing a competitive music service that will feature video content. The largest cable operator, Comcast, has begun to offer on-demand video from MTV2, BET, and Fuse. Music Choice is offering on-demand music videos to Sprint PCS Vision customers. With a positive bandwagon effect, each of these services and technologies will have growing appeal as more customers join the system.

Finally, the future for broadcast radio itself is not entirely bleak. First, Clear Channel Radio ("CCR") announced a two-year deal with Def on Demand to provide promotional and music video material on local station websites; CCR will expectedly work out integrated marketing synergies for concerts and band merchandise with Clear Channel Entertainment, soon to be divested. Second, broadcast radio stations will offer digital mobile services to 3G-enabled handsets that will allow track display, text messaging, and instantaneous purchase.[27] Third, radio stations will increasingly offer program material through podcasts, which allow users to subscribe to feeds and receive new audio files for listening on portable players; indeed, Infinity Broadcasting has already announced the conversion of one San Francisco station to exclusive podcasting.[28]

File-Sharing, Advertising, and Broadband

File-sharing networks monetize their investments through three general types of business models. First, Grokster, Streamcast, and Sharman Networks, *inter alia*, allow unrestricted uploading and trading of files; this includes music tracks ripped from unprotected CDs as well as legitimate content that owners may authorize. These services profit by distributing pop-up advertising and personalization files on host computers, and selling machine capacity for distributed computing. Second, Altnet, Trymedia, and Intent restrict trading to protected files, but deliver content over capacity purchased on the larger file-sharing networks. Finally, stand-alone P2P networks, such as Wurld Media, can offer an independent network confined to protected content.

Infringing or not, large P2P platforms are fairly efficient ways to scale the delivery of advertising and broadband content. This point is recognized by Dean Garfield, Vice President and Director of Legal Affairs of the Motion Picture Association of America:

> Once P2P computing software is installed on a desktop, every computer becomes a "peer" that can act both as a client and a server. This grid of connected computers—that now also includes servers—has the potential to optimize the use of network resources and to make a network more resilient to failures. . . . Even the largest servers can become overwhelmed when numerous employees or customers simultaneously download large files. P2P helps to solve this problem by making use of the existing storage space and processing capacity on all users' computers, and by using each computer as a distribution point in the supply chain.[29]

Garfield's point is correct. With access to a pool of computer capacity, larger P2P may deploy available space for ramping, transportation, and storage of videos, films, games, and live concerts (each of which may consume well over 100 MB per use). With access to widely distributed storage pockets, content on distributed networks can be located closer to each eventual user without need for investments in streaming servers, data centers, local caching, and dedicated bandwidth. By concentrating and utilizing available storage throughout the network, distributed computing can enable cell phones, handheld devices, and ordinary computers to have the same power as massive web servers.

As practical examples of efficient broadband application, game distributor IGN efficiently scaled its online distribution network with P2P services provided by Red Swoosh, which enable faster delivery (by a factor of three) and savings of forty thousand dollars per month.[30] A competitor, Trymedia Systems, now uses its P2P network to distribute over two hundred million copies of legitimate video games from more than one hundred top game producers.[31] Movie distributor ifilm.com now distributes content from each of the major film studios over P2P networks mediated by the aforementioned RedSwoosh. Atzio, a new provider of P2P television, will allow users to trade DRM-protected copies of their favorite television shows, and Project Gutenberg uses P2P technology to facilitate the distribution and discussion of films now in the public domain.

Large P2P networks also make possible the easy provision of distributed computing (also known as grid computing, edge services computing), which allows integrated data processing on computer nodes distributed on the network circumference. Storage space is "donated" on available capacity on connected machines. This can be efficient for three reasons; distributed systems do not require investments in expensive hardware, processing speed in a distributed system is much faster, and distributed systems are readily scalable and easily ramped up to higher levels of processing power in a matter of seconds.

The most spectacular success for distributed computing so far may have emerged at the Society for Extraterrestrial Information ("SETI"). A stand-alone network, SETI provided to users a space-age screensaver in exchange for access to available processing power on the users' computers. The distributed network uses the available space to perform calculations based on data obtained through the Hubbell Space Telescope at a computer speed (fifteen Teraflops = trillion calculations per second) that exceeds IBM's fastest machine ASCIWhite (twelve Teraflops) at a small fraction of the cost. On another test, SETI@home averages fifty-four Teraflops, exceeding the sum of the Top Four registered supercomputers. In addition to SETI, distributed computing is now used in proprietary corporate networks, biomedical studies, and academic research for legitimate purposes such as streamed media/video, data processing, document collaboration, backup storage, voice-over-IP telephone, pay-per-use, anonymous publication, and charitable and scientific computing clubs.

MGM v. Grokster

P2P networking then presents a slate of attractive services that should compete in the evolving market with other technologies for the production and distribution of record product. Major or independent, labels and artists earn money from records sold through direct retail sales or through negotiated licenses with music services that are related to the number of units sold. To keep the competing distribution channels in balance, content owners would ideally assign fees to different modes in a consistent manner that would allow, *inter alia*, for the imagined depression or stimulation of sales elsewhere. By taking material without obtaining licenses and paying royalties, P2P networks have advantages over other businesses that do, including physical distributors, competing music services, and companies that cover the "give away" of licensed music through the sale of advertising, playing devices, or other products. The unauthorized services also undercut payments that would be made to the major or independent labels, regardless of whether such services stimulated or depressed sales.

On June 26, 2005, the Supreme Court handed down the long-awaited decision of *MGM v. Grokster*, which considered the legality of the two file-sharing networks Grokster and Streamcast.[32] The two respondents were charged with contributory and vicarious copyright infringement for distributing software that enabled computer users to make unauthorized reproduction and distribution of copyrighted material that contributing donors had previously uploaded to the network. In a 9-0 verdict, the Court reversed two lower court decisions that held that Grokster and Streamcast lacked the requisite knowledge for secondary liability, had "significant, noninfringing uses," and qualified for protection under the Supreme Court's 1983 *Sony v. Universal City Studios*.[33]

The majority opinion, written by Justice Souter, found that the respondents indeed were entitled to no such protection because they had actively promoted their software through clear expression and further engaged in other affirmative steps as a considerable means for infringing copyright.[34] Demonstrated intent (apparently discerned in court through discovery and deposition) then is a supplemental determinant of contributory or vicarious liability. However, the Court's decision therefore skirts more general economic issues implicated in the digital economy; it fails to reconsider any issues in *Sony* should the intent test fail. Notable here is the concurring opinion of Breyer, Stevens, and O'Connor, which strongly endorsed the *Sony* view; while Grokster and Streamcast were improperly advanced for their abilities to permit infringement, technologies that display the potential for "significant noninfringing uses" may continue to qualify for an exemption from secondary liability.[35]

As it now stands, the *Grokster* standard will have little effect upon the distribution of file-sharing software and the trafficking of infringing works by their enthusiasts. With a careful reading of the decision, P2P lawyers and network operators may come to embrace a new strategy—avoid showing intent. This can be done by promoting file-sharing software through third-party word-of-mouth, such as blogs, email, instant messages, chatrooms, journalists, and popup ads. The collection of instruments will expectedly widen as others willingly provide communications techniques as part of the communitarian ethos that justifies copyright infringement.

As a matter of common law procedure, it is entirely appropriate to extend a legal precedent from one case to another contested matter based on a conceptual analogy. As a matter of policy-making, the exercise is frequently unsound. Policy may reasonably be expected to break down when the technologies at hand actually implicate a wide range of differing phenomena. Such is the case at hand.

First, each Sony VCR was capable of making a presumptive fair use of any broadcast television show—for example, storage of a free over-the-air program for later viewing. In offering this capacity for time-shifting, the VCR did not displace any legitimate service. Moreover, there was no practical way at the time to monitor use and charge a price for the taking. Finally, it was highly impractical for a taken work to be copied again and distributed to another recipient.

By contrast, some ninety percent of the content traded on P2P networks simply entails complete and unalloyed reproduction of works that can generally be purchased elsewhere. In contrast with time-shifting, there is no legitimate fair use for such activity by noncommercial customers. After reproduction, each P2P user has the immediate ability to distribute copies of all content for free acquisition by countless other viewers (viral reproduction.) Whether such viral copies actually displace a prospective sale (an arguable point) or avoid paying a negotiated license fee (a certainty), the unauthorized reproduction and distribution of complete original works displaces business opportunities for original content owners. The relation between unpaid licensing revenues and copyright infringement—a predominant concern in the contemporary digital economy—was a point entirely missed by the respondents,[36] but not by two district courts in related music cases.[37]

Second, networks with free taking and viral reproduction now compete with streaming and downloading services that distribute fully licensed copyrighted works through central servers. In an amicus brief in support of the petitioners in *Grokster*,[38] these competing providers pointed out that the services took several years and millions of dollars to develop, license, and refine. Their commercial disadvantage included both lessened market development and the related loss of venture capital that might otherwise be forthcoming. At no point in their pleadings did the respondents and their amici come to recognize the considerable market harm posed to this competitive sector, and all that may follow.

Third, had Grokster and Streamcast prevailed, the outcome would have been unrelated to any demonstrable technological efficiencies among the different file-sharing technologies themselves. Whatever the difference in location and transmission technique, Napster, Grokster, and Streamcast basically enabled the same end-user capability, finding uploaded tracks on the network. As a technology, Napster differed from Grokster and Streamcast principally through its centralized means of locating content. The respondents' enabling excuse—no immediate awareness—was then based solely on a legal construction that incorporated no concept of relative efficiency among the different P2P topologies.

As a final distinction, there was no evidence that Sony avoided implementing any practical technique that could have filtered uses to prevent infringement. When practical techniques became available to control serial copying on analog devices, Congress required their implementation.

In contrast, it is now possible to institute filtering algorithms in new software distributed in the Grokster and Streamcast systems.[39] Indeed, a market entity now providing service is Snowcap, an intermediary service that can provide filtering to any P2P provider (such as the legitimate service Mashboxx that now uses it). Moreover, two additional protections are possible. First, as a user of "Fast Track" software, Grokster has the proven capability of being able to replace all existing software with a new vintage; presumably, a new vintage could incorporate filtering technology. Second, Grokster and Streamcast now engage in regular communication with supernodes and "ultra peers" for the purpose of causing them to cease operating if they fail to run the latest software version.

Per the now-famous footnote 12, respondent actions that decline to implement these or other similar proactive protections are—by Court decree—not sufficient to proving secondary infringement. Rather, active inducement is needed.[40]

Pyrrhic battles won in the ether of the courtroom may lead to a war lost in a market that is far more complex than present legal constructs may grasp. What the *Grokster* Court failed to consider is the need to maintain clear property rights that can be unambiguously supported regardless of whether a lawbreaking intent can actually be demonstrated on the part of the presumed infringer. In this respect, the Court's conduct-based standard contrasts with the California District Court in *A&M Records v. Napster*, where the centralized file-sharing network was ordered to avoid providing directory assistance to users who sought copyrighted works. With a stronger defense of property rights, Napster attempted to devise its own filtering system, and the service might reasonably have used other third-party services if they were available at the time.

Second, a sobering lesson will repeat itself if labels are not proactive about licensing. Even if petitioners prevail, programming for file-sharing will not cease. Rather, new P2P innovations will deploy encryption, anonymity, collaborative software, podcasting, and enhanced storage email, as well as any versions of previously distributed software that cannot now be controlled. As P2P technologies evolve like strengthening viruses, labels may aggressively and preemptively negotiate deals with infringing networks before the next generation of the market takes off.

Conclusion

The following points summarize the discussion:

1. Due to limited shelf space and tightening margins per unit sold, the current retail structure of music in "bricks and mortar" stores presents a large and growing *retail bottleneck* to the marketing of CDs and the presentation of new material.
2. The record industry as a whole is modifying the market structure by reconfiguring the production segment. Production is moving from high-advance to low-advance engagements, and from large labels owned by the four major companies to smaller labels owned independently.
3. Independent labels now bring new works to market through a number of innovative market arrangements that include affiliations with major record companies, alternative financing structures with distributed risk-sharing, and disintermediated distribution systems that exclude the major record companies.
4. New music services are now testing the appeal of unit downloads and monthly subscriptions through "learning by doing." The takeoff of these services is still hindered by consumer uncertainty regarding the interoperability of iPod devices and music tracks that are now made available through different providers.
5. Radio broadcasting presents a *communications bottleneck* to the presentation of new sounds. In this respect, Internet technology enables a number of administered and interactive communications services to connect acts with new audiences. As the infrastructure develops, these

communications services will increase in number, widen in scope, and improve in quality.

6. The presentation and distribution of recorded music is often monetized by the sale of other items, such as advertising (Clear Channel Communications), general market merchandise (Wal-Mart), electronic devices (Best Buy), playing devices (Apple), and food (Starbucks). This trend continues as search engines use music services to attract audiences for their advertisers. Music services will be increasingly integrated with advertising and video in the emerging market for broadband landline and wireless services.

7. By constructing file-sharing networks, operators are able to distribute product and sell advertising in ways that directly compete with other providers and distributors of recorded content. Whether file-sharing displaces record sales or not, it interferes with owner rights to license works and create institutions to protect copyrights. In and of itself, infringing activity is economically inefficient and recognized as a copyright violation in American common law.

8. The primary economic challenge for the Supreme Court then is to define and enforce clear property rights that all competitors must equally respect. The distinction is particularly important when new technologies come to market. While courts are not properly made responsible for implementing new legislation, they may come to think of property rights as enabling agents that provide information and incentive to mediate decisions and provide feedback in the market complex. In combination, these court appointments can stimulate the development of new ideas and activate their commercial application.

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Michael A. Einhorn is an economic expert active in the areas of intellectual property, media, entertainment, licensing, valuation, and antitrust. He is a Director at CONSOR Intellectual Asset Management, a member of the Gerson Lehrman Group of financial advisors, the author of the book *Media, Technology, and Copyright: Integrating Law and Economics* (Edward Elgar Publishers), and an Adjunct Professor of Law at Rutgers University. Michael Einhorn received a B.A. from Dartmouth College and a Ph.D. in Economics from Yale University. He taught at Rutgers University and worked at the U.S. Department of Justice, Broadcast Music, Inc., and Bell Laboratories. He served as an Adjunct Professor of Communications and Media in the Graduate School of Business at Fordham University and a Research Fellow and Adjunct Professor at Columbia University. He is also a frequent lecturer in Continuing Legal Education programs. Dr. Einhorn can be reached at 973-618-1212 and mae@mediatechcopy.com.

An Approach for Protecting Intellectual Property

By Philip Teplitzky and Steve Korn

The world is transitioning from the Industrial Age to the Post-Industrial Information Age. In today's world, the most valuable commodity that is traded is intellectual property ("IP"). The most valuable commodity of the future will not be gold, platinum or diamonds, but information. In the last few years, a market in information has developed, as people have been buying and selling information as they do iron or coal. IP has become a core asset to most of today's businesses. Microsoft, Yahoo!, Google, the entertainment industries and engineering firms are generally valued-based on their IP, and not on their physical assets, as are General Motors or U.S. Steel. At one time the OAG, the book of Airline Schedules, was worth more than any airline, but now the information is available online from airline websites or travel sites. Information was more valuable than the planes, fares and infrastructure. In today's world the web value is abstract information, not hard goods or things. IP is the primary commodity.

> *"The most valuable commodity of the future will not be gold, platinum or diamonds, but information."*

This creates a relatively new management challenge: how to protect IP assets. Perhaps more important is knowing when IP has been, how shall we say it, ***borrowed*** for an indefinite period of time by unauthorized people; or to put it more colloquially, ***stolen***. Many studies, including that from Juan Carlos Perez in his InfoWorld article of September 30, 2002, have shown that the greatest threat to a business is from insiders, not hackers. Mr. Perez' theory was that the biggest information theft risk is from employees sending sensitive materials via common and readily available email facilities.

In order to address this issue we have developed a full life cycle approach for identifying when a ***borrowing*** of IP has occurred, and combined it with the ability to identify the source of the breach. More importantly, we have developed a set of Methods, Procedures, Guidelines and Tools for assisting in the prevention of IP theft. In this article we will discuss one phase of this process, how we are able to monitor the movement of IP across corporate networks for security purposes. We will address the next phase in the Fall/Winter issue of the *EASL Journal*.

IP theft in many, if not most, instances is a result of internal employees sending materials via readily available electronic capabilities. Access to the Internet gives users ready access to free public email. It is the rare computer-savvy person that does not have one or more Yahoo!, MSN or AOL public email accounts. In our experience, the most common security breach has been sensitive documents attached to innocuous emails. In some instances, sensitive materials will be buried as an attachment to an attachment or as part of another document. For example, a sensitive Word document can be embedded inside a PowerPoint Presentation or a spreadsheet inside a Word document.

IP security breaches may be unintentional or deliberate, malicious or innocuous. Regardless, the net result is the same: Sensitive materials are sent to unauthorized people. The obverse is when legitimate use is made of email or File Transfer Protocol ("ftp") facilities but unauthorized, really bad people, are monitoring the network and grab the documents.

How do we identify what is being sent? To address this issue, several companies have developed network monitoring tools that evaluate the bits as they travel through firewalls or interface to the World Wide Web and evaluate the type and content of the messages. Such tools are able to recombine the packets of the Transmission Control Protocol/Internet Protocol ("TCP/IP") and other protocols and reconstruct the messages. They then look at the file extensions associated with the emails.[1]

The tools monitor the email, all attachments, and more interestingly, embedded files. They then reconstruct the files. Next, they store the information, including the header (which contains the name of the file) for later analysis, and create reports of what was sent. In addition, they keep track of who sent and received the files, creating an audit trail of message traffic.[2]

It has been our experience that tools such as these can be very effective in identifying, and by inference, deterring the ***borrowing*** of IP. Some of the more illustrative examples gleaned from recent publications and articles in major media outlets and personal anecdotal experience are:

- **Financial Services—**determined that spreadsheets for a deal were being leaked;
- **Transportation—**trip and maintenance schedules were being leaked to the competition;

- **Manufacturing Design Studios—**plans for new products were being sold to competitors, resulting in low price, Gray Market knock-offs that were made available before the product itself was; and
- **Defense—**secrets were being transmitted to unauthorized recipients, resulting in espionage convictions.

We have also developed an approach for using these techniques to monitor and audit the downloading of content files containing music and films. The tools can be installed at the provider's site, for example, iTunes, and will keep track of how many MP3 files are sent via the network. This can then be reconciled to the numbers that iTunes reports. A company can also use the tools to monitor documents received and determine if unauthorized MP3 files are being downloaded to the corporate servers and/or desktops. This would be a very convincing measure to avoid fines for illegal downloads and as a way to implement corporate polices.

In summary, the state-of-the-art in monitoring network activity has progressed from the simple process of monitoring how many bits are being transmitted over the line per unit time, a syntactic analysis of activity, to an evaluation of the content of the messages, a semantic analysis. This shift from syntactic to semantic is a major improvement in the process. We now are able to determine not just that something has been sent and by whom but a more detailed and semantically rich analysis of ***WHAT*** has been sent. We can tell what kinds of files have been sent, Word Documents, Excel spreadsheets, ***WHO*** sent them, ***WHEN*** they where sent, ***WHO*** received them, if there were other documents embedded in the material and, in some instances, if certain keywords were used.

In many instances, just the fact that a document was sent to an outside source is cause for concern. In other instances, people have been able to establish *Watch Lists* of IP addresses or people who should be interdicted. This can prove to be a powerful tool and approach in the ongoing effort to protect IP assets. Ultimately, we have developed an approach and identified the tools to allow us to monitor networks and identify material breaches in security. Any company concerned about preventing the unauthorized distribution of valuable IP should consider implementing the use of such tools as part of its strategic business plan.

Endnotes

1. File extensions are the suffixes attached to files that let you know what program and/or format the file is in, for example, an MS Word document will have the suffix *.doc* and an MS Word Template has the suffix of *.dot.* As another example, "MP3" is the extension or suffix for a file that contains music that has been stored using the MP3 compression algorithm. Music could also be stored in *.wav* format. There are literally hundreds of formats, and by inference, therefore, file extensions. To see the complete list in most MS Operating Systems, click on: ***Settings***, ***Control Panel*** to ***Folder Options*** to ***File Types***, and you will see all of the extensions available on your computer.
2. The "who" is in terms of the IP address that it was sent to and the IP address of who sent the message. This policy should be clearly and frequently disclosed to employees so they are aware that the company is monitoring message traffic.

Philip Teplitzky has over thirty years of experience in the area of Information Technology. He has held Senior Management assignments in major consulting firms and has been both a CTO and CIO. Phil has written articles on EDP Auditing and Security and has spoken at AICPA, IIA and the EDP Auditors Association. He has a BA from Harpur College of Binghamton University and a Masters of Science in Computer Systems from the School of Advanced Technology, now the Watson School of Engineering at Binghamton University, State University of New York.

Steve Korn's twenty-plus year career encompasses outsourcing, information technology delivery, consulting, and product management. His experience includes the areas of systems infrastructure, financial application maintenance, help desk support, disaster recovery, SOX and OCC compliance, and IT procurement. As an entrepreneur, Steve co-founded and started The Radio Response Company, an interactive voice response and listener database marketing firm that served radio broadcasters. Earlier, he was a product manager at Citicorp as well as General Electric, and a consultant with Booz-Allen & Hamilton. Steve received his MBA from Stanford University Graduate School of Business and his MSEE and BSEE from New Jersey Institute of Technology.

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http://www.classicstage.org

Irish Repertory Theatre

Founded 17 years ago, the Irish Repertory Theatre ("Irish Rep") is the only year-round theater company in New York City devoted to bringing Irish and Irish-American works to the stage. The Irish Rep has celebrated the very best in Irish theater for 15 years, from twentieth century masters to the new generation of Irish and Irish-American writers who are transforming the stage. The Irish Rep's headquarters in Chelsea contains both a main stage theater and a smaller studio space. The Irish Rep is the 2005 recipient of the Lucille Lortel award for its body of work.

http://www.irishrep.org

MCC Theater

MCC Theater ("MCC") was founded in 1986 with the mission of bringing new theatrical voices to New York audiences. MCC Theater accomplishes this through three interrelated programs: a three-play Off-Broadway season committed to New York, American and world premieres; a Literary Department that nurtures new and emerging writers; and an Education & Outreach Department that brings theater to more than 1,200 New York City high school students each year. MCC's recent productions include Neil LaBute's *Fat Pig* and Bryony Lavery's *Frozen*.

http://www.mcctheater.org

The New Group

Since its landmark production of *Ecstasy* in 1995, The New Group has played a significant role in revitalizing the Off-Broadway scene, with its plays enjoying both popular and critical acclaim. It is known for artistic excellence, powerful ensemble acting and fearless exploration. Currently, The New Group is producing *Hurlyburly*, which will soon be transferring to an extended run Off-Broadway. Other productions include *Avenue Q, Sin (A Cardinal Deposed)* and *Aunt Dan and Lemon*.

http://www.thenewgroup.org

Vineyard Theatre

Committed to nurturing the work of emerging playwrights and composers, while providing more established artists with a supportive environment in which to experiment, take risks and grow, Vineyard Theatre (the "Vineyard") is a nonprofit, Off-Broadway theatre company under the guidance of Artistic Director Douglas Aibel. The Vineyard creates important new works by taking chances, recognizing potential and building bridges between artists and across art forms. From world-class actors and playwrights, to daring directors and composers, gifted young poets and puppeteers, and groundbreaking artists dedicated to developing the theatre of tomorrow, all come to the Vineyard.

http://www.vineyardtheatre.org

York Theatre Company

Now in its thirty-sixth year, the York Theatre Company is the only theater in New York City—and one of the very few in the world—dedicated to developing and fully producing new musicals and preserving neglected, notable shows from the past. For over three decades, the York's intimate, imaginative style of producing both new and neglected classic musicals has resulted in critical acclaim, multiple awards and nominations, and acclamation from artists and audiences alike.

http://www.yorktheatre.org

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41 Madison Avenue, 34th Floor
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(212) 974-7474

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Programs
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Publications
Elissa D. Hecker (Chair)
90 Quail Close
Irvington, NY 10533
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Publicity, Privacy and the Media
Joshua R. Bressler (Co-Chair)
Two Penn Plaza
New York, NY 10121
(212) 702-6104

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185 East 85th Street
New York, NY 10028
(212) 832-4800

Theatre and Performing Arts
Jason P. Baruch (Chair)
32 West 82nd Street
New York, NY 10024
(212) 935-5500

Young Entertainment Lawyers
Jennifer Romano (Chair)
36 West 44th Street, Suite 1300
New York, NY 10036
(212) 840-3422

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Elissa D. Hecker
90 Quail Close
Irvington, NY 10533
eheckeresq@yahoo.com

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Entertainment, Arts and Sports Law Journal

Editor
Elissa D. Hecker
90 Quail Close
Irvington, NY 10533

This *Journal* is published three times a year for members of the Entertainment, Arts and Sports Law Section of the New York State Bar Association. Members of the Section receive the *Journal* without charge. The views expressed in articles published in this *Journal* represent those of the authors only, and not necessarily the views of the Editor, the Entertainment, Arts and Sports Law Section or the New York State Bar Association.

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ISSN 1090-8730

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Entertainment, Arts and Sports Law Section
New York State Bar Association
One Elk Street
Albany, NY 12207-1002

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