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# Reforming Copyright Law in the Digital Age: a Comparative Study of the Legal Resolutions on P2P Transmission Between Taiwan and the United States

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**GOLDEN GATE UNIVERSITY SCHOOL OF LAW**

**REFORMING COPYRIGHT LAW IN THE DIGITAL AGE: A  
COMPARATIVE STUDY OF THE LEGAL RESOLUTIONS ON P2P  
TRANSMISSION BETWEEN TAIWAN AND THE UNITED STATES**

By

I-Hsien Chiu

SUBMITTED TO THE GOLDEN GATE UNIVERSITY SCHOOL OF LAW,  
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*SCIENTIAE JURIDICAE DOCTOR (S.J.D.)*

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**April 4, 2008**

**Reforming Copyright Law in the Digital Age: A Comparative Study  
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the United States**

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## **Chapter 1: Introduction**

### **1.1 Overview**

With the rapid development of technology at the end of the twentieth century, the emerging technological revolution has propelled humankind into the Digital Age.<sup>1</sup> One of the most influential technological changes in the 20<sup>th</sup> century on people's method to communicate each other is the birth of Internet,<sup>2</sup> which revolutionizes the computer and communications world like nothing before. Especially, the rapid growth of digital technology -- computing, databases, the Internet, mobile communications, and the like-- has greatly improved the communication tools and contributed to spread information across the globe over the past decades. Today, the Internet has become indispensable to us. People may rely on Internet network as a medium for collaboration and interaction between individuals and their computers with fewer geographic limitations and greater capacity for transmission. The new technology is recreating our life style not only through distributing information but also serving to disseminate culture.

However, digital technology can be both good and bad because it can

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<sup>1</sup> The Digital Age began when digital computers and related technologies were developed, in the second-half of the 20<sup>th</sup> century. The present age is variously known as the Digital Age, the Wireless Age and the Information Age.

<sup>2</sup> Traditionally, the term of "Internet" is written with a capital first letter. However, "internet" is also acceptable in many publications. The former is adopted in the dissertation though.

potentially lead to copyright infringement when communication takes place. The most recent dispute between copyright protection and technology innovation is resulted from peer-to-peer architecture.<sup>3</sup> The advent of the peer-to-peer technology allowing computer users to upload and download by applying the same peer-to-peer software has greatly ameliorated communication of mankind. Although it is convenient for computer users to send and receive information through the framework, part of the exercise makes copyrighted works available to the public in digital formats.<sup>4</sup> For instance, imagine that you are on your computer, sending excellent file-sharing software that you invented. To your surprise, your great invention is being delivered to Internet users everywhere, and they are freely “sharing” their digital files with people elsewhere in the world. As a result, whether you like it or not, the work you created is being freely exchanged on the media platform of the virtual world.

Digital technology can be used for either legitimate or illegitimate purpose.<sup>5</sup> The proliferation of P2P software has critically threatened the copyright

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<sup>3</sup> Peer-to-peer (hereinafter P2P) system is a computer network typically used for connecting nodes via largely ad hoc connections. See P2P, Wikipedia, <http://en.wikipedia.org/wiki/Peer-to-peer> (last visited May 12, 2007); see also Clay Shirky, *What is P2P...and What Isn't*, November 20, 2000, <http://www.openp2p.com/pub/a/p2p/2000/11/24/shirky1-whatisp2p.html> (last visited May 12, 2007).

<sup>4</sup> The copyrighted works such as book, song, software, movie and so forth, can be transferred to digital formats and stored in computer hard device. Container format (digital), Wikipedia, [http://en.wikipedia.org/wiki/Container\\_format\\_%28digital%29](http://en.wikipedia.org/wiki/Container_format_%28digital%29) (last visited May 12, 2007).

<sup>5</sup> See Peter D. Menell, *Envisioning Copyright Law's Digital Future*, 46 N.Y.L. Sch. L. Rev. 63, 65

industries,<sup>6</sup> particularly the entertainment industry. The copyright holders called the unauthorized action “stealing”<sup>7</sup> and then decided to seek relief from copyright law, the principle means of protecting authorship, to squash the illegal actions directly and indirectly infringing their copyrights. In American aspect, for instance, Motion Picture Association of America (MPAA) announced that “the major Hollywood motion picture studios would be filing hundreds of lawsuits against individuals using P2P file-sharing software to access movies online.”<sup>8</sup>

The landmark U.S. case against file-sharing software is known as Napster case filed in 1999. Although the court decided the defendants are liable for infringement of copyright, the battle on copyright protection between authors and inventors continues. New networks quickly appeared after Napster was shut down. P2P technology companies set up one after the other: Scour, Aimster, AudioGalaxy,

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(2002/2003).

<sup>6</sup> International Intellectual Property Alliance (IIPA) divided the copyright industries into four groups: core, partial, distribution, and copyright related, which relied on the definitions by WIPO: core, partial, non-dedicated support, and interdependent. *See* Copyright Industries in the U.S. Economy 2006, International Intellectual Property Alliance (IIPA), 7, *available at* [http://www.iipa.com/pdf/2006\\_siwek\\_full.pdf](http://www.iipa.com/pdf/2006_siwek_full.pdf) (last visited May 10, 2007).

<sup>7</sup>“We cannot allow people to steal our motion pictures and other products online, and we will use all the options we have available to encourage people to obey the law” by Chief Executive Officer of Motion Picture Association of America (MPAA), Dan Glickman. *See* John Borland, *MPAA Files New Film-Swapping Suits*, C/NET NEWS.com, January 26, 2005, [http://news.com.com/MPAA+files+new+film-swapping+suits/2100-1030\\_3-5551903.html?tag=item](http://news.com.com/MPAA+files+new+film-swapping+suits/2100-1030_3-5551903.html?tag=item) (last visited September 1, 2007).

<sup>8</sup> *See* MPAA v. The People, Electronic Frontier Foundation (EFF), [http://www.eff.org/IP/P2P/MPAA\\_v\\_ThePeople/](http://www.eff.org/IP/P2P/MPAA_v_ThePeople/) (last visited July 24, 2007).

Morpheus, Grokster, Kazaa and iMesh.<sup>9</sup>

In the cases, they filed lawsuits against computer users and those who participate in aiding or encouraging copyright infringements. The plaintiffs claimed that the users who directly or indirectly infringed copyright by means of P2P systems should be liable for violation of copyright protection; on the other hand, the technologies providers defended that they should be free of the charges.<sup>10</sup> The central issue of the lawsuits is the indirect liabilities under decentralized P2P system where most of existing copyright law systems do not extend.<sup>11</sup>

Moreover, copyright holders not only intend to end this threat with litigation against unauthorized users and website operators who contribute to the use as they confront the threat, but also seek help in a legislative perspective.<sup>12</sup> In the

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<sup>9</sup> Napster was replaced by Aimster and AudioGalaxy. Morpheus and Kazaa came out after them and then, Bit Torrent, popular file-sharing software, was designed. See John Borland, *Peer to Peer: As the Revolution Recedes*, C/NET NEWS.com, December 31, 2001, [http://news.com.com/Peer+to+peer+As+the+revolution+recedes/2100-1023\\_3-277478.html?tag=item](http://news.com.com/Peer+to+peer+As+the+revolution+recedes/2100-1023_3-277478.html?tag=item) (last visited January 1, 2007), and the major issues disputed next is related to the liability of distributors of copyright works. In such cases, the defendants managed a website which provided the service of searching and downloading copyrighted music for members.

<sup>10</sup> See Fred von Lohmann, *IAAL: What Peer-to-Peer Developers Need to Know about Copyright Law*, EFF, January, 2006, [http://www.eff.org/IP/P2P/p2p\\_copyright\\_wp.php](http://www.eff.org/IP/P2P/p2p_copyright_wp.php) (last visited July 18, 2007).

<sup>11</sup> From a comparative viewpoint to the United States, there have been three major court opinions that have applied indirect liability theories to companies that distribute peer-to-peer software as of August 2007: *A&M Records v. Napster, Inc.*, 239 F.3d 1004 (9<sup>th</sup> Cir. 2001), *In re Aimster Copyright Litig.*, 334 F.3d 643 (7<sup>th</sup> Cir. 2003), and *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).

<sup>12</sup> For example, “[a] group of music companies, including Sony BMG, Virgin Records and Warner Bros. Records, have accused Lime Wire and the company’s officers of copyright infringement, according to a federal lawsuit filed Friday in U.S. District Court in New York. Lime Wire produces

American aspect, the U.S. big corporations have been devoting themselves to lobby Congress for new copyright acts that would provide more comprehensive protection than now.<sup>13</sup>

Taiwan<sup>14</sup> has encountered similar problems with the advent of the Internet and the creation of P2P software in copyright field.<sup>15</sup> Corresponding to the demand for more copyright protection, the Legislative Yuan of Republic of China<sup>16</sup> passed

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software that's often used to create copies of music recordings and then distribute them over the Web." See Greg Sandoval, *Music Industry Sues P2P Firm Lime Wire*, C/NET NEWS.com, August 4, 2006, [http://news.com.com/Music+industry+sues+P2P+firm+Lime+Wire/2100-1025\\_3-6102509.html?tag=item](http://news.com.com/Music+industry+sues+P2P+firm+Lime+Wire/2100-1025_3-6102509.html?tag=item) (last visited September 1, 2007).

<sup>13</sup> Declan McCullagh, *Newsmaker: Fighting for File Swapping on Capitol Hill*, C/NET NEWS.com, November 30, 2004, [http://news.com.com/Fighting+for+file+swapping+on+Capitol+Hill/2008-1082\\_3-5470022.html?tag=item](http://news.com.com/Fighting+for+file+swapping+on+Capitol+Hill/2008-1082_3-5470022.html?tag=item) (last visited May 19, 2006). The RIAA, the primary trade association for the American recording industry, is lobbying Congress to pass laws against peer-to-peer pirates with felonies. See Declan McCullagh, *Newsmaker: RIAA's Next Moves in Washington*, C/NET NEWS.com, May 25, 2006, [http://news.com.com/RIAs+next+moves+in+Washington/2008-1027\\_3-6076669.html?tag=item](http://news.com.com/RIAs+next+moves+in+Washington/2008-1027_3-6076669.html?tag=item) (last visited May 20, 2006).

<sup>14</sup> Republic of China is well known as "Taiwan." In this dissertation, Taiwan would represent Republic of China except the circumstances for official titles of government offices or domestic laws of the country. For example, the official title of Taiwanese copyright law is recognized as "Copyright Act of Republic of China."

<sup>15</sup> Republic of China v. ezPeer, 92 Su Zi No. 728 (Shihlin Difang Fayuan (District Court), June 30, 2005), Republic of China v. Kuro, 92 Su Zi No. 2146 (Taipei Difang Fayuan (District Court), September 9, 2005), Republic of China v. Tu, Jia-Cheng & Lin, Kai, 95 Yi Zi No 2815 (Taipei Difan Fayuan (District Court ), May 18, 2006), and Republic of China v. Ye, Ya-Sheng, 95 Su Zi No. 3202 (Gao Syong Difan Fayuan (District Court), December 5, 2006).

<sup>16</sup> The five-power framework by Dr. Sun Yat-sen consists of five Yuans the Executive, the Legislative, the Judicial, the Examination and the Control Yuans. The Legislative Yuan is the supreme national legislature equivalent to a parliament in other democracies. The information is available on the official website of Legislative Yuan of Republic of China, <http://www.ly.gov.tw/ly/en/index.jsp> (last visited June 29, 2007).

2007 amendments of copyright law that refers to Grokster case<sup>17</sup> against one who provides the public computer programs or other technology that can be used to publicly transmit or reproduce works, with the intent to allow the public to infringe economic rights by means of public transmission or reproduction by means of the Internet of the works of another.<sup>18</sup> The legislative indicated that the amendment of 2007 is enacted to deal with the case that technology distributors are intended to facilitate its use to infringe copyright and the infringement is attributed to third parties' improper conducts.<sup>19</sup>

The dramatic technological change, however, is almost completely beyond lawmakers' predications. What can copyright law do with those who develop and distribute new technology for file-sharing? Regulating the bad behaviors over Internet network which changes with each passing day has become a dilemma to balance author's right and the public's use.<sup>20</sup> Despite of the challenge, technological

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<sup>17</sup> See Grokster, *supra* note 11.

<sup>18</sup> See Zhao Zuo Quan Fa (Copyright Act), Zhonghua Minguo (Republic of China) arts. 87, 93, and 97bis [hereinafter Copyright Act of Republic of China] (Article 97bis is newly adopted and promulgated and articles 87, 93 amended and promulgated on 11 July 2007).

<sup>19</sup> See Zhao Zuo Quan Fa Bufen Tiaowen Xiuzheng Liyou (reasons to amend the provisions of copyright act) (July 11, 2007), available at [http://www.tipo.gov.tw/copyright/copyright\\_news/960711/P2P](http://www.tipo.gov.tw/copyright/copyright_news/960711/P2P) 條文 (中英對照版) -1.doc (Chinese version).

<sup>20</sup> See LAWRENCE LESSIG, CODE AND OTHER LAWS OF CYBERSPACE, 19 (Basic Books 1999).

advances have also created opportunities for reformation of legal system.<sup>21</sup> Indeed, the problems we confront are leading us to rethink the relationship between law and technology. This article would analyze the dilemma in light of technological advances that would bring us unprecedented changes and suggest legislators particularly play a positive role to pursue the best public benefits rather than strike an appropriate balance between protecting copyright and protecting the innovation of useful technology.

## **1.2 Background of Digital Technologies**

Innovation of new technology in the digital age changes copyright protection in two particular ways: "reproduction and distribution." The revolution of digital technology makes it possible to efficiently store copyrighted works in a digital form that costs less and uses less memory and the blooming of the Internet world greatly enhanced the speed of communication.

### **1.2.1 Digital Format**

The more information is updated, the better technology has to be upgraded. Various mediums have been innovated to satisfy the requirements: easy copy and easy control. The advanced technologies with better quality and less cost, such as Compact Cassette introduced in 1963, dominated the music recording industry

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<sup>21</sup> See Menell, *supra* note 5, at 64

decades before the compact disc (CD) overtook it.<sup>22</sup> Ultimately, at the end of last century, people found an efficient method to achieve the pursuit: digital technology.

The best illustration of audio format in digital era is MPEG-1 Audio Layer 3 (hereinafter MP3), a standard of music compression designed to reserve audio recordings in a small digital format.<sup>23</sup> MP3 is one of the most popular methods relying on digital technology to store musical works for private use.<sup>24</sup>

In the early 1980s, Karl Heinz Brandenburg, a doctoral student of Germany's University of Erlangen-Nureberg, was devoted to the study of how

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<sup>22</sup> A Compact Disc or CD is an optical disc used to store digital data, originally developed for storing digital audio. *See* Compact Disc, Wikipedia, [http://en.wikipedia.org/wiki/Compact\\_Disc](http://en.wikipedia.org/wiki/Compact_Disc) (last visited April 20, 2007).

<sup>23</sup> The Moving Picture Experts Group or MPEG is a working group of ISO/IEC charged with the development of video and audio encoding standards. Its first meeting was in May of 1988 in Ottawa, Canada. As of late 2005, MPEG has grown to include approximately 350 members per meeting from various industries, universities, and research institutions. MPEG's official designation is ISO/IEC JTC1/SC29 WG11. More details about MP3, *see* MP3, Wikipedia, <http://en.wikipedia.org/wiki/Mp3> (last visited April 29, 2007); *see also* A&M Records v. Napster, Inc., 114 F Supp. 2d 896, 901 (N. D. Cal. 2000).

In 1987, the Moving Picture Experts Group set a standard file format for the storage of audio recordings in a digital format called MPEG-3, abbreviated as "MP3." Digital MP3 files are created through a process colloquially called "ripping." Ripping software allows a computer owner to copy an audio compact disk ("audio CD") directly onto a computer's hard drive by compressing the audio information on the CD into the MP3 format. The MP3's compressed format allows for rapid transmission of digital audio files from one computer to another by electronic mail or any other file transfer protocol. *See* Napster, *supra* note 11, at 1011.

<sup>24</sup> *See* Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys., 180 F.3d 1072, 1074 (9<sup>th</sup> Cir. 1999). Moreover, MP3 had used to replace the word 'sex' as the No. 1 searched, *see* Mark K. Anderson, *MP3 Sends Music Industry Back to School*, CNN, March 1, 2000, <http://archives.cnn.com/2000/TECH/computing/03/01/mp3.back.to.harvard.idg/index.html> (last visited March 19, 2007).



people perceive music. After school, he continued the development of music compression at the Fraunhofer Society.<sup>25</sup> Later, other scientists, based on his contribution, succeeded in maturing audio compression technology and standardizing music compression algorithm. Even though, in recognition of the father of MP3, Karl modestly stated that "I know on whose shoulders I stand and who else contributed a lot,"<sup>26</sup> undoubtedly, he is one of the greatest contributors to the technology.

The basic idea of MP3 technology is to save space for storage by removing the imperceptible sound wave from voice. Based on the idea, the digital compression technology makes it possible to greatly reduce the use of memory and transmit over the Internet. Although some loss of sound quality occurs while "ripping" data into a small MP3 file, the MP3 technology is still capable of preserving "nearly CD-quality sound" of original music. Converting a digital audio track from a music CD to the MP3 makes no unaccepted difference from original CD. That is to say, although MP3 sound quality cannot completely match the original CD, millions of people think it's good enough.

Since 1995, the MP3 gained widespread popularity and began to usher into

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<sup>25</sup> *Id.*

<sup>26</sup> See Jack Ewing, *How MP3 Was Born*, Business Week, March 5, 2007, [http://www.businessweek.com/print/globalbiz/content/mar2007/gb20070305\\_707122.htm](http://www.businessweek.com/print/globalbiz/content/mar2007/gb20070305_707122.htm) (last visited August 10, 2007).

commercial use because MP3 users can pack thousands of songs together in a small MP3 file.<sup>27</sup> With the feature of MP3, people can compress CD-quality sound by the simple procedure of turning a 40MB CD track into a 4MB MP3 file. The MP3 files can be easily stored into the computer hard drive and played in the computer with the installment of certain MP3 players, such as Winamp (released in 1997).<sup>28</sup> Specially, the software is usually free to obtain on websites.

In addition, the digital form is broadly exercised in the entertainment field. The digital files are widespread for the purpose of freely swapping with other computer users through the Internet. Of course, the copyright-based industries are not happy to see the abuse of MP3 technology, which is severely threatening their business.

### **1.2.2 The Advantages of Utilizing Digital Formats**

Digital technologies have generally replaced the traditional analog method in representing copyrighted works due to the four significant advantages.<sup>29</sup> With those unique functions, digital technologies continue to improve the capacity of

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<sup>27</sup> See MP3, TechEncyclopedia, <http://www.techweb.com/encyclopedia/defineterm.jhtml?term=mp3&x=27&y=13> (last visited April 15, 2007).

<sup>28</sup> "Winamp" is a proprietary media player written by Nullsoft, a subsidiary of Time Warner, see Winamp, Wikipedia, <http://en.wikipedia.org/wiki/Winamp> (last visited April 15, 2007).

<sup>29</sup> Professor Goldstein considers three attributes that make the digital form irresistible: fidelity, facility, and ubiquity. See PAUL GOLDSTEIN, *COPYRIGHT'S HIGHWAY: FROM GUTENBERG TO CELESTIAL JUKEBOX*, 163 (Revised ed., Stanford University Press 2003).

storing and transmitting information. More and more works are digitalized to reach economic efficiency in markets.<sup>30</sup>

First, the digital format is just simply to be reproduced. For example, a music CD can be converted into a digitalized expression (i.e., bits of 0s and 1s) within minutes and stored on computer. The computer then enables easy and repeated reproduction of digitized musical files as long as only inputting computer instructs. With the unique feature of digital technology, it becomes more feasible to make large-scale copies of the digitalized content. Consequently, copyright holders would employ measure, known as digital rights management (DRM)<sup>31</sup>, to control the access to digital work or device.<sup>32</sup>

Second, digital technology makes it possible to transfer small digital files that pack the amount of information through the Internet. In the circumstance, the users of digital technology play dual roles at the same time — consumers and distributors. Such widespread distribution nearly collapses the control of

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<sup>30</sup> For example, the online bookstore is not just a dream anymore. In 2000, the first electronic book, “Riding the Bullet” by Stephen King, debuted on a website available for download. See Riding the Bullet, Wikipedia, [http://en.wikipedia.org/wiki/Riding\\_the\\_Bullet](http://en.wikipedia.org/wiki/Riding_the_Bullet) (last visited July 10, 2007).

<sup>31</sup> Fred von Lohmann, *FairPlay: Another Anticompetitive Use of DRM*, Electronic Frontier Foundation (EFF), May 25, 2004, <http://www.eff.org/deeplinks/2004/05/fairplay-another-anticompetitive-use-drm> (last visited July 4, 2007).

<sup>32</sup> See *Universal City Studios, Inc. v. Corley*, 273 F.3d 429, 436-37 (2<sup>nd</sup> Cir. 2001) (In 1996, Universal City Studio Inc. developed the Content Scrambling System (CSS), one kind of encryption technology, to protect the content DVD and to extend the sales of DVDs).

right-holders over their copyrighted works.<sup>33</sup> When the right-holders notice the unauthorized use of the copyrighted works, they may have been spread fast and privately over the world.

In the digital environment, therefore, copyright holders have no longer monopolized the sources to access to copyrighted works. The advanced technologies offer the consumers alternatives to break the copyright holders' barriers. In some cases, however, the use of such technology results in copyright infringement when consumers or distributors use the works without right-holders' consent.

Additionally, compared to the traditional method, the digital format is more economically efficient. Before the digitized format obtained widespread popularity, people usually preserved data through tangible mediums such as documents, negatives or cassettes. Indeed, more space and cost were needed to keep the data workable. For instance, Wikipedia, a major online encyclopedia provider, has a giant database that collects the intellectual information, even more than encyclopedia.<sup>34</sup> Converting data into the digital expression, it is beneficial to save in cyberspace. The marginal cost of digital storage is quite low so that the traditional method to store spare copies or collective materials in tangible format has

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<sup>33</sup> *Id.*

<sup>34</sup> See Main Page of Wikipedia, [http://en.wikipedia.org/wiki/Main\\_Page](http://en.wikipedia.org/wiki/Main_Page) (last visited May 15, 2007).

partly been replaced.

The forth advantages of using digital format is that the accessibility by digital technologies to copyrighted works is much better than the past. In a word, the digital file is easily accessed through popular digital devices. The digital device usually adds various functions in a single machine and is not too expensive for the public. For example, the DVD player, computer, or iPod are available and competitive in the business markets, and consumers depend on them to play audio or video works. As a result, the advance of digital devices greatly prompts the popularity of exploiting digital content.

### **1.2.3 Internet Networks**

Human beings never give up the dream in pursuant of a safer and faster method to transfer information. Before the Internet became a worldwide information infrastructure, geography has been the most serious barrier that scientists were eager to overcome. Until the commercialization of the Internet taking place the early 1990s,<sup>35</sup> common people cannot enjoy the advantages which Internet technology may bring about.

There is no complete definition for the Internet that interconnects numbers of computers to provide for information to the users. People may observe the

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<sup>35</sup> See GAIL L. GRANT, UNDERSTANDING DIGITAL SIGNATURES: ESTABLISHING TRUST OVER THE INTERNET AND OTHER NETWORKS, 5 (Computing McGraw-Hill 1998).

network from different angles and describe it with personal experience.

Nonetheless, the advent of the Internet symbolizes that communities are confronting the trend of globalization to some extent. Today, as many as billions of individuals have access to the information and tools of the Internet.<sup>36</sup> They are able to send messages by electronic mail (abbreviated “e-mail” or, often, “email”)<sup>37</sup> to others’ e-mail boxes, which are set up and provided by Internet service providers through the network.<sup>38</sup> In short, the blooming network not only abridges the time to communicate but also improves the flow of information in the global world.

Like a kaleidoscope, the virtual world created on Internet network contains a variety of issues as reality. To analyze the issues over Internet, it is necessary to start with the background of the network in a historical perspective. The advantages of utilizing Internet would also be provided later.

### **1.2.3.1 The Origin of Internet Networks**

The emergence of Internet can be traced back to the beginning of the “Cold War.”<sup>39</sup> The original model of the network was designed for the purpose of

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<sup>36</sup> See Internet Usage Statistic, InternetWorldStats, <http://www.internetworldstats.com/stats.htm> (last visited July 15, 2007).

<sup>37</sup> In 1972, the first email in the world was invented and sent by Ray Tomlinson. For more details, see Ray Tomlinson, Wikipedia, [http://en.wikipedia.org/wiki/Ray\\_Tomlinson](http://en.wikipedia.org/wiki/Ray_Tomlinson) (last visited July 8, 2007).

<sup>38</sup> The major internet service providers, Google, Yahoo, and MSN, extend their empire with the growth of network to every country using the infrastructure.

<sup>39</sup> “The Cold War was the period of conflict, tension and competition between the United States and the Soviet Union and their allies from the mid 1940s until the early 1990s. Throughout the period, the

national defense; at that time, the United States was under the threat of nuclear attack by the Union of Socialist Soviet Republics (USSR).<sup>40</sup> The network was an experimental communications network devised as part of a system to guarantee uninterrupted communications in the event of a nuclear war.<sup>41</sup>

In this concern, the U.S. government was motivated to create an ideal communication architecture not dependent on a central institute running for the function because it will be the first target that the enemy wants to destroy. To ensure the communication system is able to remain workable in the country under the nuclear war attacks, the idea, proposed by Paul Baran<sup>42</sup>, effectively avoids the deficiency of the model with the control center by allowing each node to send packets uniting information to transfer data independently.<sup>43</sup> Today, the method of

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rivalry between the two superpowers was played out in multiple arenas: military coalitions; ideology, psychology, and espionage; military, industrial, and technological developments, including the space race; costly defense spending; a massive conventional and nuclear arms race.” See Cold War, Wikipedia, [http://en.wikipedia.org/wiki/Cold\\_War#\\_note-0](http://en.wikipedia.org/wiki/Cold_War#_note-0) (last visited Jun, 27, 2007).

<sup>40</sup> The Union of Soviet Socialist Republics was formed in 1922 and dismembered in 1991. See Soviet Union, Wikipedia, [http://en.wikipedia.org/wiki/Soviet\\_Union](http://en.wikipedia.org/wiki/Soviet_Union) (last visited Jun, 27, 2007).

<sup>41</sup> Michael A. Fixler, *CyberFinance: Regulating Banking on the Internet*, 47 Case W. Res. 81, 82 (1996).

<sup>42</sup> In 1959, Paul Baran began to think about ways to make America's communications infrastructure resistant to a nuclear attack. He initially proposed the idea to establish a decentralized communication system that includes many “nodes” doing equivalent jobs in the network: sending and receiving information. See Brian Vuyk, *The Influence of Paul Baran on the Development of the Internet*, InfoHatter.com, [http://www.infohatter.com/article\\_list](http://www.infohatter.com/article_list) (last visited October 20, 2006).

<sup>43</sup> KATIE HAFNER, WHERE WIZARDS STAY UP LATE: THE ORIGINS OF THE INTERNET, 65 (Publishers Wkly, 1996).

transmitting messages between individuals has entered a new era breaking digital information into small chunks, or packets, and sending them separately over the network and enabling the network to work even when partly destroyed.

### 1.2.3.2 Development of the Network

In 1962, J.C.R. Licklider of MIT first conceived the idea of building a global network of computers for social interaction.<sup>44</sup> The concept, much like the Internet of today, was consequently adopted by Advanced Research Projects Agency (ARPA), the central unit responsible for the development of new technology for use by the military.<sup>45</sup> A series of papers to develop the computer network were published in the 1960s so that the network which can communicate under an incomplete status had generally implemented.<sup>46</sup> Meanwhile, the major contributor commonly recognized as “God of the net”<sup>47</sup>, Jonathan B. Postel (1943-1998)<sup>48</sup>, started to devote himself to make Internet network progress with an experimental

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<sup>44</sup> Barry M. Leiner, et al., *Histories of the Internet*, Internet Society, <http://www.isoc.org/internet/history/brief.shtml> (last visited October 17, 2006).

<sup>45</sup> Advanced Research Projects Agency is currently known as the Defense Advanced Research Projects Agency (DARPA). See ARPA-DARPA: The History of the Name, Defense Advanced Research Projects Agency (hereinafter DARPA), [http://www.darpa.mil/body/arpa\\_darpa.html](http://www.darpa.mil/body/arpa_darpa.html) (last visited October 17, 2006).

<sup>46</sup> See Barry M. Leiner, et al., *supra* note, 44.

<sup>47</sup> The Economist magazine shortened that “if the Net does have a God, he is probably Jon Postel.” See *Sci/Tech “God of the Internet” Is Dead*, BBC News, October 19, 1998, <http://news.bbc.co.uk/1/hi/sci/tech/196487.stm> (last visited Sept. 3, 2007).

<sup>48</sup> Jon Postel Memorial, Internet Society, <http://www.myri.com/jon/> (last visited October 17, 2006).



computer network called "ARPANet", a project funded by the U.S. Department of Defense (DOD) in 1969, which was to form the basis the Internet connections.<sup>49</sup>

The later success of protocols and standards for setting Internet standards are almost attributed to his endeavors.

DARPA continued to work on developing network software with different networking schemes. Indeed, the complex physical connections need a management system to facilitate the transmission. That means the infrastructure of the network is functioned by its interconnections and routing policies, such as protocols that describe how to exchange data over the network or multi-lateral commercial contracts. In the 1970s, the mature version of networking protocol, TCP/IP (Transmission Control Program and Internet Protocol IP)<sup>50</sup>, was proposed by Bob Kahn and further developed by Kahn and Vint Cerf at Stanford.<sup>51</sup> These two standard networking protocols replaced the Network Control Protocol (NCP)<sup>52</sup> and became the official protocol of the Internet in 1983.<sup>53</sup>

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<sup>49</sup> *Development: V. The Domain Name System: A Case Study of the Significance of Norms to Internet Governance*, 112 Harv. L. Rev. 1657, 1660 (1999).

<sup>50</sup> The TCP and IP protocols are the world's most popular Internet protocol suite because they can be used to communicate across any set of interconnected networks.

<sup>51</sup> See Barry M. Leiner, et al., *supra* note, 44.

<sup>52</sup> See Network Control Program, Wikipedia, [http://en.wikipedia.org/wiki/Network\\_Control\\_Program](http://en.wikipedia.org/wiki/Network_Control_Program) (last visited September 3, 2007).

<sup>53</sup> Walt Howe, *A brief History of Internet*, Walt Howe's Internet Learning Center, last updated January 16, 2007, <http://www.walthowe.com/navnet/history.html> (last visited July 12, 2007) (The author is a frequent speaker, conference organizer, and Internet trainer and previously on the Organizing

Because Internet has generally grown beyond its primary purpose- for military use, in 1981, the National Science Foundation (NSF)<sup>54</sup> commenced to establish the Computer Science Network (CSNET) that constructed a university network backbone that would later become the NSFNet.<sup>55</sup> When an upgraded network, NSFnet, was accomplished by NSF in 1986, it successfully became the backbone of Internet.<sup>56</sup> With the advance of communication infrastructure, the network may provide powerful leverage for the ability to find, manage, and share information. Use of the term “Internet” to describe a single global TCP/IP network also originated around this time.<sup>57</sup>

Another significant communication infrastructure innovated in the decade is well known as “World Wide Web (WWW)”, designed by Tim Berners-Lee’s team working at CERN.<sup>58</sup> The W.W.W. provides the function of interlinking and hyper

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Committee for Computers in Libraries and Internet Librarian).

<sup>54</sup> “The National Science Foundation (NSF) is an independent federal agency created by Congress in 1950 to promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense...” See About the National Science Foundation, National Science Foundation (NSF), <http://www.nsf.gov/about/> (last visited July 13, 2007).

<sup>55</sup> See A Brief History of NSF and the Internet, National Science Foundation (NSF), August 13, 2003, [http://www.nsf.gov/news/news\\_summ.jsp?cntn\\_id=103050](http://www.nsf.gov/news/news_summ.jsp?cntn_id=103050) (last visited July 13, 2007).

<sup>56</sup> See Barry M. Leiner, et al., *supra* note, 44.

<sup>57</sup> See Internet, Wikipedia, <http://en.wikipedia.org/wiki/Internet> (last visited July 12, 2007).

<sup>58</sup> CERN in Geneva, Switzerland is also known as the European Organization for Nuclear Research. The laboratory operated by CERN is referred to as the European Laboratory for Particle Physics. See The name CERN, European Organization for Nuclear Research, <http://public.web.cern.ch/Public/en/About/Name-en.html> (last visited July 12, 2007); In regard to the Tim Berners-Lee’s contribution to Web, see Ben Segal, *A Short History of Internet Protocols at CERN*,

linking over the Internet. In spite of the advancement of Internet network, it was still funded by the government and primarily used for non-commercial use before the 1990s.

The commercialization of Internet network took place in the last ten years of the twentieth century.<sup>59</sup> The network derived from the U.S. government started to expand its domination to private fields. That is to say, commercial power brought the Internet from government offices into family homes. In this period, people started writing e-mails and sent messages over the Internet. The trend represents that the Internet has broken the barriers of communication for human beings. As of March 10, 2007, 1.114 billion people used the Internet according to Internet World Stats.<sup>60</sup> In Taiwan, 15.23 million residents have experiences surfing the Internet as of February 2007, and the number has been steadily increasing.<sup>61</sup> Computer users are capable of communicating to each other and connecting to the cyber resources in the virtual world.

### **1.2.3.3 The Advantages of the Utilizing Internet Technologies**

First, the fast transmission of information leads communication over the

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April, 1995, <http://ben.home.cern.ch/ben/TCPHIST.html> (last visited July 14, 2007).

<sup>59</sup> See Barry M. Leiner, et al., *supra* note, 44.

<sup>60</sup> See Internet Usage Statistic, *supra* note 36.

<sup>61</sup> See 2007 Internet Broadband Usage Adoption in Taiwan, Taiwan Network Information Center, <http://www.twnic.net.tw/download/200307/200307index.shtml> (last visited July 15, 2007).

network beyond geographical limitations. The Internet network makes it possible for computer users who seek “real-time”<sup>62</sup> results in communication.

Second, the computer users who use the technology are allowed to be “anonymous.” Linking to the network, any user may simultaneously send and receive without identifying himself.

Third, the digital expression causes fewer errors in communication since the system relies on the mechanism of digital equipment more than labor. The process would barely be interfered with by artificial factors.

Finally, convenience is a prominent advantage that the Internet provides over traditional communication; therefore, computer users no longer have to be experts in science to use the Internet. They can enjoy most of the interests from using the network by just figure clicking. The website depends on a search engine to allow users to compare relevant materials and find quick and accurate results. In reality, the online virtual encyclopedia saves a lot of space and time for a researcher to carry out his study.

### **1.3 Legal Issues of the Study**

The study would analyze three significant issues in regard to reform the amendments of Taiwanese copyright act in 2007. The first one is whether the

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<sup>62</sup> See EDWARD SAMUELS, *THE ILLUSTRATED STORY OF COPYRIGHT*, 102-3 (Thomas Dunne Books, 2000).

descriptions of the elements of new provisions are proper when the theory of inducement infringement is transplanted to copyright legislation of Taiwan.

Secondary, the Taiwanese government transplanted the civil liability as a specific crime with a fixed term of up to two years of imprisonment; moreover, article 97bis of the copyright act of the Republic of China empowers the Ministry of Economic Affairs to take active actions — terminating the illegitimate business in the hope that the action by competent authority can timely and effectively halt infringing activities and prevent damages being enlarged. Decriminalization of the provisions would be suggested because the relatively stern criminal punishment confines the developing Internet technology and suppresses the enterprises doing online business.

Third, in the long run, an enactment independent of copyright can be a practicable alternative to existing copyright law in order to resolve the uncertainty of law. It is appropriate for legislation to codify the theory of indirect liability so as to eliminate the gray zone of legal uncertainties rather than leave the debates to the courts, where diverse holdings were reached.<sup>63</sup>

To exam the legitimacy, it is necessary to be aware that evolution of

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<sup>63</sup> See Press Release, the Intellectual Property Office, Ministry of Economic Affairs, July 14 2007, [http://www.tipo.gov.tw/copyright/copyright\\_news/960711/p2p](http://www.tipo.gov.tw/copyright/copyright_news/960711/p2p) 新聞稿-960614 ( 中文版-掛局網 ) .doc (last visited February 2, 2008).

copyright law, cooperation of international copyright regime, and most important, the ultimate goal of Taiwanese copyright act--promoting the development of national culture.<sup>64</sup>

### 1.3.1 The Tension between Copyright and Technology

Historically, there is tension between copyright holders and technological changes.<sup>65</sup> From the printing machine<sup>66</sup> to the Internet,<sup>67</sup> while a new technology is invented to facilitate the reproduction and distribution of copyrighted works, copyright holders would seek protection from copyright system to enhance their control over the works because of the fear of losing dominance. That means not only using their work without their consent but also losing the profits of license. In press, for instance, other publishers could begin printing, distributing records successfully, and undercutting the price of the original distributor. The free-riders would greatly reduce the incentive to invest in new works. Who would like to farm the land without harvest? Consequently, copyright law initially represented the printing press and then extended to other creative works, e.g. photography,

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<sup>64</sup> Copyright Act of Republic of China, art. 1.

<sup>65</sup> Professor Lessig considered that "copyright has been always at war with technology." See LAWRENCE LESSIG, CODE AND OTHER LAWS OF CYBERSPACE, 124 (Basic Books 1999).

<sup>66</sup> Printing was first conceived and developed in China. A Chinese writer named "Fenzhi" first mentioned in his book "Yuan Xian San Ji" that the woodblock was used to print Buddhist scripture during the Zhenguan years (627~649 A.D.). But at that time, China did not have the idea of copyright.

<sup>67</sup> See Richard A. Horning, *Has Hal Signed a Contract: The Statute Of Frauds in Cyberspace*, 12 Santa Clara Computer & High Tech. L.J. 254, 257-60 (1996).

motion pictures and sound recordings.

The emergence of new digital technology brings not only changes but also challenges to copyright law. The advent of digital technologies has dramatically impacted copyright protection with its unique features: easy and massive scale reproduction of copyrighted works but also free distribution. Not everyone is excited about the new technology because the modern communication model would allow unauthorized taking of copyrighted objects far easier than ever before. According to the research report by Motion Picture Association of America (MPAA), piracy cost the worldwide motion picture industry an estimated \$ 18.2 billion in 2005.<sup>68</sup> If they were unwilling to invest, the public would be denied access to valuable creative works.<sup>69</sup>

On the other hand, going too far is as bad as not going far enough. Given copyright holders absolute monopoly in reproducing and distributing works created, the public would have to pay higher prices for using work or, potentially, everyone could be charged with infringing copyright in daily life. Particularly in the digital age, multiple interested parties including creator of works, owner of media, inventor

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<sup>68</sup> See MPA & LEK, *The Cost of Movie Piracy 2005*, at 9 (LEK is an international strategy consulting firm, which surveyed 20,600 movie consumers in 22 countries using focus groups and telephone, internet and in-person interviews. Those surveyed were movie watchers).

<sup>69</sup> See David Nelson, *Free The Music: Rethinking the Role of Copyright in an Age of Digital Distribution*, 78 S. Cal. L. Rev. 559, 565 (2005).

of technology and customer represent various social values and public interests that shouldn't be ignored in the business of digital contents. For instance, too much restriction would cause chilling effects on innovation of technology. Frankly, technology is neutral in nature. The infringement of copyright is resulted from conductors' illegitimate use of the technology but not technology itself.

Noted that the first goal that copyright law purports to achieve is to maximize social benefits, legislators must truly realize creation is the very source for developing culture so that it is worthy to be encouraged in any society.<sup>70</sup>

Whether or not, it is not an easy task for them to determine which parties deserve more protection instead of losing justice.

### **1.3.2 The Viewpoint of Comparative Law**

In order to deal with the circumstances that confuse courts of Taiwan when applying the existing copyright principles to the unforeseeable category of copyright infringement, indirect liability, the Taiwanese legislative enacted the amendment of 2007 which imitates theory of inducement liability found in *MGM. v. Grokster*.<sup>71</sup>

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<sup>70</sup> For example, in American aspect, Justice Stewart stated "[t]he immediate effect of our copyright law is to secure a fair return for author's creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the public goods." See *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

<sup>71</sup> The Supreme Court held "[o]ne who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties." See *Grokster*, *supra* note 11, at 912.



As a result, the 2007 amendment considers not illegal users of copyrighted works should be liable for the unauthorized use of copyrighted works but also the defendants who provided assistance to peer-to-peer file-exchange should be liable for secondary infringement even though they are not involved in the copying or transmission of the files being shared.<sup>72</sup>

However, it is doubted that the legislation is so suitable that the purpose of copyright act would be reached or if copyright protection and public welfare retains balanced in the legislation. In respect to the elements of inducement infringement found in Grokster case, Professor Lessig criticized that “[i]t might take 10 years of litigation to get a clear sense of this. That’s 10 years of chilled innovation.”<sup>73</sup> It is inconclusive whether the elements of liability for technological providers are established as the opponent suggests, with high standards, Taiwanese legislators attempted to clarify the problems of application of third parties’ liability by means of confining the subjective and objective elements to certain.

Moreover, compared to the situation of copyright products economically, the United States is the largest economic body exporting billions of copyrighted

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<sup>72</sup> *See id.*

<sup>73</sup> Larry Lessig, among others, has suggested that the Grokster decision will have a chilling effect on innovation. *See* Rob Hof, *Larry Lessig: Grokster Decision Will Chill Innovation*, Business Week Online, June 28, 2005, [http://www.businessweek.com/the\\_thread/techbeat/archives/2005/06/larry\\_lessig\\_gr.html](http://www.businessweek.com/the_thread/techbeat/archives/2005/06/larry_lessig_gr.html) (last visited November 15, 2007).

products to other nations every year.<sup>74</sup> Considering the development of national economy, the net import countries of copyright products would ordinarily resist importing the whole copyright values of countries from the opposite side because it may not be justifiable to put into the competitors' shoes. For the same token, Taiwanese government should be prudential as importing the copyright concepts from foreign legislation and precedents.

### 1.3.3 The Viewpoint from International Copyright Law

Legislation of Taiwan have been concerned much about the trend of international copyright law and the obligation of international society, which is so significant that they should keep in mind because the effects of digital technologies on copyright law have been widely spread beyond borders with development of the Internet. If countries reach consensus on peer-to-peer transmission while they confront such copyright piracy on the Internet, one country cannot enforce her domestic law to protect her citizens' copyright in the other country in which the infringer is conducting infringing acts. In response to this, multipartite cooperation of international copyright institutions is necessary to succeed in extending national

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<sup>74</sup> In recent years, the amount of total foreign sales for the U.S. core copyright industries including the sound recording industry, the motion picture industry, the computer software industry and the non-software publishing industries which include newspapers, books and periodicals is consistently increasing. According to the IIPA report, the actual revenue generated from foreign sales by the U.S. core copyright industries was at least \$98.92 billion in 2003, \$106.23 billion in 2004 and \$110.82 billion in 2005. See Copyright Industries in the U.S. Economy 2006, *supra* note 6, at 13.

copyright law to foreign country.

In the current milieu, developed and developing countries in the world have started to look at the disputes arisen among peer-to-peer users, software distributors and copyright holders. However, due to the conflicting cultural, economic, and political values between nations, it's relentless to request international copyright institutions find a perfect copyright system accepted by all the countries in the world. To reach a satisfactory result, international community has undertaken to fill the gap of copyright that new technologies caused by means of international conventions including the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention),<sup>75</sup> the World Trade Organization Agreement on Trade Related Aspects in Intellectual Property Rights (TRIPs Agreement)<sup>76</sup> and two Internet Treaties<sup>77</sup>, the WIPO Copyright Treaty (WCT)<sup>78</sup> and the WIPO Performance and

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<sup>75</sup> Berne Convention for the Protection of Literary and Artistic Works, done on September 9, 1886, 12 Martens Nouveau Recueil (ser. 12) 173, Additional Act and Declaration of Paris, done on May 4, 1896, 24 Martens Nouveau Recueil (ser. 12) 758, Berlin Revision, done on November 13, 1908, 1 L.N.T.S. 217, Additional Protocol of Berne, done on March 20, 1914, 1 L.N.T.S. 243, Rome Revision, done on June 2, 1928, 123 L.N.T.S. 233, Brussels Revision, done on June 26, 1948, 331 U.N.T.S. 217, Stockholm Revision, done on July 14, 1967, 828 U.N.T.S. 221, Paris Revision, done on July 24, 1971 [hereinafter Berne Convention].

<sup>76</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments - Results of the Uruguay Round vol. 31, 33 I.L.M. 81 (1994) [hereinafter TRIPs Agreement].

<sup>77</sup> Both of treaties are implemented to relieve copyright holders' worries that the threat of piracy may have resulted in serious economic damages.

<sup>78</sup> WIPO Copyright Treaty, December 20, 1996, 36 I.L.M. 65 [hereinafter WCT].

Phonograms Treaty (WPPT),<sup>79</sup> drafted by the World Intellectual Property Office (WIPO).<sup>80</sup>

Noteworthy, intellectual property protection is not only for justice but also for economic reason. The disputes on intellectual property rights between nations are usually associated with conflicts of international trade. For the sake, the World Trade Organization (WTO)<sup>81</sup>, which is set for ensuring a fair trading environment between WTO member countries under the frame of WTO, implemented of the TRIPs Agreement to deal with the trade-related conflicts among member countries.<sup>82</sup> In other words, all signatories are obligated to ensure their domestic law complies with the TRIPs Agreement for intellectual property protection.

Realizing that, to be a part of the world trading system nations had to respect to intellectual property, Taiwan began to look at intellectual property protection not necessarily as a concession, but perhaps as something she could use for her own economic development. For copyright, Taiwan has constantly adhered

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<sup>79</sup> WIPO Performances and Phonograms Treaty, adopted December 20, 1996, 36 I.L.M. 76 [hereinafter WPPT].

<sup>80</sup> Convention Establishing the World Intellectual Property Organization, July 14, 1967, 21 U.S.T. 1770, 828 U.N.T.S. 3 [hereinafter WIPO Treaty] (The WIPO is a specialized agency of the United Nations, which administers intellectual property treaties, serves as a forum for treaty drafting, conclusion, and revision, and provides technical assistance for the drafting of domestic intellectual property legislation, WIPO, <http://www.wipo.org> (last visited December 12, 2007).

<sup>81</sup> World Trade Organization, <http://www.wto.org> (last visited October 19, 2001) [hereinafter WTO].

<sup>82</sup> See The Preamble of the TRIPs Agreement, *supra* not 76.

to the trend of international copyright law to amend national copyright act in dealing with the problems resulted from technological changes. Accessing to WTO is the most important event that influences Taiwanese legislative policies for intellectual property protection; therefore, the Legislative Yuan of Republic of China passed fifty-five copyright amendments in light of the protocol of Taiwan's WTO accession,<sup>83</sup> where Taiwan promised to enlarge authors' rights on the works and provide more comprehensive protection for foreign works. The advanced Taiwanese copyright legislation has surely complied with the obligations of international copyright conventions.

In this concern, it is necessary for Taiwanese government to consider its copyright policy under the interaction between national domestic law and obligations of international copyright conventions.

#### **1.4 The Motive and Purpose of the Study**

Like a kaleidoscope, the virtual world created on Internet network contains a variety of issues as reality. It is too chaotic to be regulated well with the popularization of the network because when experiencing the advantages of digital

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<sup>83</sup> See Accession of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu - Decision of November 11, 2001, WT/L/433; see also WTO NEWS, WTO successfully concludes negotiations on entry of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, *available at* [http://www.doc.trade.gov.tw/BOFT/ekm/browse\\_db/OpenFileService\\_CheckRight.jsp?file\\_id=3750&context=sqlserver](http://www.doc.trade.gov.tw/BOFT/ekm/browse_db/OpenFileService_CheckRight.jsp?file_id=3750&context=sqlserver) (last visited December 23, 2007).

technology--quickly and conveniently communication—bursting information also travels over the network.<sup>84</sup> Regulating digital technology has become an urgent task that governments have to commence.

On April 11, 2001, the first case banning illegally downloading copyrighted music occurred in Taiwan.<sup>85</sup> The prosecutor of Tainan District Prosecution Offices entered student dormitory of National Cheng Kung University in Taiwan to search for illegitimate use of copyrighted musical works since the International Federation of the Phonographic Industry (IFPI) in Taiwan<sup>86</sup> accused that the college students infringed copyright by unauthorized use of their musical works. Instead, the students claimed that they were innocent because they did the same thing like others. Found the illegitimate musical works stored with MP3 format in fourteen computers,

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<sup>84</sup> For instance, information security is the process of protecting data from unauthorized access, use, disclosure, destruction, modification, or disruption. The terms information security, computer security and information assurance are frequently used interchangeably. These fields are interrelated and share the common goals of protecting the confidentiality, integrity and availability of information.

<sup>85</sup> The fact of the disputed case is known as “Cheng Kung University Event.” The defendants involving the case are college students of National Cheng Kung University. They acted like most of young students using college’s network to download MP3 music and movies and store the electronic files in their own hard drives. It happens very often at campus because students are likely to “save money” because legal CDs or software are unaffordable to them. This case caught much attention in the society because it is very rare that the prosecutor searched campus and arrested college students. The procedure taken brought the discussion on privacy and freedom of campus. *See* Chen, Rong-Yu & Zhao, Ya- Fen, Compromise between Parties of Cheng Kung University Event, Chinatimes, August 17, 2001.

<sup>86</sup> *See* International Federation of the Phonographic Industry (IFPI) in Taiwan, <http://www.ifpi.org.tw/> (last visited November 22, 2007).

the prosecutor considered that the students would be charged of infringement of copyright.<sup>87</sup> Although the Cheng Kung University case ended up with defendants' apologies and no litigation, it has evoked a significant question regarding to copyright infringement through digital technology in Taiwan.

Adjusting legal system of copyright is vigorously in need in the twenty-first century. The abuse of technology has severely damaged the copyright-related industries not only in Taiwan, but also in the United States.<sup>88</sup> Indeed, the lawsuits filed against modern P2P transmission are fairly unprecedented to courts when facing the tension between copyright holders and technology innovators. Therefore, the technological changes provide an enlightened motivation to develop the analysis on whether the approach that legislators and courts take would harmonize private property rights and public interests.

Through the arguments, there are meaningful goals the study attempts to achieve. It is essential for the study to make clear the historical contexts of copyright which provides a broad view on how the new technology impact copyright law. The study would also propose a deliberate suggestion for

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<sup>87</sup> See Chen and Zhao, *supra* note 84.

<sup>88</sup> See Courtney Macalister, *Recording Industry Sues Music Start-Up, Cites Black Market*, C/NET NEWS.com, December 7, 1999, [http://news.com.com/Recording+industry+sues+music+start-up%2C+cites+black+market/2100-1023\\_3-234092.html?tag=item](http://news.com.com/Recording+industry+sues+music+start-up%2C+cites+black+market/2100-1023_3-234092.html?tag=item) (last visited January 1, 2007).

Taiwanese government by virtue of analyzing and weighting the pros and cons of amendments for digital technology. Particularly, Taiwan is the first country embodying opinions of Grokster case in domestic copyright law; therefore, the comments on the appropriateness of the legislation would be highlighted hereby. The subjects cover the elements, policies and effects of the enactment. It is certainly meaningful to make such comparison in depth to identify the potential result of the future Taiwanese court's decisions relating to its recently adopted articles. Therefore, all we discuss will benefit the Taiwanese legislative in the future.

### **1.5 The Scope and Methodologies Employed in the Study**

To reach the aims above, the researching scope would include development of copyright law in historical spectrum and legislative background. Moreover, the study would also engage in research embracing technological and legal perspectives and employ proper methods to explore those fields. The legal analysis can be divided into domestic copyright laws and international copyright laws.

International copyright treaties and agreements are attributed to this part. The discussion would be associated with Taiwan's current status in the international organizations. Finally, the dissertation shall be mainly legal and policy-oriented.

To the maximum extent possible, political issues and new business models would be



set aside.

“Historical methodology”<sup>89</sup> is a major approach that the study employs to develop an analysis in-depth. On the view of historical methodology, the developments of law and technology have a common point to some extent -- they need the accumulation of prior knowledge and experience. In other words, both law and technology should be constructed on a consecutive basis that we're able to inherit and be enlightened. The methodology is also workable in philosophical perspective so that the theories behind copyright law would be discussed in historical order as well. In short, the exploration in history is helpful to understand the context of copyright legislation.

The other significant methodology heavily the dissertation relied on is comparative legal research. This study has been exercised on the basis of systematic documentary research and a comparative study using primary and secondary legal resources of Taiwan and the United States, and released documents of international organizations. Those materials cover official reports, statistic and academic papers in Chinese and English. Additionally, various sources such as

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<sup>89</sup> The historical methodology was refers to performs the system with the past related material the collection and the analysis one research technique. We may say that, the historical methodology was aims at has had the event, the affiliation extant material performs the system analysis one kind of research design. Its result might cause us according to full understanding the past, will forecast the future the direction.

books, journals, case studies, and statistics have been relied on. Researching websites is a great channel to obtain information as well. The data has been systematically organized and analyzed in the process of the comparative approach. A comparative analysis is, therefore, a significant approach carried out in this study.

There are two reasons that the U.S. copyright law system has been selected as the object for the research: one is the common law system of the United States leads to deal with copyright case caused by technological changes over the world because most of advanced technologies resulted in copyright disputes are initially used in the country.

The other reason is Taiwan has close relationship with the United States in corporation of protecting intellectual property rights.<sup>90</sup> The viewpoint from the U.S. copyright law is worthwhile to provide a comparative observation on digital dilemma in Taiwan, and of course, it must be helpful to find an ideal solution in comparison with the two unique legal systems.

Further, an understanding of foreign law in the field is an indispensable preliminary step to comparative analysis. The dissertation, therefore, would introduce fundamental copyright concepts of the home jurisdiction (Taiwan) and foreign jurisdiction (USA) in order to make the problem and suggested hypothesis

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<sup>90</sup> Agreement for the Protection of Copyright Between the American Institute in Taiwan and the Coordination Council for North American Affairs, July 16, 1993, AIT-CCNAA, KAV No. 4021.

clear.<sup>91</sup> In the meantime, to completely understand the difference between objected countries, the study cannot compare legal rules, institutions, or systems without knowing how they function.

### **1.6 The Structure of the Study**

The dissertation consists of six chapters. Chapter one is the introductory chapter and it describes the technological changes for human beings' communication in the digital age. This part would include the background of the digital technologies and Internet networks. Also, the chapter identifies the significant issues that would be answered through a comparative study. Of course, this chapter contains motive, purpose, and methodology relied on.

Chapter two discusses the origins of copyright as one of intellectual property rights from the viewpoints of philosophy. The descriptions of the theories behind intellectual property rights reveal legislator's different observations on copyright that definitely influence the explanations of national copyright law. The chapter then explores both Taiwan and the United States recognize copyright as a right granted by statutory in nature.

Chapter three highlights the historical contexts of development of copyright law in the United States. In this chapter, the discussion focuses on how

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<sup>91</sup> MARY ANN GLENDON, MICHAEL WALLACE GOREDON & CHRISTOPHER OSAKWE, *COMPARATIVE LEGAL TRADITIONS*, 11, (2<sup>nd</sup> ed., West Publishing 2002).

technological changes impact U.S. copyright law through the spectrum — from printing machine to P2P system. It also provides Congress and U.S. courts' responses to the challenges. Further, the analysis not only involves the patent and copyright clause of U.S. Constitution but also contains the framework of U.S. copyright law system, which might be subdivided to U.S. copyright statutory and common law.

Chapter four deals with the problems caused by digital technologies in perspective of international copyright law. The concentration of the discussion would be on major copyright conventions in the world: the Berne Convention, the TRIPs Agreement, and Internet treaties under the WIPO. Certainly, the chapter is helpful to identify the trend of international copyright law in the digital age.

Chapter five summarizes the amendments of Taiwanese copyright law in response to technological changes in recent years. Most important, the chapter addresses Taiwanese government's attitude toward the disputes of P2P technology in comparison with American aspects. The chapter engages in a comparative legal study on Grokster-like legislation of Taiwan. Both advantages and disadvantages of such legislation would be explored in this chapter.

The final chapter exams the P2P legislation with Bittorrent cases at first. After that, it concludes the Taiwanese copyright amendments cannot reach a

satisfactory result under article one of copyright act. At the end, the dissertation proposes suggestions for the Taiwanese government— a suitable enactment and decriminalization.

## Chapter 2: Copyright Law in Philosophical and Historical Perspectives

### 2.1 Intellectual Property Law

#### 2.1.1 Concept of Property

The word “property”<sup>1</sup> represents various meaning.<sup>2</sup> A common usage defines on property as an object, whereas two predominant viewpoints can to be identified when people use the word in different ways.<sup>3</sup> First, “[p]roperty in its strict sense a right, not a thing.”<sup>4</sup> In this viewpoint, property is considers a right but not physical resources themselves, especially in legal sense, property is frequently referred to the right of ownership. Referring to property as ownership has generally changed definition of this term. Today, the basic meaning of property becomes “property is the right of property.”<sup>5</sup>

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<sup>1</sup> The English word derives from the Latin “proprietas”, or “ownership,” in turn from “proprius”, which means “own” or “proper.” Charles Donahue, Jr., *The Future of the Concept of Property Predicted from Its Past*, in *Nomos XXII: Property*, 32 (J. Roland Pennock & John W. Chapman eds., 1980).

<sup>2</sup> WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY, 1818 (Philip Babcock Gove ed., 1986) (defining property pertinently as “something that is or may be owned or possessed: wealth, goods; specif: a piece of real estate”).

<sup>3</sup> See WILLIAM B. STOEBOCK & DALE A. WHITEMAN, *THE LAW OF PROPERTY*, 1-2 (3<sup>rd</sup> ed., West Group 2000).

<sup>4</sup> See WILLIAM BRIGGS, *THE LAW OF INTERNATIONAL COPYRIGHT: WITH SPECIAL SECTIONS ON THE COLONIES AND THE UNITED STATES OF AMERICA*, 7 (London: Stevens & Haynes 1906).

<sup>5</sup> Even in legal sense, scholars use the term without uniform definition.

Second, property further communicates the relations among people in regard to limited resources. That means property can be understood as the entity to which a person can own the right to prevent others from disturbing his enjoyment of the goods. In this viewpoint, property is a thing over which a right can be exercised. Black's Law Dictionary's definition of "property" — "the right to possess, use and enjoy a determinate thing"<sup>6</sup> — emphasizing the rights people can exercise over the property, is analogous to William Brigg's observation.<sup>7</sup>

Moreover, the concept of "property" plays an extremely significant role in establishing the foundation of modern business activity, particularly in digital age, whether property is limited to tangible objects or not, has given rise to different perspectives. In a narrow sense, property right includes nothing more than corporal property; on the other hand, the concept of property right may exist in tangible (physically accessible) or intangible objects under a broader vision.

Indeed, many properties do not concern "thingsness" at all, but intangible resources, such as copyright or trademark. A tangible object is the thing that can be physically touchable; e.g. land (real property), or a vehicle (chattel). In contrast, one of characteristics that intangible property is distinct from is "intangible nature." Right of intellectual property is affiliated with human beings' intellectual activity

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<sup>6</sup> BLACK'S LAW DICTIONARY, 1252 (8<sup>th</sup> ed., West Thomson 2004).

<sup>7</sup> See BRIGGS, *supra* note 4.

including an idea, reputation and even secrets. It is hard to say someone's thinking can be physically touchable or sensible because it features absolutely non-concrete object. Therefore, at least in a legal sense, the concept of "property right" may be commonly defined as "a right to specific property, whether tangible or intangible."<sup>8</sup>

### **2.1.2 Concept of Intellectual Property**

Intellectual property is a typical form of intangible property which indicates the subject matter is the product of the mind. Such products, for example, include songs, poems or movies. Basically, the creative works rooted in human's creation. The concept of intellectual property has been widely accepted in common law and civil law legal systems for a long time. In Black's Law Dictionary, "intellectual property" is defined as "a category of intangible rights protecting commercially valuable products of the human intellect."<sup>9</sup> If we emphasize only the commercial value of intellectual property, there is no question about whether to grant it the same protection as tangible property. Whereas, the excessive protection at the property level is most likely to cause damages to the public since the product representing creation is the basis of development of the human culture.<sup>10</sup>

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<sup>8</sup> BLACK'S LAW DICTIONARY, *supra* note 6, at 1348.

<sup>9</sup> *Id.* at 824.

<sup>10</sup> It is generally recognized that the principle purpose copyright law is to make society progress. Like copyright law, patent law encourages innovation for advance of technology. Trademark law and trade secret-related laws are created for fair competition in market that is the keystone of economic order.



To some extent, one must realize that property is about control, not possession. The abstract ideas and so forth that legislators intend to protect with intellectual property law are untouchable, not like physical property.<sup>11</sup> The questions doubting whether the protection scope of intellectual property is too much or not enough have been continually raised. How can the legal system prevent the products of mental activities from plagiarism? Thus, control does matter for intellectual property since possession of the products of mind does not mean a possessor is able to exclude others' use.

### **2.1.3 Features of Intellectual Property**

Analyzing the components of intellectual property, three remarkable features differentiate it from physical property: intangible, non-exclusive, and non-rivalrous.

1. Intangible: Essentially, intellectual property is a product of human creation, which ordinarily is expressed by means of a tangible medium. The object protected in law is the creation instead of the tangible object. That is to say, intellectual property law intends to grant protection to the expression of human's mental activities through but the object it fixes. For instance, one cannot touch and feel a copyright because it is intangible. A copyright has a presence wherever a

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<sup>11</sup> See Justin Hughes, *The Philosophy of Intellectual Property*, 77 Geo. L.J. 287, 294 (1998) (Professor Hughes emphasized that the idea must be generally unknown at the time proprietary).

tangible copy of the copyrighted work is transported and used. The abstract ideas can be expressed only through a tangible form to make it perceivable. If an audience wants to access the ideas created by the author, the book is a useful and reliable medium for his access. Thus, it is necessary for the author to express his ideas by writing them down if he wants to share them with others.

In addition, intellectual property is non-exhaustible, which means the use of the idea does not deplete or harm it. Consumption could exhaust the work, but it would not diminish the creation of the work. Under the feature of intangibility, possession of the physical embodiment (the works) does not mean you own the right to it. That means there is no exclusive right to abstract ideas for any paradigm of copyright and it is not required to convey the intellectual property right by delivering the works. Compared to tangible properties, the completeness of the object the owner occupies or possesses is protected in law, such as a house or a vehicle. Conveying or exercising the right over the properties usually requires delivery of the dominance of the tangible object.

2. Non-excludable: The most notable characteristic of intellectual property is "non-excludability."<sup>12</sup> The feature is really about the cost to refuse others' appropriation. In copyright cases, the author has to disclose his work to the

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<sup>12</sup> See Edwin C. Hettinger, *Justifying Intellectual Property, Philosophy and Public Affairs*, Volume 18, No. 1, 33-36 (Princeton University Press 1989).

public to acquire the rewards. At this point, it is much more difficult or nearly impossible for creators to exclude the unauthorized use of their creations. In contrast to other categories of property, it is feasible to exclude the trespasser because of the tangible embodiment in which owners may forbid infringement with less cost. For example, an owner of land may directly take his real estate under control and easily enforce his right against interference.

Especially in the Digital Age, it might be less possible to exclude free riders and piracy after the work is made public since it is inexpensive to reproduce or distribute the work. Computer users may repeatedly make copies by clicking and moving the mouse and sending the copies everywhere through the Internet. Even if the digital rights management (DRM) can be placed on every work to prevent plagiarism, it is costly for copyright holders. Professor Hettinger commented that the feature of non-excludability makes people feel less guilty about engaging in piracy of intellectual property since "it is not unjustified to exclude others from intellectual objects."<sup>13</sup> Consequently, creation of intellectual property can scarcely pay off in the market.<sup>14</sup> As soon as convenient technology leads to public use, it

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<sup>13</sup> *Id.* at 20.

<sup>14</sup> On the other hand, Professor Fisher argued that "...by empowering innovators to charge consumers more than the marginal cost of replicating their innovations, intellectual- property rights have the unfortunate effect of pricing some consumers out of market for the goods produced with those innovations. The result is a loss of the consumer surplus..." See William Fisher, *Intellectual Property and Innovation: Theoretical, Empirical, and Historical Perspectives*, Industrial Property, Innovation,

may cause creation to die.

3. Non-rivalrous: The unique characteristic is important to intellectual property because public good is fundamentally characterized by non-excludable and non-rivalrous.<sup>15</sup> Both characteristics make intellectual property law not belong to pure private law. Non-excludable is generally described as impossible to prevent anyone from consuming the good. For non-rivalrous, the feature shows consumption by one party does not reduce the ability of any other party to consume that good. Professor Fisher points out that the feature is the matter with resources. He said "enjoyment of them by one person does not prevent enjoyment of them by other persons."<sup>16</sup> For example, when you steal a vehicle, the former owner loses the vehicle. But if you copy a copyrighted work, the copyright holder loses nothing physical. The original creation is not being damaged and the work can be used or copied by more people. Hence, there is no danger that the value of ideas written in the book would be diminished after audiences' repeated reading. At this point, the idea could not be overused or overdistributed.<sup>17</sup>

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and the Knowledge-based Economy, *Beleidsstudies Technologie Economie*, Volume 37, (2001), PDF version is available at <http://cyber.law.harvard.edu/people/ffisher/iptheory.pdf> (last visited October 10, 2007).

<sup>15</sup> The opposite of a public good is a private good. A private good has the following properties:

1. Excludable: it is possible to exclude people from using it. 2. Rivalries: Consumption of it is rivalrous: in as much as one person uses or consumes it, another person cannot use or consume it.

<sup>16</sup> See FISHER, *supra* note 14, at 1.

<sup>17</sup> See ROBERT P. MERGER, PETER S. MENELL & MARK A. LEMLEY, *INTELLECTUAL*

To the extent, the competent use and distribution of the intellectual property, the ideas, are helpful to improve the culture of a society. For the sake, the more the work has been used, the more welfare it can contribute to society.

#### 2.1.4 Intellectual Property Legal System

Intellectual property is an increasingly significant and widespread form of ownership. But there is a question about what types of ownership should be granted to the creator of intellectual property. Typically, intellectual property law encompasses four principal legal fields: patent law, copyright law, trademark law and trade secret law.<sup>18</sup> The pertinent products of mind are being protected under the four areas of intellectual property law. The creator normally has an exclusive right over the use of his/her creation for a limited period of protection.<sup>19</sup> On the other hand, with the change of technology, the scope of intellectual property has been getting broader. The mighty need for ideal protection of creation forced the

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PROPERTY IN THE NEW TECHNOLOGICAL AGE, 2 (2<sup>nd</sup> ed., Aspen 2000).

<sup>18</sup> *Id.* at 8; *see also* ROGER E. SCHECHTER & JOHN R. THOMAS, INTELLECTUAL PROPERTY THE LAW OF COPYRIGHTS, PATENT, AND TRADEMARKS, 2-3 (Thomas West 2003) (Professor Schechter and professor Thomas assert that intellectual property law can consist of three principle categories: copyright and related right, which concerns artistic and literary works; patent, trade secrets and related rights for protecting innovation; trademark and related rights pertaining to commercial symbols).

<sup>19</sup> For instance, U.S. Patent Law grants twenty years protection for utility from filing and fourteen years for design patent. U.S. Copyright Law gives life of author plus seventy years as the period of protection. Trademark is subject to abandonment otherwise the protection is perpetual.

legal system to respond it immediately.<sup>20</sup>

In the aspect of international intellectual property law, intellectual property rights are given to persons for the creations of their minds, according to the definition of Trade-Related Aspects of Intellectual Property Rights (TRIPs)<sup>21</sup> and World Intellectual Property Organization (WIPO)<sup>22</sup>. They include “inventions, literary and artistic works, and symbols, names, images, and designs used in commerce.”<sup>23</sup> The TRIPs Agreement and WIPO also divide intellectual property rights into: (1) copyright and rights related to copyright; and (2) industrial property. The first category can be subdivided into copyright and rights related to copyright. The objects granted copyright include “literary works such as novels, poems and plays, films, musical works” and “artistic works such as drawings, paintings,

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<sup>20</sup> Professor Doris Estelle Long and Anthony D’Amato provide a detailed definition of intellectual property including all the categories above: (1) patents (2) trademarks (3) copyright (4) trade secrets and (5) industrial designs. *See* DORIS ESTELLE LONG & ANTHONY D’ AMATO, INTERNATIONAL INTELLECTUAL PROPERTY, 10 (West Group 2000).

<sup>21</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex IC, Legal Instruments - Results of the Uruguay Round vol. 31, 33 I.L.M. 81 (1994) [hereinafter TRIPs Agreement].

<sup>22</sup> Convention Establishing the World Intellectual Property Organization, July 14, 1967, 21 U.S.T. 1770, 828 U.N.T.S. 3 [hereinafter WIPO Treaty] (The WIPO is a specialized agency of the United Nations, which administers intellectual property treaties, serves as a forum for treaty drafting, conclusion, and revision, and provides technical assistance for the drafting of domestic intellectual property legislation, WIPO, <http://www.wipo.org> (last visited December 12, 2007).

<sup>23</sup> *See* What are intellectual property rights? TRIPs, [http://www.wto.org/english/tratop\\_e/trips\\_e/intel1\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/intel1_e.htm) (last visited September 30, 2007); *see also* What is Intellectual Property? WIPO, <http://www.wipo.int/about-ip/en/> (last visited September 30, 2007).

photographs and sculptures, and architectural designs.”<sup>24</sup> The copyright group regulates the works traditionally included in the copyright regime. The content of this group is in accordance with the copyright legislation of most countries.

As to rights related to copyright, it can be explained as those of performing artists in their performances, producers of phonograms in their recordings, and those broadcasters in their radio and television programs. The group of rights having connection with the application of new technology is sometimes referred to neighboring rights.<sup>25</sup>

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<sup>24</sup> *Id.*

<sup>25</sup> “Related rights,” or more correctly “rights related to copyright” are also known as “neighboring rights.” “Related rights” are the rights that belong to the performers, the producers of phonograms and broadcasting organizations in relation to their performances, phonograms and broadcasts respectively. See What is protection of related rights, WIPO, [http://www.wipo.int/about-ip/en/about\\_collective\\_mngt.html#P31\\_2900](http://www.wipo.int/about-ip/en/about_collective_mngt.html#P31_2900) (last September 30, 2007) ; In addition, “the purpose of related rights is legal interests of certain persons and legal entities who either contributes to making works available to public or produce subject matter which, will not qualify as “works” under the copyright systems of all countries, but express creativity or technical and organizational skill sufficient to justify recognition of a copyright-like property right.” See also Basic Notions of Copyright and Related Rights, WIPO, <http://www.wipo.int/copyright/en/activities/other.htm> (last September 30, 2007).

There are three major international conventions for the protection of performers, producers of phonograms and broadcasting organizations in international level: (1)1961 Rome Convention (The International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations), (2)1971 Geneva Convention (Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms), and (3)1974 Brussels Convention (Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite). However, situation of protecting related rights or neighboring rights are various. The United States merely joined the Geneva Convention and the 1974 Brussels Convention. The 1961 Rome Convention has not been ratified in the country. See CRAIG JOYCE, MARSHALL LEAFFER, PETER JASZI & TYLER OCHOA, COPYRIGHT LAW, 38 (7<sup>th</sup> ed., LexisNexis / Matthew Bender

With regard to industrial property, the TRIPs categorizes it as two significant branches. The first branch can be subdivided into “the protection of distinctive signs, in particular trademarks ... and geographical indications ...” and “other types of industrial property ... protected primarily to stimulate innovation, design and the creation of technology.” The protection defined under this branch emphasizes the identification of the origin of goods and the providers of products or service. Obviously, the laws have been designed for fair competition, such as trademark laws. The other branch of industrial property does not merely concern the encouragement of innovation of technology (patent law) but also expands the scope of protection to design and create technology (industrial designs and trade secret law).<sup>26</sup>

Until now, the uniform international protection of intellectual property has been absent.<sup>27</sup> Parts of countries simply adopt minimum protection for intellectual property rights in light of their policy in economic and cultural development.<sup>28</sup> The lawmakers of countries carefully scrutinize these institutions. It might be worthwhile to reinforce cooperation between nations to supply the domestic legal

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2006). For Taiwan, the law of copyright does not recognize the conception of related rights or neighboring rights.

<sup>26</sup> See TRIPs, *supra* note 21.

<sup>27</sup> See Hughes, *supra* note 11, at 293.

<sup>28</sup> *Id.*



structure in the situation.

## 2.2 Philosophies behind Intellectual Property Rights

This section introduces the threshold of intellectual property and places it in a philosophical context. The question about whether the creator should be given exclusive rights for creation and, if so, how much protection should be granted have perplexed generations of philosophers, economists, legislators, and judges.

While the concept of intellectual property rights has caught peoples' eyes, a lot of disputes between right holders and users have been raised in courtrooms. To explain the problems, theorists began to rethink a basic reason why we should grant the exclusive protection to creators. There are various theories trying to answer the philosophical question.<sup>29</sup> The discussion developed in this section explores the principle foundations for the protection of intellectual property by three important theories: natural right theory, personhood theory, and utilitarian / economic incentive. Through the understanding of these theories behind rules of intellectual property law,

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<sup>29</sup> The scopes of philosophic theories about intellectual property are different in scholars' descriptions. For example, Professor Fisher indicated that there four primary theories analyzing intellectual property: Labor Theory, Personality Theory, Utilitarianism, and Social Planning Theory. *See* Fisher, *supra* 10, at 8; Besides the four theories, professor Menell assorted more detailed to the theories writing about intellectual property including "Unjust Enrichment, Libertarian Theories, Districtive Justice, Democratic Theories and Ecological Theories." *See* Peter S. Menell, *Intellectual Property: General Theories*, Encyclopedia of Law and Economics, Volume II (Boudewijn Bouckaert & Gerrit de Geest eds., Edward Elgar Publishing 2000), PDF version is *available at* <http://www.dklevine.com/archive/ittheory.pdf> (last visited October 3, 2007).

it would be helpful to interpret why the copyright framework has been established as the model today.

### 2.2.1 Theory of Natural Rights

The natural rights theory is based on John Locke's labor-based theory that justifies the right of authors to reap the fruits of their creations and to obtain rewards for their contributions to society. The influential justification of natural rights theory remains a crucial part of the discourse in intellectual property jurisprudence.

John Locke (1632-1704),<sup>30</sup> an English philosopher, provided his unique thought on exploring the nature of self that has affected all the human beings in future generations. With respect to property rights, John Locke uses the word property to represent a wide range of human interests and aspirations. Besides, it also refers to material goods. He argues that property is a natural right and it is

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<sup>30</sup> John Locke (b. 1632, d. 1704) was a British philosopher, Oxford academic and medical researcher. People usually like to view him as one of the most influential Enlightenment thinkers and contributors to liberal theory. Locke was the first philosopher to define the self through a continuity of "consciousness." An Essay Concerning Human Understanding is Locke's work concerns itself with determining the limits of human understanding in respect to God, the self, natural kinds and a variety of different kinds of ideas. He also wrote amount of words discussing important political, religious and educational works such as the Two Treatises of Government, the Letters Concerning Toleration, The Reasonableness of Christianity and Some Thoughts Concerning Education. These works leave the later generations a clear blueprint identifying nature of human beings, ourselves. See Uzgalis, William, *John Locke*, The Stanford Encyclopedia of Philosophy (Summer 2007 Edition), Edward N. Zalta (ed.), <http://plato.stanford.edu/archives/sum2007/entries/locke/> (last visited October 5, 2007); see also LOUIS P. POJMAN, CLASSICS OF PHILOSOPHY, 614-43 (Oxford University Press 1998).

derived from labour in his main writings, "Two treatises of Government."<sup>31</sup>

Initially, Locke deduced a natural state in which goods are held in common through a grant from God and a person is the only one who owns himself physically and mentally. He states that

"through the earth and all inferior creatures be common to all men, yet every man has a property in his own person. This nobody has any right to but himself."<sup>32</sup>

John Locke continued to argue that property is a natural right and it is derived from labour. A person acquires property rights in unknown things because he mixes his labor in it. In this regard, the term "labour" contains all the physical and mental activities. Further, he stated that:

"whatever, then, he removes out of the state that Nature hath provided and left it in, he hath mixed his labor with it, and joined to it something that is his own, and thereby makes it his property."<sup>33</sup>

In light of his labor-based theory, he asserted that the most convincing reason that justifies property rights is people are entitled to the fruits of their labor.

Thus, a person's labor should not be viewed separate from his products.<sup>34</sup>

In Locke's primitive statement, the labor-based theory of property relies on

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<sup>31</sup> JOHN LOCKE, TWO TREATISES OF GOVERNMENT (3<sup>rd</sup> ed., 1698).

<sup>32</sup> *Id.* ch. 5, sec. 27.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.* sec 42. (John Locke wrote "labour makes the far greatest part of the value of things, we enjoy in this world").

two assumptions: first, there is “enough and as good” conditions so goods are enough for everyone to appropriate without infringing others’ use. In essence, this condition requests an equal opportunity for others because everyone is equal in nature. On the other hand, it is the proviso of Lockean labor-based theory. A man should leave enough and as good for others while he is acquiring property rights. Second, there is God, the maker of the world, the one on whom man can depend. To meet his condition, there must be a God as Locke’s description to ensure that all of his theories will go through as he assumed. Although God gave the things in the world to human beings for their welfare, he did not propose to make people gain the things without diligence. John Locke claimed:

“that labour put a distinction between them and common.... And will any one say he had no right to those acorns or apples he thus appropriated because he had not the consent of all mankind to make them his? Was it a robbery thus to assume to himself what belonged to all in common? If such consent as that was necessary, man had starved notwithstanding the plenty God had given him.”<sup>35</sup>

The mankind has right to preserve property rights from infringing but not conduct wasting. The words John Locke made are so prescient that it affects the explanation of the nature of copyright. Further, the statement at that moment encouraging the diligence and institutions of private property in some way

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<sup>35</sup> *Id.*

occasionally becomes the keystone of capitalism in the future.

As we know, labor is essential to create property rights in light of John Locke's theory.<sup>36</sup> The core issue is what Lockean labor means. How does Lockean theory of property justify intellectual property? Scholars provide differing definitions of labor. In Justin Hughes's analysis, he divided two approaches to answer the question. First, labor is an unpleasant activity and people's motivation to do that is for benefits. Professor Lawrence Becker goes for the ambiguous description of the term.<sup>37</sup> The other one to interpret the term of Locke's labor is called "labor-deserve" or "value-added labor" theory. The reason a man should be receive benefits of the product is because of the value he adds. Comparing the two explanations, Justine Hughes thinks the former view emphasizes individual feel, which is unpleasant, and justifies the property right for the creator. The later one interprets the justification of property rights at the social level.<sup>38</sup> Nonetheless, it is not easy to find solid ground supporting any specific explanation. That's the very weakness scholars commonly argued.<sup>39</sup>

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<sup>36</sup> See JAMES TULLY, *A DISCOURSE ON PROPERTY: JOHN LOCKE AND HIS ADVERSARIES*, 131 (Cambridge 1980).

<sup>37</sup> See Lawrence Becker, *The Labor Theory of Property Acquisition*, 73 *J. PHIL.* 653-55 (1976).

<sup>38</sup> See Hughes, *supra* note 11, at 315.

<sup>39</sup> "Professor Fisher provides at four definition regarding to labor for intellectual property: (1) time and effort (hour spent in front of the computer or in the lab); (2) activity in which one would rather engage (hours spent in the studio when one would rather sailing); (3) activity that result in social benefits (work on socially valuable inventions); (4) creative activity (the production of new idea)." William

Besides this, commentators also asked why the laborer is not naturally entitled to the total market value of the product. To respond, Hettinger reflected that labor entitles the laborer to the value of the labor he adds, and the right a man is entitled to should be proportional to the efforts he makes.<sup>40</sup> He seems to define labors as “efforts” and analyses through three regarded perspectives: (1) how hard someone tries to achieve a result, (2) the amount of risk voluntarily incurred in seeking this result, and (3) the degree to which moral considerations played a role in choosing the result intended.<sup>41</sup>

To sum up, although though there is rarely evidence proving that John Locke himself supports intellectual property,<sup>42</sup> his labor-based theory of property right has certainly provided a great standpoint exploring justification of the intellectual property system in a philosophic perspective.

### 2.2.2 Theory of Personality

Personality theory is the most influential alternative to John Locke’s

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Fisher, *Theories of Intellectual Property*, New Essays in the Legal and Political Theory of Property, 23-4, (Stephen Munzer, ed., Cambridge University Press 2001), available at <http://www.tfisher.org/> (last visited October 10, 2007).

<sup>40</sup> Regarding to the point, Professor William Fisher’s words support the viewpoint: “no field of economic activity are innovators empowered to collect the full social value of their innovation”. *See id.* at 14.

<sup>41</sup> *Id.* at 25.

<sup>42</sup> “John Locke’s theory is incomplete.” *See* Hughes, *supra* note 11, at 329.

labor-based theory for justification of property rights.<sup>43</sup> The view of property rights in “personhood perspective”<sup>44</sup> is based on German philosopher Hegel’s<sup>45</sup> personality model that indicates property provides a means for self-actualization and personal manifestation. After all, to understand the personality theory in intellectual property rights, it is necessary to have basic knowledge of Hegel’s philosophic thought on property rights.

In Hegel’s model of property rights, he emphasized the relationship

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<sup>43</sup> Justin Hughes argues that “the most powerful alternative to a Lockean model of property is a personality justification. Such a justification posits that property provides a unique or especially suitable mechanism for self-actualization, for personal expression, and for dignity and recognition as an individual person... According to this personality theory, the kind of control needed is best fulfilled by the set of rights we call property rights.” *See id.*

<sup>44</sup> Professor Radin articulates personhood theory that “personal property is important precisely because its holder could not be the particular person she is without it.” “...individuals realize their true selves “only by engaging in a property relationship with something external. Such a relationship is the goal of the person.” *See* Margaret Jane Radin, *Property and Personhood*, 34 *Stan. L. Rev.* 957, 972-73 (1982). *See also* Margaret Jane Radin, *Market-Inalienability*, 100 *Harv. L. Rev.* 1849 (1987), and Margaret Jane Radin, *The Colin Ruagh Thomas O’Fallon Memorial Lecture on Reconsidering Personhood*, 74 *Or. L. Rev.* 423 (1995).

<sup>45</sup> Georg Wilhelm Friedrich Hegel (1770-1831), perhaps the greatest of the German idealist philosophers, was born at Stuttgart, August 27, 1770. Hegel’s philosophy is a rationalization of his early mysticism, stimulated by Christian theology. Hegel published only four books during his life: the *Phenomenology of Spirit* (or *Phenomenology of Mind*), published in 1807; the “*Science of Logic*,” the logical and metaphysical core of his philosophy, published in 1811, 1812, and 1816 (revised 1831); “*Encyclopedia of the Philosophical Sciences*,” published in 1816 and revised in 1827 and 1830; and the “*Elements of the Philosophy of Right*,” his political philosophy, published in 1822. His influential conceptions are of speculative logic or dialectic, absolute idealism, Spirit, the Master/Slave dialectic, ethical life, and the importance of history.” *See* Redding, Paul, *Georg Wilhelm Friedrich Hegel*, *The Stanford Encyclopedia of Philosophy* (Fall 2006 Edition), Edward N. Zalta (ed.), <http://plato.stanford.edu/archives/fall2006/entries/hegel/> (last visited September 29, 2007); *see also* POJMAN, *supra* note 30, at 771-74.

between property and personhood to achieve his discussion on the concept of property. Hegel says the individual's will is the significant foundation to explain the reason for the individual's existence and actuality. The person is just an abstract unit of free will. Hegel explained that

"A person must translate his freedom into external sphere in order to exist as an idea"<sup>46</sup>; "Personality is the first, still wholly abstract, determination of the absolute and infinite will."<sup>47</sup>

In other words, Hegel denies that property has an end in itself but says the person can drive his will over all the things absolutely. A person depends on engaging in the operation of the external world to become a real self. In conclusion, the property relation is the foundation of objective spirit of all cultural, social and political life.

However, Hegel did not agree that intellectual property can be justified using the same grounds as physical property. Professor Justin Hughe refers to Hegel's distinguished words regarding products of mental or internal activities by humans<sup>48</sup> and argued that:

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<sup>46</sup> See G. HEGEL, PHILOSOPHY OF RIGHT, 41 (T.M. Knox trans. 1967) (1821).

<sup>47</sup> See *id.* at 39.

<sup>48</sup> Hegel writes that "mental aptitudes, erudition, artistic skill, even things ecclesiastical (like sermons, masses, prayers, consecration of votive objects), inventions, and so forth, become subjects of a contract, brought on to a parity, through being bought and sold, with things recognized as things. It may be asked whether the artist, scholar, &c., is from the legal point of view in possession of his art, erudition, ability to preach a sermon, sing a mass, &c., that is, whether such attainments are "things." We may hesitate to



“...the analogy to physical property may distort the status Hegel ascribes to personality and mental traits in relation to the will.”<sup>49</sup>

Accordingly, for Hegel, the human that expresses himself through the work he created justifies intellectual property, and his will cannot be separated from himself.<sup>50</sup> Therefore, the Hegelian theory of property helps us understand the nature of intellectual property rights that ought to be protected even if Hegel does not favor complete restrictions on intellectual property.<sup>51</sup>

Similar to other theories, there are weaknesses existing in personality theory.<sup>52</sup> Comparing to labor-based theory, scholars observe the personality theory

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call such abilities, attainments, aptitudes, &c., “things,” for while possession of these may be the subject of business dealings and contracts, as if they were things, there is also something inward and mental about it, and for this reason the Understanding may be in perplexity about how to describe such possession in legal terms. . . .” and “attainments, eruditions, talents, and so forth, are, of course, owned by free mind and are something internal and not external to it, but even so, by expressing them it may embody them in something external and alienate them”. *See id.* at 43.

<sup>49</sup> *See* Hughes, *supra* note 11, at 337.

<sup>50</sup> Hegel provides the reason that because “alienating the whole of my time, as crystallized in my work, I would be making into another’s property the substance of my being, my universal activity and actuality, my personality.” *See* Hegel, *supra* note 46, at 67.

<sup>51</sup> Hegel stated “the purely negative, though the primary, means of advancing the sciences and arts.” *See id.* at 69.

<sup>52</sup> Professor Hughes compares labor and personality theory and then concludes that “Both of the grand theories for intellectual property -- labor and personality -- have their own strengths and weaknesses. The labor justification cannot account for the idea whose inception does not *seem* to have involved labor; the personality theory is inapplicable to valuable innovations that do not contain elements of what society might recognize as personal expression. The personality justification has difficulty legitimating alienation, while the labor explanation may have to shuffle around Locke's non-waste condition... the two theories may compensate for each other's weaknesses.” *See* Hughes, *supra* note 11, at 365-66.

is the counterpart to Locke's theory. Legislators may recognize the values of both theories to advocate the institute of intellectual property rights.<sup>53</sup> Thus, although personality theory has been widespread all over the world, most copyright legislations provide more complete protection for authors' rights based on at least dual theories.<sup>54</sup>

In most civil law countries, the personality justification has been embodied in "moral rights," which are related to the connection between an author and her creation such as reputation and moral integrity on her works.<sup>55</sup>

In addition, based on the international copyright law perspective, the formulation pertinent to personality rights can be established in Article 6bis of the Berne Convention. The member countries of the Berne Convention are obligated to protect "author's rights of integrity and attribution."<sup>56</sup> The 1948 General

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<sup>53</sup> *Id.*

<sup>54</sup> The theory concerning author's personality has been recognized in French and German intellectual property law under the provisions of moral rights. *See* Hughes, *supra* note 11, at 350-51.

<sup>55</sup> The term "moral rights" is a translation of the French term "droit moral". Moral rights are rights of creators of copyrighted works generally recognized in civil law jurisdictions and first recognized in France and Germany. The concept of moral rights thus relies on the connection between an author and her creation. Moral rights protect the personal and reputational, rather than purely monetary, value of a work to its creator. *See* PAUL GOLDSTEIN, *COPYRIGHT'S HIGHWAY: FROM GUTENBERG TO THE CELESTIAL JUKEBOX*, 136 (Revised ed., Stanford University Press 2003).

<sup>56</sup> The Berne Convention protects attribution and integrity, stating:

"[i]ndependently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation." Berne Convention for the Protection of Literary and Artistic

Assembly of the United Nations adopted the same position in section 27(2) of the Universal Declaration of Human Rights to enhance the protection of an author's dignity.<sup>57</sup>

Furthermore, the trend of protecting authors' moral interests motivates the domestic copyright legislation to give authors the relevant protection for more than material interests. For example, the United States has adopted utilitarianism to form the American copyright system under the U.S. Constitution. However, to some extent, the value of personality theory has been recognized in the Visual Artists Rights Act of 1990 (VARA).<sup>58</sup>

### **2.2.3 Theory of Utilitarian/ Economic Incentive**

Utilitarianism is the principle philosophic theory that justifies intellectual property institutions. The theory claims that the right action is on a particular end

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Works, art. 6bis, Sept. 9, 1886, as last revised at Paris, July 24, 1971 (amended 1979), 828 U.N.T.S. 221.

<sup>57</sup> Section 27(2) of the Universal Declaration of Human Rights states "[e]veryone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author." Universal Declaration of Human Rights, G.A. Res. 217A (III), U.N. Doc. A/810, at 71 (1948).

<sup>58</sup> Article 106A of U.S. Copyright Law provides protection for rights of certain authors to attribution and integrity.

"(a) Rights of Attribution and Integrity. Subject to section 107 and independent of the exclusive rights provided in section 106, the author of a work of visual art--

(1) shall have the right

(A) to claim authorship of that work, and

(B) to prevent the use of his or her name as the author of any work of visual art which he or she did not create...."

to contribute to utility. The term “utility” has been defined by various theorists as happiness or pleasure. Jeremy Bentham,<sup>59</sup> an English philosopher and social reformer, proposed the right act would cause “the greatest happiness of the greatest number.”<sup>60</sup> Thus, the intellectual property system is bound to maximize the public welfare under the utilitarian theory. The legislation of intellectual property law should reward the owner with a secondary consideration.

In addition, the thinkers of utilitarian theory have a compelling reason that intellectual property rights offer a great incentive to authors and inventors for public interests. Granting intellectual property rights to individuals who create or invent is just the means to encourage people to advance benefits of society. According to the setting, the economic philosophy behind intellectual property rights declares an adequate reward is necessary to succeed in “optimal output of intellectual product.”<sup>61</sup> The legislators ordinarily grant limited rights as the reward, which is a monopoly in a certain period. In the absence of the shelter, few people are inclined

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<sup>59</sup> Jeremy Bentham (1748-1832) was an English philosopher, political radical, and a leading theorist in Anglo-American philosophy of law. He is primarily known today as an early advocate of utilitarianism and animal rights who influenced the development of liberalism. Bentham has clusters of writing but most them were never published in his own lifetime. The standard edition of Bentham’s writings is *The Works of Jeremy Bentham*, (ed. John Bowring), London, 1838-1843; Reprinted New York, 1962. *See* Jeremy Bentham, *The Internet Encyclopedia of Philosophy*, <http://www.iep.utm.edu/b/bentham.htm> (last visited October 20, 2007); *see also* Jeremy Bentham, *Wikipedia*, [http://en.wikipedia.org/wiki/Jeremy\\_Bentham#Utilitarianism](http://en.wikipedia.org/wiki/Jeremy_Bentham#Utilitarianism) (last visited October 20, 2007).

<sup>60</sup> Jeremy Bentham called it “the greatest happiness principle.” *See id.*

<sup>61</sup> *See* Hughes, *supra* note 11, at 48.

to invest creation and innovation. Who wants to spend money and time without harvest if competitors may pirate these intellectual property products? To avoid the vicious circle, the government has been asked to protect authors' and inventors' proprietary for social progress.

The proposition brings about discussion from legal and economic angles trying to set up an efficient system able to realize the ultimate goal of utilitarianism — an optimal amount of social progress.<sup>62</sup> A copyright grants the creator of an artistic or creative work a limited monopoly in its use, based on the public policy that such a monopoly encourages creativity and invention. Nonetheless, granting authors and inventors exclusive right may sacrifice others' right to access the works. To some extent, it cannot be denied that authors or inventors sometimes gain more than they give of their creation and innovation in cases. The objects maximized might be right holders' benefits but the amount of social progress.<sup>63</sup> The theorists supply, therefore, that balancing the "social benefit of economic incentives for creation and social costs of limiting the diffusion of knowledge" is necessary to success of the theory. They are reluctant to produce a monopoly beast in the field.<sup>64</sup>

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<sup>62</sup> *Id.*

<sup>63</sup> See MARSHALL LEAFFER, UNDERSTANDING COPYRIGHT LAW, 23 (4<sup>th</sup> ed., LexisNexis/Matthew Bender 2005).

<sup>64</sup> See MERGER, MENELL & LEMLEY, *supra* note 17, at 15.

Furthermore, scholars critiqued that “utilitarianism has worked better in theory than in practice.”<sup>65</sup> The analogous questions about practical perspective are raised: it is hard to acquire enough precise information to analyze the market of intellectual property products and lead to a cost-effective result.<sup>66</sup> Is there any alternative to achieve the goal with less cost?<sup>67</sup> Those remarks secure the weakness of utilitarian theory in a realistic respect.

## **2.2.4 The Theories Implemented in Copyright Legislation**

### **2.2.4.1 European Position**

The theories providing justification of intellectual property were diversely rooted in development of copyright law in civil law and common-law jurisdictions. Both jurisdictions in opposition have created various and unique copyright systems.

The viewpoint of most European countries, including France, Italy and Germany, is that the basic presumption of copyright protection is for authors’ rights because the creative works express the author’s personhood.<sup>68</sup> The vision of the European civil law certainly derives from personality theory. Under the vision, the author’s expectation on right protection would likely come true in the jurisdiction

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<sup>65</sup> See PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT, Volume I, 1:37 (3<sup>rd</sup> ed., Aspen 2007).

<sup>66</sup> See MERGER, MENELL & LEMLEY, *supra* note 17, at 15-16.

<sup>67</sup> *Id.*

<sup>68</sup> Personality theory, stemming from German, has played importance in European jurisdiction of intellectual property.

recognizing author's creative accomplishment. Therefore, the European countries consider the completeness of an author's spirit more than the subject of utilitarianism.

The differences of the American copyright system are steadfastly reflected in the several features in law of copyright. For instance, some European countries like to name the law "author's rights," not copyright law. They center authors' rights while constructing a copyright institution.<sup>69</sup> On account of the reason, copyright statutory of civil-law countries recognizes only natural persons, not incorporated persons, as authors.<sup>70</sup>

In addition, the personality theory is embodied in authors' "moral rights" protection.<sup>71</sup> Some European countries, such as France and Germany, emphasize the moral value for authors. In the civil law world, it is generally

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<sup>69</sup> Most European countries center authorship in copyright protection. These countries name the law of copyright, "author's rights' laws" since the effects based on natural right theory including John Locke and Hegel's philosophical thinking. For example, in France, the analogue of copyright is called "droit d'auteur"; in German, it is called "Urheberrecht" and in Italy, the law is known as diritto d'autore and it is known as "derecho de autor" in Spain. The statutes protecting literary and artistic works were called "author's rights" laws but "copyright" laws. See GOLDSTEIN, *supra* note 55, at 136-38; see also JOYCE, LEAFFER, JASZI & OCHOA, *supra* note 25, at 28.

<sup>70</sup> Professor Patry explained it according to section 2 (6) of the Berne Convention, stating "[t]he works mentioned in this Article shall enjoy protection in all countries of the Union. This protection shall operate for the benefit of the author and his successors in title." WILLIAM F. PATRY, COPYRIGHT LAW AND PRACTICE, Volume II, 135 (The Bureau of National Affairs, Inc. 1994).

<sup>71</sup> See *id.* at 1275. In addition, professor Leaffer concludes the content of moral right at least includes three components: (1) the right of integrity, (2) the right of paternity, and (3) the right of disclosure. See Leaffer, *supra* note 63, at 361; see also GOLDSTEIN, Volume III, *supra* note 65, at 17:200-202.

recognized that authors own the moral interests to decide whether and how their works would be used or amended.<sup>72</sup> The product of mind has been deemed as the subject of expression for human dignity. Therefore, the moral value author entitled cannot be deprived for any reason.<sup>73</sup>

#### **2.2.4.2 U.S. Position**

In contrast to the civil countries in Europe, the origin of American copyright law can be traced to John Locke's thinking and utilitarianism rewarding authors' labor and extended to social welfare. In the land full of opportunities, American culture traditionally recognizes the value of an author's endeavors on his creative work, particularly making the work available to the public is close to gambling. Today, although the utilitarian theory is the most influential thinking widely accepted by American copyright culture and embodied by legislation of the United States of America to explain copyright and patent law, the persuasion of natural right theory had never been ignored in common-law copyright.<sup>74</sup>

Under the copyright and patent clause of U.S. Constitution, promotion of public interests has become the primary goal of the copyright law when Congress grants monopoly privileges to authors or creators. The builders of the U.S.

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<sup>72</sup> See Hughes, *supra* note 11, at 351.

<sup>73</sup> See JOYCE, LEAFFER, JASZI & OCHOA, *supra* note 25, at 28.

<sup>74</sup> See MENELL, *supra* note 29, at 130.



Constitution apparently adopted the utilitarianism belief while creating the clause.

The U.S. Constitution empowers Congress to grant rights to individuals in copyright and patent law to "Promote the Progress of Science and Useful Art."<sup>75</sup> The U.S. Supreme Court explained the underlying policy of this constitutional provision in the landmark case of *Mazer v. Stein*:

"[t]he economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in 'Science and Useful Arts.' Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered."<sup>76</sup>

Consequently, the Supreme Court followed the content and context of the utilitarian theory to decide that it is the right action by government to grant rights to authors and inventors to exclude plagiarism for the purpose of benefiting the world.<sup>77</sup> The right action is absolutely satisfied with the copyright and patent clause of U.S. Constitution. In light of the rulings made by the Supreme Court, it

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<sup>75</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>76</sup> *Mazer v. Stein*, 347 U.S. 201, 219 (1954); *see also* *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948); in *Sony* case, the Court also expressed "...the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired." *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

<sup>77</sup> *See Washingtonian Publishing Co. v. Pearson*, 306 U.S. 30, 36 (1959) ("...to afford greater encouragement to the production of literary works of lasting benefit to the world").

is apparent that protection of individuals' economic interests is the means but not the ultimate goal of U.S. copyright law.

The United States has been reluctant to import the doctrine of "moral right" into the American copyright system, but the situation is changing after she became the member of the Berne Convention in 1989. Although the United States has not passed any copyright statutes recognizing the specific term, "moral rights," it virtually has conferred protection for authors' moral rights complying with the Berne Convention. The spirit of personality theory has generally become a part of U.S. copyright law with the recognition in the Visual Artists Rights Act of 1990 (VARA) after the United States became the adherent of Berne in 1989.<sup>78</sup> As a result, Congress added section 106(A) that confers the rights of attribution and integrity for works of visual art.

#### **2.2.4.3 Taiwanese Position**

Basically, Taiwan adopts the civil-law jurisdiction to develop her fundamental legal system. In history, the intellectual property system of Taiwan was built later than other countries' advanced legislation; therefore, Taiwanese

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<sup>78</sup> U.S. Copyright Office introduced that "the United States would not like to recognize authors own moral rights under American copyright law. The situation has changed in a way after the United States signed the Berne Convention. They stipulated that the Convention's 'moral rights' provisions were addressed sufficiently by other statutes, such as laws covering slander and libel."

*See* Waiver of Moral Rights in Visual Artworks, U.S. Copyright Office, October 24, 1996, <http://www.copyright.gov/reports/exsum.html> (last visited October 31, 2007).

legislation usually has referred to various theories importing from foreign countries while making a new law. Taiwanese intellectual property system mixes diverse theories to construct a modern legal system. In the situation, the viewpoint from a comparative legal study has become a useful and important approach to understand the legal system.

At first, the utilitarian theory was widely accepted by Taiwanese intellectual property system. For instance, article one of patent law states "this Act is enacted for encouraging, protecting and utilizing inventions and creations so as to promote the development of industries."<sup>79</sup> In addition, Article one of copyright law also emphasizes the public concern and it states "this Act is specifically enacted for the purposes of protecting the rights and interests of authors with respect to their works, balancing different interests for the common good of society and promoting the development of national culture. Matters not provided for herein shall be governed by the provisions of other acts."<sup>80</sup>

Basically, the Legislative Yuan of Republic of China established the intellectual property system under utilitarianism. That is to say, at least, the copyright act intentionally achieves the promotion of public welfare.

A question often asked is whether copyright act of Republic of China can

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<sup>79</sup> Zhuan Li Fa (Patent Act) of Zhonghua Minguo (Republic of China), art. 1.

<sup>80</sup> *Id.*

be explained as U.S. copyright law, by means of granting rights to creators. To answer the question, it had better literally review the first article of copyright of Republic of China. The article intelligibly indicates that the author's interests carry the same weight as the public's interest. The ultimate goal the legislators attempt to reach is the harmonization between the two parties. Thus, legislation leaves room for the courts while explaining statutes in litigation. At this point, the first article which includes the ultimate goal amends utilitarianism by balancing the private and public benefits for achieving the "greatest happiness of the greatest number" of the country.

In addition, because the civil-law European countries with authors' rights law have deeply affected Taiwan's legal system early, the copyright act of Republic of China is certainly on the basis of authors' right. Like most European countries, the copyright act of Republic of China recognizes the concept of moral rights, which can be traced to personality theory in the past.<sup>81</sup> The objects protected by moral rights include authors' reputations, prestige and the interests of personality. The copyright act of Republic of China defines copyright as "the moral rights and economic rights subsisting in a completed work."<sup>82</sup> Thus, the moral rights feature

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<sup>81</sup> See Zhao Zuo Quan Fa (Copyright Act), Zhonghua Minguo (Republic of China), art. 3, sec.1, para. 3, and arts. 15-17, and arts. 21-29 [hereinafter Copyright Act of Republic of China].

<sup>82</sup> Copyright Act of Republic of China, art. 3, sec.1, para. 3.

that the mental objects cannot be separated from the author's personality.

## **2.3. Copyright Law in Historical Perspective**

### **2.3.1 Introduction**

New technology that reproduces and distributes information has continually ushered the development of copyright law. Historically, copyright holders have been trying to extend protection. It can be traced to the large-scale use of the printing press hundreds years ago. The primary purpose of the statute was to prevent writings from being copied verbatim even though was not the only purpose when it was created. Today, although copyright law covers broader ground including literary, artistic, music, movie, and software, it seems that copyright law still falls behind the rapid changes of new technologies. To understand the effects technology imposes on copyright law, it is paramount to be aware what problems copyright law encountered in history.

Two hundreds years ago, the publishers urged the government to pass the first English statute, the "Statute of Anne," for copyright protection with the vigorous development of press.<sup>83</sup> However, there was much calculation behind the

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<sup>83</sup> Before 1751, English people marked the Feast of the Annunciation (25<sup>th</sup> March) as the beginning of the year. In order to avoid confusion, some writers refer to double year-dates, such as the Statute of Anne in 1709/1710. The date-year mentioned in the study has been transferred to current calendar in which the year begins on 1<sup>st</sup> January. See LYMAN RAY PATTERSON & STANLEY W. LINDBERG, *THE NATURE OF COPYRIGHT: A LAW OF USERS' RIGHTS*, 249 (University of Georgia Press 1991).

Statute of Anne because it was born in a complicated environment full of economic, political and social conflict. By means of observation of the process and disputes of creating copyright, copyright law should not only be seen as protection of authors or publishers, but also ignore that copyright law is in the public interest, especially for people with learning opportunities for the long-term accumulation of the national culture. Thus, while copyright researchers think of emerging issues in modern copyright law, looking back to the history of the origin inspires us to realize the goal of copyright. Through the analysis of the history, it can be helpful to interpret the puzzles the copyright system faces currently and acquire inspiration on the fundamental nature of the problem. Finally, reviewing the impacts of the Statute of Anne on copyright jurisdictions facilitates the building of a modern institute in the field.

### **2.3.2 Evolution of Printing Press in England**

The first mass produced printed book was the Bible.<sup>84</sup> The Bible was printed at Mainz, Germany, by Johannes Gutenberg, who invented the printing press in 1450.<sup>85</sup> In 1476, William Caxton introduced typographic printing from Germany to Westminster in England.<sup>86</sup> His contribution initiated the printing press

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<sup>84</sup> The version of the Bible from 1452 -1455 was based on the Latin edition from about 380 AD.

<sup>85</sup> The earliest dated printed book known is the "Diamond Sutra", printed in China in 868 CE.

<sup>86</sup> In 1472, "Recuyell of the Histories of Troye," the first book in the English language was printed by Caxton. In 1476, he returned to London and established a press at Westminster, the first printing press

in England. The new technology benefited booksellers and publishers because it was the first time humans could reproduce the book in a large scale. In addition, the large-scale copying dramatically altered the subtle relationship among authors, audiences and booksellers.<sup>87</sup> The large-scale copying of the book would create more audiences purchasing the book, and more purchasing would bring more revenue. The question is how authors and booksellers share the market? Thus, the effects of the printing press included not merely legal but also economic and cultural respects.

By 1534, the printing press was generally flourishing with close relations to international business transactions. At that time, foreigners were allowed to export and sell foreign books in the kingdom. Those foreign booksellers brought knowledge of the external world with imported books into England. Eventually, the policy allowing the import amount of books from other countries became a barrier to the growth of domestic printing and also a challenge to the governor's power.

### 2.3.2 Censorship

The most familiar leader beginning and predominating censorship in

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in England. About William Caxton's life, *See* Historic Figures-- William Caxton, BBC, [http://www.bbc.co.uk/history/historic\\_figures/caxton\\_william.shtml](http://www.bbc.co.uk/history/historic_figures/caxton_william.shtml) (last visited November 2, 2007).

<sup>87</sup> *See* PATRY, Volume I, *supra* note 70, at 6.

England was Henry VIII's.<sup>88</sup> His divorce is the case known as the signal for breaking up with Holy See. After that, he repressed monastery and began to struggle with his Kingdom and Holy See.<sup>89</sup> The long-term offered a great excuse to inspect all the publications for safeguarding the social order since the Crown was aware that the widespread dissemination of works severely threatened the security of the throne. To control the "dangerous art," the Crown promulgated a royal decree prohibiting anyone from publishing without a license in 1534.<sup>90</sup> The government believed that once the printing press has been taken under the government's control, the writings threatening the government or established religion would not be distributed.<sup>91</sup> In the scenario, it is no surprise that censorship in England was created for political need initially without reference to copyright. The measure, however, used to relentlessly interfere with opponents by England government damaged people's right to access to knowledge at the same time.

Moreover, in 1557, the Crown was associated with censorship and Stationer's Company of London, which consisted of printers and publishers of

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<sup>88</sup> Henry VIII (28 June 1491 – 28 January 1547) was King of England and Lord of Ireland, later King of Ireland, from 22 April 1509 until his death.

<sup>89</sup> The expression "the Holy See" (without further specification) is normally used in international relations to refer to the central government of the Catholic Church, headed by the Bishop of Rome, commonly called the Pope.

<sup>90</sup> See LEAFFER, *supra* note 63, at 4.

<sup>91</sup> See LYMAN RAY PATTERSON, *COPYRIGHT IN HISTORICAL PERSPECTIVE*, 20-27 (Vanderbilt University Press 1968).



London.<sup>92</sup> Stationer's Company of London was granted the monopoly status to control the spread of the press threatening and all the books had to be censored by the "Star Chamber."<sup>93</sup> The government refused others' participation in publishing books since the Crown completely realized that the best way to control people's thinking was not to tell people what to read or not to read, but the direct dominance of the instrument producing books — the printing and publishing industry.

Elizabeth I<sup>94</sup> put her foot into the predecessors' shoes. The Crown's first act for supporting censorship was announced in 1559. In addition, under Tudors<sup>95</sup> and Stuarts,<sup>96</sup> the Crown's rigid supervision of the printing press had climaxed in three significant acts of censorship: "Star of Chamber Decrees of 1586," "Star of Chamber Decrees of 1637" and the "Licensing Act of 1662."<sup>97</sup> Through the three acts, the publisher, Stationer's Company of London, had the largest extension of power on controlling the printing press. The Crown determined what work could

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<sup>92</sup> *Id.* at 28-31; see also GOLDSTEIN, *supra* 55, at 32-33 (Professor Goldstein indicates that "the stationers' rights were perpetual, passing from one generation of printers to the next").

<sup>93</sup> See PATTERSON, *supra* note 91, at 115-16.

<sup>94</sup> Elizabeth I (7 September 1533 – 24 March 1603) was Queen of England, Queen of France (in name only), and Queen of Ireland from 17 November 1558 until her death.

<sup>95</sup> The Tudor dynasty or House of Tudor (Welsh: Tudur) was an English royal dynasty that lasted 118 years, beginning in 1485.

<sup>96</sup> The House of Stuart or Stewart was a royal house of the Kingdom of Scotland, later also of the Kingdom of England, and finally of the Kingdom of Great Britain. The House of Stuart ruled the Kingdom of Scotland for 336 years, between 1371 and 1707.

<sup>97</sup> The whole name of the Licensing Act is called "An act for preventing Abuses in Printing Seditious, Treasonable and Unlicensed Books and Pamphlets, and for Regulating of Printing and Printing Press."

be published. The Stationers' Company was empowered to ban unauthorized or unlicensed books from being published under the "printing patent."<sup>98</sup> The Crown used the exclusive scheme of publication to control dissents' speech for royalty and loyalty.

In the late seventeenth century, censorship in England started to loosen. The secular enforcement of censorship had raised a voice doubting the legitimacy of censorship from the people. Thus, the Long Parliament (1640-1653) had more political power to terminate the monopoly of printing by Stationer's Company of London. It abolished the Star Chamber in July 1641, causing the Company lose the special authorization on censorship. At the moment, Parliament instituted a Committee of Printing to deal with disorder in the book trade. However, the abolishment did not indicate Parliament's intention to permit freedom of speech and of the press; rather it indicated a desire to replace Royal censorship machinery with its own for disorder in the book trade.<sup>99</sup>

The abolishment of the Star Chamber was a warning to vested beneficiaries, the Stationer's Company. The stationers increasingly enhanced lobbying or petitions to ensure their interests would not be deprived. Until June 16, 1643, the stationers' endeavors obtained obvious and significant effects. Parliament passed

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<sup>98</sup> See GOLDSTEIN, *supra* note 55, at 31-32; see also PATTERSON, *supra* note 91, at 78-113.

<sup>99</sup> See *id.* at 126.

the first licensing act of Interregnum, "An Ordinance for the Regulating of Printing."<sup>100</sup> The stationers were not satisfied with this. They continued to use preponderant social resources, relationship and status to update and upgrade the monopoly.<sup>101</sup> After that, the Parliament set up a new institution, which gave the Stationer's Company the responsibility to censor the printing press and recognized the monopoly status in the industry. Consequently, during the period, the Stationer's Company still could maintain its monopoly very well.

The degree of protection of stationers' rights deeply relies on political change. When Charles II succeeded in restoring to the King in 1660, the Stationer's Company attempted to restore the power of the Star Chamber as well. The King was apt to support the stationers for consolidation of the throne. Finally, in 1662, "An act for preventing Abuses in Printing Seditious, Treasonable and Unlicensed Books and Pamphlets, and for Regulating of Printing and Printing Presses," known as the "Licensing Act of 1662," was enacted.<sup>102</sup> The Licensing Act is like a copy of the Star Chamber of Decree of 1637. However, the most principle difference of

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<sup>100</sup> *Id.*

<sup>101</sup> In years, Parliament passed three acts to respond the stationers' petition: "Ordinance against unlicensed or scandalous Pamphlets, and for the better Regulating of Printing" in 1647, "An Act against Unlicensed and Scandalous Books and Pamphlets, and for better regulating of Printing" in 1649, "An Act for reviving of a former Act, entitled, An Act against Unlicensed and Scandalous Books and Pamphlets, and for Regulating of Printing, with some Additions and Explanations" in 1653.

<sup>102</sup> See PATTERSON, *supra* note 91, at 134-38 (describing the Licensing Act of 1637).

the Licensing Act was a two-year limitation of effect. When the deadline arrived, the Parliament had the power to extend it or not.

After nearly 150 years in the exclusive interests of booksellers combined with the rule, the situation is facing the risk of collapse. Then, printing technology has substantially more progress, but long-term control by the government policy gives stationers, minorities of society, a monopoly on most of the economic benefits in the printing and publishing industry. Not only the authors but also the consumers have to stand the unreasonable treatment from booksellers. Generally, the opposing consensus has apparently suppressed the stationers' petition for protection. For the sake of the public voice, the Parliament decided to no longer extend the licensing for stationers' monopoly. Therefore, the Licensing Act was finally expired in 1694.<sup>103</sup> Even if the Company retained control on the printing trade, it no longer had the power to seize and levy fines. The only sanction left was to bring the dispute into court.<sup>104</sup>

### **2.3.3 The Birth of Modern Copyright Act: The Statute of Anne**

To avoid a worse result, booksellers started taking action to enhance their interests. In fact, they had not given up lobbying Parliament for protection after

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<sup>103</sup> *Id.*

<sup>104</sup> After the decision of not extending licensing, the Crown changed to *seek* the control on dissent through criminal prosecutions since 1695. See GOLDSTEIN, *supra* note 55, at 33.

failing to retain shelter from government licensing. Meanwhile, the stationers came up with a change of strategy to assert “authors’ rights.” Since they thoroughly understood the petition as the matter of censorship would not be accepted any more, the Stationer’s Company began to petition for protecting authors’ right in 1706.<sup>105</sup> The Company emphasized that the author would not create new work with less protection in law. After three years, in 1709, the Company was successful in lobbying Parliament to pass a landmark act, “An act for the encouragement of learning, by vesting the copies of printed books in the authors or purchasers of such copies, during the time therein mentioned,” also commonly known as the “Statute of Anne.”<sup>106</sup> There are points worthy of note in the Act:

1. The Statute of Anne has usually been referred to as the first copyright law in the world because it is the first statute to overtly recognize authorship.<sup>107</sup>

But some scholars do not recognize that it is world’s first copyright act. Although there is not common opinion on the historical question, the Statute of Anne certainly is the first English copyright act.<sup>108</sup>

2. Turning back to the threshold of the act, the grounds for creating the

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<sup>105</sup> For history of Anglo-American copyright, see JOYCE, LEAFFER, JASZI & OCHOA, *supra* note 25, at 14-20; see also PATTERSON, *supra* note 91, at 249.

<sup>106</sup> 8 Anne, c. 19 (1710).

<sup>107</sup> See GOLDSTEIN, *supra* note 55, at 34.

<sup>108</sup> However, some scholars recognize the Statute of Anne the first copyright act. See Patterson, *supra* note 91, at 143; see also JOYCE, LEAFFER, JASZI & OCHOA, *supra* note 25, at 15.

Statute of Anne was not as the title said -- for benefits of authors, because the legislators purported to use it to deal with trade-related problems that were disordered at that time and to prevent the booksellers' monopoly. The authors' status was accidentally reinforced by the stationers' lobby. The stationers have not thought the matter would end up with author's victory.<sup>109</sup>

3. In addition, the title stated the means — granting limited right to print and vend published works.

4. The Statute of Anne is limited to books. The Act straightforwardly secures the author's right to copy and defined a copy "as being the sale, liberty of printing, and reprinting a book."<sup>110</sup>

5. Setting aside the issue in history, the statute hereby clarifies a fundamental problem — nature of copyright. With respect to the problem, there have been two opposite theories, creative-work theory and statutory-granted theory, which argue the origin and source of copyright.<sup>111</sup> The Statute of Anne has the establishment of authorship, but it never recognizes that the author owns perpetual copyright in natural law. Instead, the title of the statute reminds us that the central purpose is to encourage learning. Besides this, anyone who intends to have his

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<sup>109</sup> See PATRY, Volume I, *supra* note 70, at 11.

<sup>110</sup> 8 Anne, c. 19, art. 1 (1710).

<sup>111</sup> A direct discussion of the theories would be provided in the *infra* study of this chapter for nature of copyright.

works protected by the statute must be on the condition that the statutory elements have been met. Based on the pertinent provisions, the fact that copyright is the right conferred by statutory laws would be proved. For example, the registration with Stationers' Company before publication is required to enforce the copyright.<sup>112</sup> Legal deposit has been adopted in the Statute of Anne as well.<sup>113</sup> Like the earlier U.S. copyright law system, English authors have to register the title of the book and deposit copies to acquire protection under the statute. In view of the provisions, the Statute of Anne indicates that copyright is granted by statutory law of the sovereign.

#### **2.3.4 Contributions of the Statute of Anne**

Today's copyright law goes much farther than copyright laws of centuries past. Much of what modern copyright doctrines derive from former legislations facilitates the future copyright system. At this point, no matter what ground the Statute of Anne set, the statute definitely reached four contributions to the English copyright then and there.

First, the author was rewarded for encouraging learning. This reward was given to motivate creation under the words "encouragement of learning." The original design of previous Acts for the exclusive interests of the publishers and

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<sup>112</sup> 8 Anne, c. 19, art. 2 (1710).

<sup>113</sup> 8 Anne, c. 19, art. 5 (1710).

ensorship system had featured public interests.

Secondary, the Statute's great revolution was to separate copyright from membership in Stationer's Company.<sup>114</sup> Although the publishers attempted to use the instrument, the Statute of Anne, to retain its monopoly, it is delightful to authors that the Statute of Anne has recognized the authorship.<sup>115</sup> Conclusively, the Statute of Anne shifted the object protected from the Stationer's Company to authors.

Third, the public domain was first recognized in the copyright field by limiting protection in a specific term.<sup>116</sup> The Statute of Anne created two kinds of copyright. For existing works, the protection would last twenty-one years from the Statute effects. Therefore, the Stationers' copyright would end in 1731 as a result of the twenty-one years' duration. The Stationers' previously published works protected by the Statute of Anne cannot be renewed after twenty-one years. For new works, the author would have a fourteen-year protection plus the second term of another fourteen years.<sup>117</sup> An amount of works would move into "public domain" while the protection expired.

Furthermore, the notable feature of public domain brings two significant

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<sup>114</sup> See GOLDSTEIN, *supra* note 55, at 34.

<sup>115</sup> See SIVA VAIDHYANATHAN, *COPYRIGHT AND COPYWRONG: THE RISE OF INTELLECTUAL PROPERTY AND HOW IT THREATENS CREATIVITY*, 39-41 (New York University Press 2001).

<sup>116</sup> See PATTERSON & LINDBERG, *supra* note 83, at 29-30; see also LEAFFER, *supra* 63, at 5.

<sup>117</sup> See VAIDHYANATHAN, *supra* note 115, at 40.



influences to the copyright protection at that moment. One is the stationers or authors would not be granted perpetual right for the work with the temporal character. The other is that the free access of expired works is helpful to the widespread thinking and stimulates cultural exchange.

Third, the Statute of Anne aims to terminate the monopoly of Stationer's Company in the printing press because the government was more concerned about the economic disorder than authors' rights. The situation of monopoly that was reluctant to share the power with other potential market participators has severely discouraged fair competition in the printing industry. Thus, nearly, a third of the eleven provisions of the statute were set up to prevent or destroy the monopoly of publishers. The government attempted to create an economic regulation to resolve monopoly efficiently rather than a "gag law." In addition, the Statute of Anne does not exclude anyone to be a right holder. The limitation on eligibility for the right holder has not been enacted so booksellers would never be the only party granted protection. In the eighteenth century, compared to other nations in the era, the legislation was so advanced that most future legislations of copyright law imitated the Statute of Anne except some provisions against monopoly.<sup>118</sup>

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<sup>118</sup> Today, most of countries include the regulation against monopoly in Anti-Trust Laws and Laws of Unfair Competition.

### 2.3.5 Conclusion

Evolution of copyright law manifests historical peculiarities and difficult policy dilemmas in the post-industrial era while it responds to new technologies in the reproduction and distribution of human expression. It is ongoing still.

From the standpoint of copyright in history, the origin of the copyright is closely affiliated with the sale of books but not the authorship. Nonetheless, the Statute of Anne has become a launching pad for the development of authors' rights. There is no question that the Act inspired reflection from legislators and encouraged authors to strive for equally legal status later on.<sup>119</sup> In particular, the process of making law consists of compromise and choice between authors' rights and the public's interest. To this extent, the copyright systems would not overlook the

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<sup>119</sup> Professor Joyce analyzed that the United States embodied three policies of copyright law in Copyright Clause of the U.S. Constitution significant and fundamental to recent copyright protection. "(1) the encouragement of learning(because title of the Statute of Anne so stated); (2) public access(because copyright was limited to published work); (3) the creation and enhancement of the public domain(because copyright was available only for new works and was to exist only for limited times)." See Craig Joyce, *Copyright (and Its Master) in Historical Perspective*, 10 J. Intell. Prop. L. 239, 243 (2003).

For Taiwan, the copyright act of Republic of China recognizes the ultimate purpose of copyright law is for improvement of society in the beginning of Act. Besides, it also realized public domain by limiting duration of protection. See Copyright Act of Republic of China, art. 1, and arts. 30-35. In additional, the Trade-Related Aspects of Intellectual Property Rights (TRIPs) desires to "reduce distortions and impediments to international trade" and recognizes "the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives." See Agreement on Trade-Related Aspects of Intellectual Property Rights, Preface, April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments - Results of the Uruguay Round Volume 31, 33 I.L.M. 81 (1994).

importance of public domain for social improvement. In summary, copyright law is a private law attending public purpose, which deeply touches our artistic, cultural, and moral sensibilities.

## **2.4 Natural of Copyright**

### **2.4.1 Introduction: Two Theories Explaining the Nature of Copyright**

For two centuries, two distinguishing theories have explained the nature of copyright. The one asserting copyright with natural law base is known as the creative-work theory or natural right theory.<sup>120</sup> The other holding the existence of copyright depends on government's action is called the statutory-grant theory.<sup>121</sup> Basically, the natural right theory views copyright as the author's right in natural law that cannot be given by anyone. Under the theory, copyright law would concentrate the scope and effects of copyright on individuals. By contrast, under the statutory-grant theory, copyright is nothing more than the right granted by government. Copyright law becomes the national instrument used to achieve public policies, such as advancing cultural development and social progress.

To some extent, the source of the dichotomy may be traced to philosophical thinking behind intellectual property rights. Creative-work theory derives from John Locke's state of natural law. Copyright law has been seen as the natural right

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<sup>120</sup> See PATTERSON & LINDBERG, *supra* note 83, at 107-09.

<sup>121</sup> See *id.* at 110.

of authors under the theory. Since copyright is the right that God grants, it may not be limited by government. Eventually, the contradiction of the two standpoints generated in English courtrooms of the eighteenth century determined whether copyright would terminate at the end of a twenty-one year term.

It is worthy to note that the parties involved in the litigations are not booksellers but authors. The initiation of the copyright lawsuit is in booksellers' interests even though the Statute of Anne has affected more than fifty years so far.

#### **2.4.2 Controversies in Anglo-American Jurisdiction**

The so called battle of booksellers started with Andrew Miller, a bookseller, who acquired the right to copy the book "The Seasons" from James Thomson. Copyright protection granted by the Statute of Anne had expired in 1767. After the expired date, another bookseller, Robert Taylor, published "The Seasons" without anyone's consent. Plaintiff then bookseller Miller filed a lawsuit to the Court Of King's Bench in 1767. The plaintiff claimed that the defendant's action had infringed on the author's perpetual common-law copyright<sup>122</sup> on that book, which he purchased from the author. Thus, the issues in the case were: "did the author of

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<sup>122</sup> Professor L. Ray Patterson and Stanley W. Lindberg distinguished the differences between the common-law copyright and the statutory copyright in England and the United States. In England, the common-law copyright and statutory copyright were the law of the same sovereign but these are derived from different sovereign in the United States. One is federal government granting copyright by statute. Another sovereign is the state protected copyright as author's natural right. *See id.* at 117-18.

the book have a copyright at common law after publication” and “was this right taken away by the Statute of Anne.”<sup>123</sup> In the case, Chief Justice Lord Mansfield did not think there common-law copyright existed before publication. But he draw his opinion that

“it is just, that an author should reap the pecuniary profits of his own ingenuity and labour. It is just, that another should not use his name, without his consent. It is fit that he should judge when to publish, or whether he ever will publish. It is fit he should not only choose the time, but the manner of publication; how many; what volume; what print. It is fit, he should choose to whose care he will trust the accuracy and correctness of the impression; in whose honesty he will confide, not to foist in additions: with other reasons of the same effect.”<sup>124</sup>

Professor Patterson concludes Justice Lord Mansfield’s opinion about the argument by his words:

“[h]is an author’s name ought not to be used, against his will. It is an injury, by a faulty, ignorant and incorrect edition, to disgrace his work and mislead the reader.”<sup>125</sup>

But another persuasive statement was rendered by Justice Joseph Yates, the most prominent opponent of the common-law right. He dissented Mansfield’s words and argued that

“the labours of an author have certainly a right to a reward; but it does

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<sup>123</sup> *Id.* at 34.

<sup>124</sup> *See* Millar v. Taylor, 98 Eng. Rep. 201, 252 (K.B. 1769).

<sup>125</sup> *Id.* at 256.

not from thence follow, that his reward is to be infinite, and have a never end” and “after he has enjoyed a monopoly for twenty-eight years, and the manuscript still remain his own property.”<sup>126</sup>

His profound viewpoints deeply affected copyright legislation in the future. However, after the complete discussion by both sides, the court finally ruled that the author still owns common-law copyright even though the dissent is powerful. The opinion evidently supports that the author’s right would not diminish since it is author’s rights in nature law.<sup>127</sup> The plaintiff won the first round, whereas the battle among booksellers had not ended yet with the judgment coming out.

The opinion of the previous case was overthrown soon in *Donaldson v. Beckett*, 1774.<sup>128</sup> Alexander Donaldson, a Scottish bookseller, with awareness of his unauthority, published and sold “The Seasons.” Just as expected, a London publisher, Thomas Beckett, who had obtained copyright of the book from the author, attempted to seek relief in Chancery. The court, then issued an injunction banning defendant’s infringement. In response to the injunction, the defendant decided to appeal to “the British House of Lords” immediately. In appeal, Alexander Donaldson claimed that the copyright protection on “The Seasons” had expired. The book can be published by anyone. Finally, the British House of Lords upheld

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<sup>126</sup> See GOLDSTEIN, *supra* note 55, at 38.

<sup>127</sup> See *id.* at 80.

<sup>128</sup> See *Donaldson v. Beckett*, 1 Eng. Rep. 837 (H.L. 1774).

appellant and ruled that the author's right protected in limited period had ceased as soon as the duration passed. The author does not have perpetual copyright common-law granted.<sup>129</sup> Consequently, Justice Yate's position that common-law copyright has been replaced by the Statute of Anne is affirmatively approved in the case.

In the legal history of copyright legislation, no copyright protection is based on humans' natural right. Before the Statute of Anne, copyright at most belonged to members of Stationer's Company in contract law. In other words, authors still owned nothing more than the rights in contracts with booksellers. Copyright was just the means the government relied on to censor citizens' speech in public. Nevertheless, the fact that the English Court adopted statutory-granted theory so as to explain the nature of copyright was inherited by the United States, declared independence of British Crown in 1776.

Early in the U.S. copyright law institution, both propositions have been vigorously argued while people intend to provide evidence of the nature of copyright. Perhaps Thomas Jefferson's<sup>130</sup> profound words written in the letter to Isaac McPherson in 1813 can help us understand the American attitude:

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<sup>129</sup> *Id.* at 79.

<sup>130</sup> See Thomas Jefferson, Wikipedia, [http://en.wikipedia.org/wiki/Thomas\\_Jefferson](http://en.wikipedia.org/wiki/Thomas_Jefferson) (last visited November 12, 2007).

“[i]nventions then cannot, in nature, be a subject of property. Society may give an exclusive right to the profits arising from them, as an encouragement to men to pursue ideas which may produce utility, but this may or may not be done, according to the will and convenience of the society, without claim or complaint from anybody ... The exclusive right to invention [is] given not of natural right, but for the benefit of society.”<sup>131</sup>

In 1834, the decision by the U.S. Supreme Court, *Wheaton v. Peters*, upheld copyright protection granted by Congress under federal statutory law and rejected the doctrine of a common law copyright. Henry Wheaton, the official reporter of decisions for the Court, compiled the opinions of the court with annotations and summaries of the arguments in great volumes. The material he compiled was useful and valuable to most lawyers. Then, he sued Richard Peters Jr., his successor, for copyright infringement of his twelve volumes of Supreme Court decisions by publishing and selling a book called “Condensed Reports of Cases in the Supreme Court of the United States.” Peters denied that the publication was Wheaton’s claim and he asserted that Wheaton did not have a valid copyright since he failed to satisfy all the federal statutory requirements. Rather, Wheaton insisted

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<sup>131</sup> See Philip Kurland, *The Founders’ Constitution*, Volume III, Article 1, Section 8, Clause 8, Document 12, (Ralph Lerner ed., University of Chicago Press 1987), also available at: [http://press-pubs.uchicago.edu/founders/documents/a1\\_8\\_8s12.html](http://press-pubs.uchicago.edu/founders/documents/a1_8_8s12.html) (last visited November 13, 2007).



he is the copyright owner based on the common law. The trial court agreed with Peters and dismissed the lawsuit. Then, the case was appealed to the Supreme Court by Wheaton.

The Court rejected Wheaton's contention that he possessed a perpetual copyright in his Reports under the common law of Pennsylvania. In addition, the Court also rejected Wheaton's argument that he had complied with the applicable provisions of the federal copyright law. Finally, the Court held that no reporter could have any copyright in the written opinions issued by the Court and that the Court could not grant such a right to any reporter.<sup>132</sup>

In fact, before the 1976 Copyright Act, the copyright had been attributed to the rights vested by statute but natural itself in House Report of 1909 Copyright Act. In the Report, it demonstrates "the terms of the Constitution is not based upon any natural right ... such rights as he has are purely statutory rights."<sup>133</sup>

Eventually, Congress resolved the fundamental issue – the nature of copyright -- in the 1976 Copyright Act while the provisions spelled out the rights of

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<sup>132</sup> *Id.*

<sup>133</sup> "The enactment of copyright legislation by Congress under by Congress under the terms of the Constitution is not based upon any natural right that the author has in his writings, for the Supreme Court has held that such rights as he has are purely statutory rights, but upon the ground that the welfare of the public will by securing to authors for limited periods the exclusive rights to their writing." See H.R.Rep. No.2222, 60<sup>th</sup> Cong., 2<sup>nd</sup> Sess. 7 (1909).

copyright holders.<sup>134</sup> Congress recognized that statutory-grant theory was the only theory that explained the nature of U.S. copyright. Copyright becomes a statutory grant of rights to which a given work is subject.

With respect to the application of U.S. copyright laws, the 1976 Copyright Act preempts common law, states copyright law and previous federal copyright legislation. U.S. copyright law empowered by Congress domains the copyright protection at all. Consequently, the exclusive rights in a limited period entitled to authors are vested by copyright statute in the country.

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<sup>134</sup> See PATTERSON & LINDBERG, *supra* note 83, at 120.

## **Chapter 3: U. S. Copyright Law and Technological Changes**

### **3.1 Evolution of Copyright of the United States**

#### **3.1.1 Introduction**

The history of American copyright law can be traced back almost three hundred years, to the Statue of Anne, since which time, American copyright law has been under constant pressure to resolve the problems raised by the rapid technological innovation. The situation does not appear only in the United States but also occurs in countries all around the world.

From early in the twentieth century, U.S. copyright law has undergone many significant revisions or amendments. The serious reformations of copyright law primarily attempt to broaden the scope of copyright and to change the term of copyright protection. Through the development of the copyright institute, Congress and the Supreme Court balanced various interests in economy and public access when the technological changes took place.

This part would provide an overview of U.S. copyright law from historical contexts to acquire understanding on its origination and reasons behind.

#### **3.1.2 American Copyright in Colonial Period**

After the introduction of the printing press to England in the late

fifteenth century, the North American colonies enjoyed neither the right nor the authority to cultivate copyrighted works for around hundreds of years. There was even no right to print in colonial America before 1730.<sup>1</sup> At that time, authorities sought to control the publication of books by granting printers a near monopoly on publishing in England. The British Crown availed itself to suppress the dissenters by means of the power of the press, which kept dissenters away from distributing libelous information against the government. During the period, the conferral of the right or privilege to print was based on political demand rather than the author's status.<sup>2</sup>

### **3.1.3 The First Copyright Act of the United States**

The situation was completely overthrown in 1776 when the United States declared independence. The Constitutional Convention embarked on embedding the protection of creation and innovation into the U.S. Constitution. On May 28, 1787, Charles Pinckney of South Carolina made the first proposal relevant to copyright protection to the Constitutional Convention. Several months later, on September 17, 1787, the Constitutional Convention adopted the copyright and patent clause, and Congress approved it on September 28. As a result, the clause

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<sup>1</sup> See supra discussion of "2.3. Copyright Law in Historical Perspective" of the dissertation.

<sup>2</sup> See WILLIAM F. PATRY, COPYRIGHT LAW AND PRACTICE, Volume I, 14-22 (The Bureau of National Affairs, Inc. 1994).

protecting copyright and patent was effective on June 21, 1788.<sup>3</sup>

In light of the Constitutional authority, Representatives commenced to exercise the power so as to form a copyright act as new as the new-birth country. In 1790, the Congressmen generally achieved consensus for enacting a federal copyright statute. As soon as both the Senate and the House passed the bill<sup>4</sup>, President Washington also signed it into law as “An Act for the Encouragement of Learning, by Securing the Copies of Maps, Charts, and Books, to the Authors and Proprietors of Such Copies, during the Times Therein Mentioned,” (Copyright Act of 1790), the first copyright act of the United States.<sup>5</sup>

It is notable that the Statue of Anne has been deemed a sample to the United States instead of other nations because of the historical context of colonial governance.<sup>6</sup> First, the Copyright Act of 1790 required formalities before copyright attaches. Next, as to the limitation period of exclusive right, the Copyright Act granted authors a fourteen-year initial term and an additional fourteen

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<sup>3</sup> *See id.* at 22-25.

<sup>4</sup> H. R. 43, 1<sup>st</sup> Cong., 2<sup>nd</sup> Sess. (February 25, 1790) (the bill which was to become the first Federal copyright law, was introduced by Elias Boudinot of New Jersey).

<sup>5</sup> *See* Act of May 31, 1790, ch. 15, 1 Stat. 124 (enacted in 1<sup>st</sup> Cong., 2<sup>nd</sup> Sess.); more historical details of Copyright Act of 1790, *see also* Lyman Ray Patterson, *Copyright in Historical Perspective*, 197-202 (Vanderbilt University Press 1968).

<sup>6</sup> Professor Patry suggests Congress took a non-British approach: unlike the English and five of the colonial statutes, which allowed government officials to reform prices believed to be too high, the U.S. Copyright Act relied solely on the marketplace. *See* PATRY, *supra* note 2, at 30.

years as a renewal term. Third, the Copyright Act applied only to books, maps and charts.<sup>7</sup>

### 3.1.4 Significant Changes of U.S. Copyright Law

#### 3.1.4.1 Major Revisions between 1909-1976

Until now, U.S. copyright law has undergone statutory revisions and amendments many times.<sup>8</sup> Most of the changes were made in response to new technological. Both the form of the instrument and its objects changed significantly over this period. The improvement would be discussed below:

The first major revision occurred in 1870, which was known as the second general revision of the copyright law. The Act of 1870 did not only expand the scope of protected works but also regulated registration and the Library of Congress.<sup>9</sup>

The subsequent important change of the Copyright Act was in 1909. The Copyright Act of 1909<sup>10</sup> had improved in aspect of the scope of subject matter, which was extended to "works of art and all the writings of an author."<sup>11</sup> In

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<sup>7</sup> See Copyright Act of 1790, *supra* note 5.

<sup>8</sup> In regard to more details of revisions of copyright acts before 1909, see PATRY, *supra* note 2, at 36-120.

<sup>9</sup> See *id.* at 44-46.

<sup>10</sup> Copyright Act of 1909, Pub. L. No. 349, 35 Stat. 1075 (March 4, 1909) (previously codified at 17 U.S.C. §§ 1-216) (repealed 1976) [hereinafter the 1909 Copyright Act].

<sup>11</sup> See 17 U.S.C. § 5 (1909).

addition, the 1909 act straightforwardly required proper notice as a condition of protecting a published work.<sup>12</sup> That's to say, the protection would begin as long as the notice requirement was satisfied. As to the term of protection, the 1909 Act gave twenty-eight years for first term and plus twenty-eight years for another renewal term as well.<sup>13</sup>

In fact, the Copyright Act of 1909 still plays an important role for two reasons: first, the works applied to the Copyright Act of 1909 continue to be effective because it has not been retroactively overruled by the subsequent copyright acts. Second, the previous cases based on the 1909 act are still valid in certain ways, such as originality and infringement.<sup>14</sup>

The circumstance that the U.S. Copyright Law confronts is getting more and more complicated. Before 1976, Congress had already considered to commence a great improvement on the copyright act to deal with the challenges by the dramatic technological change. The revolutions include adding fixation<sup>15</sup> and originality<sup>16</sup> as requirements to obtain protection. Besides, the 1976 act also

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<sup>12</sup> 17 U.S.C. § 9 (1909).

<sup>13</sup> 17 U.S.C. § 4 (1909).

<sup>14</sup> See CRAIG JOYCE, MARSHALL LEAFFER, PETER JASZI & TYLER OCHOA, COPYRIGHT LAW, 22 (7<sup>th</sup> ed., LexisNexis / Matthew Bender 2006).

<sup>15</sup> 17 U.S.C. § 102(a) (1976) (Copyright Act of 1976, Pub. L. 94-553, 90 Stat. 2541 (October 19, 1976)).

<sup>16</sup> *Id.*

increased exceptions of fair use<sup>17</sup> and allowed more compulsory licenses.<sup>18</sup> Most importantly, the 1976 act conferred copyright protection to authors for life plus fifty years.<sup>19</sup>

#### **3.1.4.2 Major Revisions after 1976**

The United States had been reluctant to be a party to the Berne Convention until 1988. The U.S. government used to believe that conformation to the Berne Convention would conflict with its national copyright law. However, the proliferation of international piracy and the growth of the Berne Union have generally changed the American viewpoint.<sup>20</sup> On March 1, 1989, as the Berne Convention Implementation Act of 1988 (hereinafter BCIA) was enacted, the United States no longer kept itself from the Berne Convention for the Protection of Literary and Artistic Works.<sup>21</sup>

Although the BCIA just recognized the minimum standards of the Berne Convention, it made a breakthrough in abolishing the required notice for publicly

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<sup>17</sup> 17 U.S.C. § 107 (1976).

<sup>18</sup> 17 U.S.C. §§ 111-118 (1976).

<sup>19</sup> 17 U.S.C. § 302(a) (1976).

<sup>20</sup> See MARSHALL LEAFFER, UNDERSTANDING COPYRIGHT LAW, 559 (4<sup>th</sup> ed., LexisNexis/Matthew Bender 2005).

<sup>21</sup> A new legislation is necessary to implement the Berne Convention because it is not self-executing to the United States. See Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (March 1, 1989) (came into force in the United States).



distributed works.<sup>22</sup> With no doubt, the United States' entry greatly enhances the international collaboration combating piracy and counterfeit.

There were three major amendments coming into force in the last decade of the twentieth century. Since technological change has never stopped, two critical copyright legislations are enacted to balance the relationship between copyright owners and technology users. One is the Audio Home Recording Act (hereinafter AHRA) of 1992 codified in chapter ten named Digital Audio Recording Devices and Media.<sup>23</sup> The AHRA requires all digital audio recordings sold, manufactured or imported in the United States (excluding professional audio equipment) to include the Serial Copy Management System (SCMS)<sup>24</sup> and creates statutory levy to charge royalty payments on the person who imports, distribute, or manufactures the digital audio recording device or digital audio recording medium in the United States.<sup>25</sup>

On October 28, 1998, the other major amendment was codified in chapter twelve, so-called the Digital Millennium Copyright Act (hereinafter DMCA).<sup>26</sup>

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<sup>22</sup> Dr. Arpad Bogoch, Director General of WIPO, assured Congress that the United States could become a member of the Berne Convention without adding any moral rights protections to its laws. *See* S. Rep. No. 100-352, at 10 (1988) (as reprinted in 1998 U.S.C.C.A.N. 3715).

<sup>23</sup> Audio Home Recording Act of 1992, Pub. L. No. 102-563, 106 Stat. 4237 (October 28, 1992) (codified at 17 U.S.C., ch. 10 (1992)) (17 U.S.C. §§ 1001-10).

<sup>24</sup> 17 U.S.C. §§ 1001-2 (1992).

<sup>25</sup> 17 U.S.C. §§ 1003-7 (1992).

<sup>26</sup> Digital Millennium Copyright Act of 1998, Pub. L. No. 105-304, 112 Stat. 2860 (October 28, 1998) (amending title 17 of U.S.C.).

Congress constructed the DMCA instrument to prevent technology from circumventing access control to copyrighted works.<sup>27</sup> As to the liability of infringement through the Internet, the relevant provisions are provided in the Online Copyright Infringement Liability Limitation Act (OCILLA) under Title II of DMCA.<sup>28</sup> As a consequence, the DMCA has become a milestone for copyright owners in competition with technological changes.

In addition, the Copyright Term Extension Act of 1998 (CTEA)<sup>29</sup>, alternatively known as the “Sonny Bono Copyright Term Extension Act”, extended copyright terms in the United States to life of the author plus 70 years. The CTEA granted a 20-year extension of the protection period, delaying when copyright works created at an early age will enter the public domain.<sup>30</sup> For example, the copyright of Mickey Mouse’s debut in 1928 was due to expire in 2003.<sup>31</sup> It is notable that

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<sup>27</sup> 17 U.S.C. §§ 1201-5 (1998).

<sup>28</sup> 17 U.S.C. § 512 (1998).

<sup>29</sup> The Copyright Term Extension Act (CTEA) of 1998, Pub. L. No. 105-298, 112 Stat. 2827 (October 27, 1998) (amending chapter 3, title 17, United States Code, to extend the term of copyright protection for most works to life plus 70 years)[hereinafter CTEA].

<sup>30</sup> See Courtney Macavinta, *Copyright Extension Law at Issue in Suit*, C/NET NEWS.com, January 12, 1999, [http://www.news.com/Copyright-extension-law-at-issue-in-suit/2100-1023\\_3-220049.html?tag=news.1](http://www.news.com/Copyright-extension-law-at-issue-in-suit/2100-1023_3-220049.html?tag=news.1) (last visited November 9, 2007); see also Declan McCullagh, *Supreme Court Nixes Copyright Challenge*, C/NET NEWS.com, January 15, 2003, <http://www.news.com/2100-1023-980792.html> (last visited November 9, 2007).

<sup>31</sup> Regarding to the impacts of the Copyright Term Extension Act of 1998 on Disney’s Mickey Mouse, see Bill Haltom, *But Seriously, Folks!: Of Mice and Men: Micky vs. the Ghost of Sonny Bono*, 39 Tenn. B.J. 38 (2003); Douglas A. Hedenkamp, *Free Mickey Mouse: Copyright Notice, Derivative Works, and*

public concern is the point most distinguishing from other tangible property.

Under the public concern, when anyone's copyright passes the certain duration, it will fall into public domain because the existence of the protection should not be so long that the public's access to the works can be intervened.

### **3.2 Protection of Copyright in U.S. Position**

#### **3.2.1 Introduction**

The literal meaning of copyright is the "right to copy," which has existed as a legal term for hundreds years. Precisely, the word "copyright" can be described as a set of exclusive rights regulating the use of a particular expression of an idea or information.<sup>32</sup>

There are two significance trends of the concept having been extended in the development of copyright so far. First, copyright is nearly being treated as a property right like tangible property in our legal system. As a result, authors or right holders are granted exclusive rights more than in the past. Second, the scope of works protected does not vary with the rapid technological changes that improve the reproduction and distribution of human's expression. Through the two methods,

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*the Copyright Act of 1909*, 2 Va. Sports & Ent. L.J. 254 (2003); and Thomas R. Lee, *Eldred v. Ashcroft and the (Hypothetical) Copyright Term Extension Act of 2020*, 12 Tex. Intell. Prop. L.J. 1 (2003); see also Copyright and the Mouse: How Disney's Mickey Mouse Changed the World, Digital Journal, October 6, 2004, <http://www.digitaljournal.com/news/?articleID=4031>(last visited November 9, 2007).

<sup>32</sup> See What is Copyright?, U.S. Copyright Office, Revised July 2006, <http://www.copyright.gov/circs/circ1.html#wci> (last visited November 12, 2007).

the government intends to ensure that authors reap the fruits of their labor.

On the other hand, the people on the opposite side question why we confer authors more reasonable profits than they deserve. The assertion is based on justice to reject unfair enrichment for authors.<sup>33</sup> Today, we are increasingly linked by the digital network, such as Internet. Copyright covers much broader ground, which includes not only literary, artistic, and music works, but architectural works, computer software and some kind of databases. Is the copyright law system ready for this change? An analysis of the requirements of U.S. copyright protection would be provided in part to further understand the need for the present copyright.

### **3.2.2 Purpose of the U.S. Copyright Law**

As to the purpose of U.S. copyright law, it is inevitable to refer to article I, section 8 of U.S. Constitution, which empowers Congress to “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.”<sup>34</sup> The constitutional clause clearly indicates the primary purpose of the U.S. copyright institute is to benefit the public interests in culture and science.<sup>35</sup> Further, the creative works related to human’s culture, such literature and the art, must be protected to promote

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<sup>33</sup> See PAUL GOLDSTEIN, *COPYRIGHT’S HIGHWAY: FROM GUTENBERG TO THE CELESTIAL JUKEBOX*, 30 (Revised ed., Stanford University Press 2003).

<sup>34</sup> U.S. CONT. art. I, § 8, cl.8.

<sup>35</sup> See *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932); see also Jessica Litman, *Frontiers of Intellectual Property: Lawful Personal Use*, 85 *Tex. L. Rev.* 1871, 1880 (2007).

culture since its development is fundamental to the accumulation of human's creation and experience.

For this purpose, Congress enables the creation of a copyright monopoly because the reasonable benefits earned from the creative works would encourage authors to create. However, the copyright monopoly exists only within "limited times," which simply means "not perpetual."<sup>36</sup> The copyrighted works would enter the public domain after the limited period.<sup>37</sup> If creators monopolize the distribution of the created works and completely exclude others' use, it is unimaginable that the assets of human's culture could be accumulated. As a result Congress attempts to induce or stimulate the author or artist to release their products of his creative genius to public.<sup>38</sup>

Nonetheless, the clause is necessary to be interpreted by judiciary in certain circumstance and the goal and measure appear to be inconsistent. In *United States v. Paramount Pictures, Inc.*, the Supreme Court states that "the copyright law ... makes reward to the owner a secondary consideration."<sup>39</sup> In short, the legislative intends to reach the ultimate goal, promotion of culture, through providing adequate

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<sup>36</sup> See Chris Sprigman, *Congressional Power and Limitations Inherent in the Copyright Clause*, 30 Colum. J.L. & Arts 259, 260 (2007).

<sup>37</sup> See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

<sup>38</sup> See *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948); see also *Washingtonian Publishing Co. v. Pearson*, 306 U.S. 30, 36 (1959).

<sup>39</sup> *Id.*

and complete copyright protection for author's rights. Undue burden makes it so future authors do not have sufficient economic incentive to create new work otherwise. The legislative protects the author's economic interests and respects the creator's integrity on created works in the meantime.

The courts have a plausible foundation to provide a better resolution consistent with the purpose the legislator expects as it faces the emergency of new technology, which threatens authors' exclusive rights. As a consequence, a more explicit approach makes it possible to reach a more reliable and foreseeable result to the public.

### **3.2.3 Prerequisites of Copyright Protection**

#### **3.2.3.1 Idea/Expression Dichotomy**

As far as the fundamental understanding of the idea/expression dichotomy, copyright protects only the expression of the idea, not the idea itself. In fact, the legislators adopt the idea/expression dichotomy based on the policy of private incentive and public access. For private incentive, when the author makes his work public, the idea of the work has also been released to the public. The author is not willful to invest in the creation once the protection is too narrow to cover products of his mind. Conversely, copyright does not intend to let the idea under the shelf on the account that excessive protection for copyright would impede the

public access to works.<sup>40</sup>

In U.S. copyright law, the principle of idea/expression dichotomy is embodied in section 102(b) of 1976, which explicitly rejects granting of protection to "... any idea, procedure, process, system, method of operation, concept, principle, or discovery ..."<sup>41</sup> In other words, the author's particular expression of an idea is protectable instead of idea itself.

The most difficult part is to make the distinction between the underlying idea and the expression in a case.<sup>42</sup> Where should the idea stop and the expression begin? Professor Goldstein suggests that the "level of abstraction" is the key point in dealing with the puzzle.<sup>43</sup> Rather, the courts appear not to construct a uniform

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<sup>40</sup> See PAUL GOLDSTEIN, *GOLDSTEIN ON COPYRIGHT*, Volume I, 2.33-34 (3<sup>rd</sup> ed., Aspen 2007); see also JOYCE, LEAFFER, JASZI & OCHOA, *supra* note 14, at 118.

<sup>41</sup> 17 U.S.C. § 102(b). For more instances, article 2 of WIPO Copyright Treaty only grants expressions copyright but not to ideas, procedures, methods of operation or mathematical concepts as such, see WIPO Copyright Treaty, art. 2, Dec. 20, 1996, 36 I.L.M. 65, WIPO Publ. No. 226(E) [hereinafter WCT]. In addition, article 10bis of Copyright Law of Republic of China also adopts the same position "protection for copyright that has been obtained in accordance with this Act shall only extend to the expression of the work in question, and shall not extend to the work's underlying ideas, procedures, production processes, systems, methods of operation, concepts, principles, or discoveries." Zhao Zuo Quan Fa (Copyright Act), Zhonghua Minguo (Republic of China), art. 10bis.

<sup>42</sup> Judge Learned Hand wrote his negative comment that "[n]obody has ever been able to fix that boundary, and nobody ever can." See *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2<sup>nd</sup> Cir. 1930).

<sup>43</sup> Professor Goldstein divides ideas into three levels by its abstraction. "First is the idea as animating concept, often a marketing concept, that gives rise to the work. Second is the idea as solution—the principle or method of operation that makes a work useful if it is a functional work. Third are the elements—plot, theme and individual words, for example—that form the building blocks for the completed work." See GOLDSTEIN, *supra* note 40, at 2.29-33.

standard but resolve the problem on empirical basis in a case.

The leading case, *Baker v. Selden*,<sup>44</sup> touched on whether the subject matter is copyrightable (idea or expression) in the United States. In the case, the Supreme Court attempted to draw the distinction between the idea and the expression with the purpose of the publication. Based on the standard, the ledger that the plaintiff created was not an expressive work because the system of bookkeeping could not be used absent the methods and diagrams in the book. Otherwise, if the work employs those methods and diagrams for explanatory purpose, it is expressive work under copyright protection. As a result, the Supreme Court ruled that “blank account books are not the subject of copyright.”<sup>45</sup>

Accordingly, U.S. Copyright Office incorporates the ruling against following blank forms into Regulations, 37 CFR § 202(1)(c) as: “Blank forms, such as time cards, graph paper, account books, diaries, bank checks, scorecards, address books, report forms, order forms and the like, which are designed for recording information and do not in themselves convey information.”<sup>46</sup>

Another critical doctrine dealing with idea/expression dichotomy is known as “merger doctrine.” Simply, if an idea and its expression are inseparable, and the

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<sup>44</sup> See *Baker v. Selden*, 101 U.S. 99 (1879).

<sup>45</sup> See *id.* at 107.

<sup>46</sup> See 37 C.F.R. § 202(1)(c) (2000).



idea can be expressed by only one way, the idea and its expression merge. As a result, copyright protection would be precluded to ensure that protection would not extend to ideas.<sup>47</sup> For example, the specific idea of the formula,  $E=mc^2$ , can be expressed in one way, which is unprotected under doctrine of merger. In addition, the Justice of *CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.* delivered that "...has understandably given rise to bewildering problems of interpretation as to whether copying has been of protected expression or of the unprotected ideas underlying the expression."<sup>48</sup> Nevertheless, the problem of idea/expression dichotomy has not been resolved yet with the precedents. The issue of idea/expression dichotomy applying to new subject inevitably remains with the change of technology.

In the historical context of computer-related products, it has caused diverse holdings of the courts with the feature of non-literal elements. The thorny subjects at issue include graphical user interface (GUI)<sup>49</sup>, computer command hierarchies (QWERTY keyboard),<sup>50</sup> and computer software program.<sup>51</sup>

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<sup>47</sup> See *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675, 678 (1<sup>st</sup> Cir. 1967), *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738, 742 (9<sup>th</sup> Cir. 1971) and *Kregos v. Associated Press*, 937 F.2d 700, 705 (2<sup>nd</sup> Cir. 1991).

<sup>48</sup> See *CCC Info. Servs. v. MacLean Hunter Mkt. Reports*, 44 F.3d 61, 69 (1994).

<sup>49</sup> See *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435 (1994).

<sup>50</sup> See *Lotus Dev. Corp. v. Borland Int'l*, 516 U.S. 233 (1996).

<sup>51</sup> 17 U.S.C. §§ 101, 117.

The computer programs fixed on a Read Only Memory (ROM)<sup>52</sup> can be divided into application programs and operating system programs by its functions. Both of the programs are able to carry out specific tasks for computer users, such as word processing.<sup>53</sup> Courts used to struggle over the problem of whether computer programs are entitled to copyright law protection like literary works. The problem contains a critical sub issue relevant here: to draw a line between the idea and expression dichotomy in computer program case.<sup>54</sup> Today, the most of courts laid down the law that operating system programs are not precluded from copyright protection as an “idea,” or “process,” or “method of operation.”<sup>55</sup>

In legislative perspective, Congress also embodied it as a copyrightable subject matter in article 101<sup>56</sup> and 117<sup>57</sup> of U.S. copyright law. Congress did not

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<sup>52</sup> “The portion of a computer’s primary storage that does not lose its contents when one switch off the power.” BRYAN PFAFFENBERGER, WEBSTER’S NEW WORLD COMPUTER DICTIONARY, 312 (10<sup>th</sup> ed., Wiley Publishing, Inc. 2003).

<sup>53</sup> For more details about mechanism of computer programs, *see* CONTU Final Report, Dissent of Commissioner Hersey, at 28-30 (1979).

<sup>54</sup> ROBERT P. MERGER, PETER S. MENELL & MARK A. LEMLEY, INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE, 911 (2<sup>nd</sup>., Aspen 2000).

<sup>55</sup> *See* Whelan Associates Inc. v. Jaslow Dental Laboratory, Inc., 797 F.2d 1222 (3<sup>rd</sup> Cir. 1986), and Broderbund Software Inc. v. Unison World, Inc., 648 F. Supp. 1127 (N.D. Cal. 1986). For the opposite opinions, *see* Blue Bell Bio-Medical v. Cin-Bad, Inc., 864 F.2d 1253, 1256 (5<sup>th</sup> Cir.1989), and Computer Assocs. v. Altai, Inc., 775 F. Supp. 544 (1991).

<sup>56</sup> In 1980, article 101 of U.S. copyright law defined the term “computer program” as “a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.” *See* Act of Dec. 12, 1980 (Bayh-Dole Act), Pub. L. No. 96-517, 94 Stat. 3015-3028 (Dec. 12, 1980) (codified as amended at 35 U.S.C. 200-211, 301-307 (1994)).

<sup>57</sup> Article 117 of U.S. copyright law amended in 1980 provided limitations on exclusive rights of

intend to freeze the scope of copyrightable technology or to allow unlimited expansion of the protection on the ground of economic status in society.

### 3.2.2.2 Originality

In the United States, the requirement of originality is traditionally deemed as the touchstone of copyright protection.<sup>58</sup> Section 102(b) of U.S. copyright law embodied the requirement by protecting “an original work of authorship.”<sup>59</sup>

However, the concept of originality is significant but ambiguous. There is no explicit definition provided by the American copyright system for the key term. In the context of legislation, Congress explained the absence of such a definition in 1976. The 1976 House Report elaborates that Congress intentionally leaves the courts to define the phrase of “original works of authorship” on a case-by-case basis.<sup>60</sup>

In common law, the landmark case *Feist Publications, Inc. v. Rural Telephone Service Co.* analyzed the question of an original work of authorship in 1991.<sup>61</sup> The opinion of the notable case was delivered by Justice O’Conner, who confirmed originality is the *sine qua non* of copyright. That’s to say, a work must

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computer programs.

<sup>58</sup> See *Goldstein v. California*, 412 U.S. 546, 561-62 (1973).

<sup>59</sup> 17 U.S.C. § 102(b) (1976).

<sup>60</sup> See H.R. Rep. No. 94-1476, 94<sup>th</sup> Cong., 2<sup>nd</sup> Sess. 51 (1976).

<sup>61</sup> See *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991).

be original to the author to be eligible for copyright.<sup>62</sup> He deliberately considered the constitutional basis under Art. I, § 8, cl. 8. of the United States Constitution prescribing the words “authors” and “writings.”<sup>63</sup> Then, the Supreme Court held that “originality is a constitutional requirement.”<sup>64</sup>

In the case, the Supreme Court held that originality consists of independent creation by the author, and a modest quantum of creativity. At first, independent creation can be simply understood as a work not copying another. The Justice agreed that discovery is the fact that someone first found something but created nothing.<sup>65</sup> Next, he moved to distinguish the subject matter between copyright and patent. Copyright law attempts to encourage creation by granting protection to the work with originality but no invention.<sup>66</sup> A protected work is unnecessary to be the world’s first work expressing the specific idea. Neither novelty nor advance over the prior art are required in an original work.<sup>67</sup> As a result, copyright can be enjoined only with a preexisting work.

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<sup>62</sup> See *id.* at 345.

<sup>63</sup> U.S. CONST. art. I, § 8, cl. 8. (“[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”).

<sup>64</sup> See Feist, *supra* note 61, at 346.

<sup>65</sup> See *id.* at 347.

<sup>66</sup> “If a writer who has never know a previous work somehow creates an exact duplicate of that work or a substantial promotion thereof, the second work is nonetheless copyrightable because, even though it is not “novel” or “unique”, it “originates” with the second author.” See JOYCE, LEAFFER, JASZI & OCHOA, *supra* note 14, at 86.

<sup>67</sup> See GOLDSTEIN, *supra* note 40, at 1:51.

For the quantum of creativity for originality, it is a question with no consensus. The Supreme Court does not directly settle how much creativity a work needs to be entitled to copyright. Meanwhile, another derivative question is the standard of determining whether a minimal degree of creativity is subjective or objective. Who is the one making final decision? As to the question, Justice Oliver Wendell Holmes Jr. (1841 -1935) was devoted to decide the originality in *Bleistein v. Donaldson Lithographing Co.*<sup>68</sup> In his opinion, granting lawyers the exclusive power to decide if the work has *de minimis* amount of originality is so improper that the court should disregard of judging a work by his personal taste. Thus, Justice Holmes refused to make an aesthetic and educated decision on the pictures used for an advertisement in the case.<sup>69</sup>

Analyzing a modest quantum of creativity for originality, the Supreme

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<sup>68</sup> See *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).

<sup>69</sup> "It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits. At the one extreme some works of genius would be sure to miss appreciation. Their very novelty would make them repulsive until the public had learned the new language in which their author spoke. It may be more than doubted, for instance, whether the etchings of Goya or the paintings of Manet would have been sure of protection when *seen* for the first time. At the other end, copyright would be denied to pictures which appealed to a public less educated than the judge." "Yet if they command the interest of any public, they have a commercial value -- it would be bold to say that they have not an aesthetic and educational value -- and the taste of any public is not to be treated with contempt. It is an ultimate fact for the moment, whatever may be out hopes for a change. That these pictures had their worth and their success is sufficiently shown by the desire to reproduce them without regard to the plaintiffs' rights." See *id.* at 251-52.

Court is reluctant to view a relevant theory, the so-called "sweat of the brow", as the theory underlying copyright.<sup>70</sup> The theory of sweat of the brow negates the originality for vesting copyright on the account that the work is entitled to protection for the author's labor. Even though the theory rewarded the author's endeavor, it prevents the work from unfair copying or free riders. The Supreme Court upheld the declaration of the House Report that the copyright act virtually intends to avoid the unfair results by protected only work that contributes to the public interests.<sup>71</sup>

### 3.2.2.3 Fixation

Fixation requires authors to express ideas by virtue of a tangible medium to obtain copyright protection because the abstract expression of ideas, such as skywriting, is so intangible that it cannot be verified. For example, an author fixes the story he created to a book, the copyright remains with the story, a creative work, but not with a copy of the book. Otherwise, if any expression is eligible for copyright, there would be plenty of frivolous lawsuits with weak allegations of copyright infringement of copying ideas.

In the United States' perspective, the 1976 House Report disagreed with the previous ruling by the Supreme Court in *White-Smith Publishing Co. v.*

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<sup>70</sup> See Feist, *supra* note 61, at 360-61.

<sup>71</sup> See *id.* at 355-56.

Apollo Co., 209 U.S. 1 (1908)<sup>72</sup> and considered broadening the scope of fixation.<sup>73</sup>

Congress, then, addressed that the idea must be fixed on a “tangible medium of expression,” which “can be perceived, reproduced, or other communicated, either directly or with the aid of a machine or device” in the 1976 Copyright Act.<sup>74</sup>

Consequently, the work’s immediately apprehension by the human sense emphasized in the former case is no longer valid.<sup>75</sup> In addition, article 2(2) of the Berne Convention also adopts the same position of fixation in order to identify the work and avoid confusion with the offerings of others.<sup>76</sup>

Likewise, the requirement of fixation is also challenged by technological change. As to the challenge in the United States, Congress declared in the 1976 House Report that live broadcasts can be protected like a motion picture or sound recording as long as the broadcast has been recorded simultaneously with the transmission.<sup>77</sup> Further, it mentions key standards to examine the fixation of a

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<sup>72</sup> See *White-Smith Publishing Co. v. Apollo Co.*, 209 U.S. 1 (1908).

<sup>73</sup> See H.R. Rep. No. 94-1476, *supra* note 57.

<sup>74</sup> 17 U.S.C. § 102 (1976).

<sup>75</sup> Justice Day delivered the opinion of the Court that “[i]t is not susceptible of being copied until it has been put in a form which other can see and read.” See *Apollo*, *supra* note 72, at 17.

<sup>76</sup> Paragraph 2, art. 2, of the Berne Convention: “[i]t shall, however, be a matter for legislation in the countries of the Union to prescribe that works in general or any specified categories of works shall not be protected unless they have been fixed in some material form.” See also World Intellectual Property Organization, *Guide to the Berne Convention for the Protection of Library and Artistic Works*, 18 (WIPO Publication 1978).

<sup>77</sup> See H.R. Rep. No. 94-1476, *supra* note 60, at 52-53.

work. The legislators would like to exclude “the concept purely evanescent or transient reproductions such as those projected briefly on a screen, shown electronically on a television or other cathode ray tube, or captured momentarily in the memory of a computer” from protection.<sup>78</sup>

Instead, they clarified that the embodiment should be “sufficiently permanent or stable to be perceived, reproduced, or ....”<sup>79</sup> The question at issue is how long the fixation of a work shall last. At this point, Professor Patry argues that a work should be fixed to a tangible object more than briefly or captured more than momentarily.<sup>80</sup>

#### 3.2.2.4 Formalities

In a historical perspective, copyright originates from the national control over freedom of speech and economic interests. Inevitably, the authors were required to complete statutory formalities for copyright after creating the work at that time. The system to register with the authorities prior to protection has generally abrogated with the theoretical development of copyright.

Today, the formality no longer works as the prerequisite of copyright in most countries in the world. Only a few countries retain the formality regulation as

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<sup>78</sup> *See id.*

<sup>79</sup> *Id.* at 53.

<sup>80</sup> *See* PATRY, *supra* note 2, at 171.



a condition of procedure interests in infringement lawsuit. For example, although American copyright institution used to feature formality in vesting copyright to authors, the importance of registration has vigorously dropped down after the Berne Convention Implementation Act (BICA) came into effect on March 1, 1989.<sup>81</sup> To meet the Berne Convention, the U.S. copyright law grants copyright for creation automatically without any condition of formality.<sup>82</sup> The formalities remaining are amended for different functions in the present. There are four kinds of formalities existing in the U.S. copyright system

Notice of copyright: the copyright statute used to require that the owner place notice on the work, such as on the title page of a book. Later than ratification of the Berne Convention, the severe requirement of notice has been so relaxed to comply with the convention that an incomplete notice is incapable of forfeiting copyright.<sup>83</sup> Notwithstanding, a voluntary notice is still encouraged to maintain market order of copyright products.

Publication<sup>84</sup> of work: The 1909 Copyright Act protected published

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<sup>81</sup> Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (October 31, 1988).

<sup>82</sup> See 17 U.S.C. § 102(a) (1976).

<sup>83</sup> Notice consists of three parts: (1) the symbol © (the letter C in a circle), or the word "Copyright", or the abbreviation "Copr." (2) the year of first publication of the work (3) the name of the owner of copyright in the work. See 17 U.S.C. §§ 401-406.

<sup>84</sup> Article 101 defines publication as "the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies

work under the statutory, but unpublished work is merely protected by common law at the risk of depriving copyright by courts. The differences between statutory copyright and common law copyright were not eliminated until the 1976 Copyright Act. Furthermore, in 1989, the U.S copyright law got rid of the effects of publication on the validity of a creative work by amending article 401.<sup>85</sup>

Registration of the work: U.S. copyright law also encourages voluntary registration of a work on the purpose of facilitating "transfers, assignments, licenses of copyrighted works."<sup>86</sup> In history, although the 1909 Copyright Act required registration when copyright is renewed for a twenty-eight-year extension, the grant of copyright was, at no time, on the condition of registration with the authorities. Therefore, section 102(a) of U.S. copyright law prescribed that a creative work fixed on tangible medium is entitled to copyright.<sup>87</sup> The system of registration is just the prerequisite to allege infringement of copyright in the courtroom.<sup>88</sup> Two

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or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication." 17 U.S.C. § 101 (1976).

<sup>85</sup> 17 U.S.C. § 401.

<sup>86</sup> Profess Leaffer explains that through the registration, "prospective transferees have more confidence in the validity of a registered copyright." See LEAFFER, *supra* note 20, at 268.

<sup>87</sup> 17 U.S.C. § 102(a).

<sup>88</sup> On Professor Leaffer's analysis of the provisions, there are four key roles that registration plays in American copyright system: "(1) prerequisite to bringing suit for infringement (2) registration as prima facie evidence of validity (3) registration as a prerequisite for obtaining statutory damages and attorney's fees (4) the interplay of registration and recordation." See *id.* at 278-85.

exceptions, however, can be observed here: one is the registration constraining the copyright owners whose country of origin is another member nation was relieved after the United States' entry to the Berne Convention.<sup>89</sup> Second, an action brought for violation of an author's rights to attribution and integrity under section 106(A) is unnecessary to be subject to the registration.<sup>90</sup>

Deposit of a copy of work: the formation of deposit is on the account of the collection of the Library of Congress. Before the Copyright Act of 1976, an author failing to do deposit to Library of Congress would be deprived of the protection. In the present, such failure would not result in forfeit of copyright anymore.<sup>91</sup>

### **3.2.3 Increase of Works Protected**

#### **3.2.3.1 Introduction**

As to the relation between copyright and technology, Professor Goldstein profoundly observes that "copyright was technology's child from start."<sup>92</sup> In the beginning of the new technology coming out, the technological change has been reforming the way we communicate. In past decades, a variety of new technologies were innovated; for example, photography, motion pictures, sound recorders, and computer-related products. All of them had given rise to arguments

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<sup>89</sup> 17 U.S.C. § 411.

<sup>90</sup> 17 U.S.C. § 411.

<sup>91</sup> 17 U.S.C. §§ 407, 408.

<sup>92</sup> See GODLSTEIN, *supra* note 33, at 21.

about copyrightability in legislative and judiciary perspectives.

In the argument, Congress and the courts have endeavored to usher the disputes of copyright law to a desirable result. One of the major measures to balance the relationship between copyright and technology is expanding the scope of copyrightable works under section 102 of U.S. copyright law. The statute encompasses eight major categories of works protected: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.<sup>93</sup>

The section would also discuss the decision ruled by the Supreme Court that prudentially deals with the problem of innovations although, in some case, the Supreme Court's attitude toward new technology did not immediately extend to any product, whether it was "sufficiently artful to qualify for copyright."<sup>94</sup> In fact, court plays a role in determining resolution for the parties in the litigation but not to address a future public policy that Congress should take care of. However, if the Court's decision in the case has a wide impact on the general public and does not draw a line between justice and social benefits, the responsibility of resolving the

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<sup>93</sup> 17 U.S.C. § 102(a).

<sup>94</sup> See GODLSTEIN, *supra* note 33, at 47.

conflict should be on Congress's shoulder. For example, the 1909 Copyright Act was helpful to relax the tension as new technology came out even though the legislators hesitated to accept all the products of new technology in copyright law at times.

Consequently, the interaction between the Supreme Court and Congress may have become a reasonable model capable of balancing interests between copyright holders and innovators. This section would outline the evolution of U.S. copyright law with the historical spectrum of copyrighted works.

### 3.2.3.2 Photography

Congress granted copyright protection to photography<sup>95</sup> on March 3, 1865.<sup>96</sup> Nonetheless, twenty years later, photography arose the first technological challenge to American copyright law since printing.<sup>97</sup> The threshold of the challenge took place in *Burrow-Giles Lithographic Co. v. Saroni* case. In the leading case, Napoleon Saroni, a photographer, alleged the Burrow-Giles

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<sup>95</sup> "Photography is an art or process of producing a negative or positive image directly or indirectly on a sensitized surface by the action of light or other form of radiant energy." See WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY, 1702 (Philip Babcock Gove ed., 1986) (Further, the process of recording pictures by means of capturing light on a light-sensitive medium. Light patterns reflected or emitted from objects expose a sensitive silver halide based chemical or electronic medium during a timed exposure, usually through a photographic lens in a device known as a camera that also stores the resulting information chemically or electronically).

<sup>96</sup> See *A Brief Introduction and History*, U.S. Copyright Office, January 2005, <http://www.copyright.gov/circs/circ1a.html> (last visited January 25, 2007).

<sup>97</sup> See GOLDSTEIN, *supra* note 33, at 46.

Lithographic Company should be liable for infringement of copyright under U.S. rev. State. § 4952, and § 4965 because the Burrow-Giles Lithographic Company used the photographs of Oscar Wilde without his consent.<sup>98</sup>

In litigation, Burrow-Giles Lithographic Company developed a defense of copyrightability of photography on a constitutional ground. The defendant argued that the photographs were not eligible for copyright because they consist of neither “writing” nor “author,” which the “Copyright and Patent Clause” protects.<sup>99</sup> Accordingly, the defendant claimed that the 1865 amendment, which extended protection to photograph, was unconstitutional.<sup>100</sup>

Essentially, the central issues of the case include whether a photograph constitutes a writing and whether a photograph satisfies the requirement of originality for copyright. In the Supreme Court, Justice Miller answered the former question with the analysis of the Copyright Acts of 1709 and 1802 designed by the contemporary Framers of U.S. Constitution. The members of Congress were purposed to cause the photograph to be protected. Justice Miller stated that “... is of itself entitled to very great weight, and when it is remembered that the

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<sup>98</sup> See *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 279-80 (1884) (U.S. Rev. Stat. § 4952 names photographs among other things for which the author, inventor, or designer may obtain copyright, which is to secure him the sole privilege of reprinting, publishing, copying, and vending the same).

<sup>99</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>100</sup> See *Sarony*, *supra* note 98, at 56.

rights thus established have not been disputed during a period of nearly a century, it is almost conclusive."<sup>101</sup> Consequently, a performance constitutes writing in a constitutional sense even though the performance itself is not a writing.<sup>102</sup>

With respect to the originality, the Supreme Court realized the process of recording pictures may be "merely mechanical, with no place for novelty, invention or originality."<sup>103</sup> Nonetheless, Justice Miller considered the Sarony is qualified as the author in the case while he was selecting and arranging the costume, draperies, and other various accessories in front of camera. The photographer definitely created an ordinary work by means of his personal skills and imagination to constitute the content of the picture.<sup>104</sup> Thus, a photograph embodying intellectual conception and expression was copyrightable under opinions of the Supreme Court.

The watershed case confirmed the copyrightability of photography in a constitutional aspect. But Professor Goldstein doubted the Supreme Court's attitude toward new technology did not immediately extend to any product whether

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<sup>101</sup> See *id.* at 57.

<sup>102</sup> See MELVILLE B. NIMMER, COPYRIGHT AND OTHER ASPECTS OF LAW PERTAINING TO LITERARY, MUSICAL AND ARTISTIC WORKS, 28-29 (2<sup>nd</sup> ed., West Publishing Co. 1979).

<sup>103</sup> See Sarony, *supra* note 98, at 59.

<sup>104</sup> See *id.* at 60-61 ("...entirely from his own original mental conception, to which he gave visible form by posing the said Oscar Wilde in front of the camera, selecting and arranging the costume, draperies, and other various accessories in said photograph, arranging the subject so as to present graceful outlines, arranging and disposing the light and shade, suggesting and evoking the desired expression, and from such disposition, arrangement, or representation, made entirely by plaintiff, he produced the picture in suit").

it was “sufficiently artful to qualify for copyright.”<sup>105</sup> The legislators hesitated to accept all the products of new technology in copyright law at this time.

### 3.2.3.3 Motion Picture

After the Supreme Court’s recognition of photography for copyright, motion picture as a new medium is initially entitled to “appropriative” protection by copyright.<sup>106</sup> In 1903, Thomas Edison filed a copyright infringement action against a defendant who made unauthorized copies of an aggregation of his photographs. His motion was dismissed by the district court because the court held that celluloid was not within the protection of copyright law.<sup>107</sup> Edison sought review of the district court’s judgment to the Circuit Court of Appeals. Ultimately, the appeal court reversed the trial court’s judgment.<sup>108</sup> In the litigation, the appeal court considered the fact that Congress has already foreseen the change and advance of photographic technology as recognizing photography for copyright in the 1865 Copyright Act. That’s to say, the term photograph should not be limited to the literal meaning in the copyright statutory. Instead, the copyright shield can be extended to motion pictures even though they had not been in contemplation when

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<sup>105</sup> See GOLDSTEIN, *supra* note 33, at 47.

<sup>106</sup> See Peter Jaszi, *Fixing Copyright: Copyright, Fair Use and Motion Pictures*, 2007 Utah L. Rev. 715, 716 (2007).

<sup>107</sup> See *Edison v. Lubin*, 119 F. 993 (E.D. Pa. 1903) (“[T]hat section extended the copyright system to any photograph, but not to an aggregation of photographs”).

<sup>108</sup> See *Edison v. Lubin*, 122 F. 240 (3<sup>rd</sup> Cir. 1903).



the Copyright Act of 1870 was enacted because the motion pictures basically relied on a series of photographs as negatives to represent the celluloid film.<sup>109</sup> To comply with the legislative concern, the appeal court reversed the trial court's judgment by ruling that "[f]rom the standpoint of preparatory work in securing the negative, the latter consists of a number of different views, but when the negative was secured, the article reproduced therefrom was a single photograph of the whole. And that it is, in substance, a single photograph, is shown by the fact that its value consists in its protection as a whole or unit, and the injury to copyright protection consists not in pirating one picture, but in appropriating it in its entirety."<sup>110</sup> After all, on August 24, 1912, Congress added motion picture to classes of protected works.<sup>111</sup>

With the increase of motion pictures, the tension between copyright owners and the creators' works has been relevant to use of preexisting celluloid.<sup>112</sup> There are two critical problems of authors' copyrights derived from such tension. One is the infringement of copyright by wrongful adaptation. The other is related to the liability of accomplice to infringement of copyright.

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<sup>109</sup> See *id.* at 242.

<sup>110</sup> *Id.*

<sup>111</sup> See A Brief Introduction and History, *supra* note 96.

<sup>112</sup> See Jaszi, *supra* note 106, at 718.

For example, in *Kalem Co. v. Harper Bros.* case,<sup>113</sup> the Kalem Company (the defendant) engaged in the production and distribution of the moving pictures exhibited a series of photographs of persons and things. However, the principle scenes of the motion pictures were arranged on the basis of General Lew Wallace's book, "Ben Hur," published by Harper Bros (the plaintiff). The defendant brought a suit for copyright infringement. The defendant appealed to the Supreme Court. In fact, the exhibition was a dramatization of Ben Hur even though the company employed others to play for him.<sup>114</sup> Justice Holems accordingly stated that

"[t]he essence of the matter in the case last supposed is not the mechanism employed but that we see the event or story lived. The motion pictures are only less vivid than reflections from a mirror."<sup>115</sup>

According to his analysis, the exhibition of a pantomime founded on a dramatization of Ben Hur infringed on the copyright of the original novel.<sup>116</sup>

In addition, the defendant in the litigation was the producer of films instead

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<sup>113</sup> See *Kalem Co. v. Harper Bros.*, 222 U.S. 55 (1911).

<sup>114</sup> See *id.* at 61.

<sup>115</sup> See *id.*

<sup>116</sup> Professor Goldstein stated the disputed problems in the case could be settled on a simple ground that defendant had arranged for a screenplay to be written based on the novel. The screenplay was an unauthorized dramazation which infringed author's copyright. Justice Holmes gave up the rationale probably because "an opinion that focused on the screenplay alone would leave an economically far more important medium—theatrical exhibition of films—outside the scope of copyright." See GOLDSTEIN, *supra* note 33, at 50-51.

of the exhibitor, who played the pantomime to public. At this point, Justice Holmes explained that the producer is liable for infringement because he contributed to the infringement of copyright by means of intentionally facilitating the use of the moving pictures.<sup>117</sup> The contributory infringement is analogical to the Supreme Court's recent attitude toward illegal downloading of music. Through the comparison, the tension between copyright and technology is not ambiguous and more perceivable in a historical perspective.

#### 3.2.3.4 Sound Recording

In 1831, musical works have been added into protection of the U.S. copyright system.<sup>118</sup> Musical works include both original compositions and original arrangements or new versions of earlier compositions to which new copyrightable authorship applies.<sup>119</sup> However, the statute regulating the action of recording musical work was absent in the Copyright Act at that time. In fact, the core issue of recorded musical work is whether "recording" sounds with machines

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<sup>117</sup> Holmes' original language: "[t]he defendant not only expected but invoked by advertisement the use of its films for dramatic reproduction of the story. That was the most conspicuous purpose for which they could be used, and the one for which especially they were made. If the defendant did not contribute to the infringement it is impossible to do so except by taking part in the final act." Haper Bros, *supra* note 113, at 63.

<sup>118</sup> See A Brief Introduction and History, *supra* note 96.

<sup>119</sup> However, the U.S. copyright law intends not to define the term musical works because its meaning has been "fairly settled." For example, musical contains musical scores for opera, operetta, orchestral, ensemble, band and other musical performances as well as music for songs, jingles and incidental music. See JOYCE, LEAFFER, JASZI & OCHOA, *supra* note 14, at 165.

can constitute “copy” of musical work in the copyright sense.<sup>120</sup>

White-Smith Music Pub. Co. v. Apollo Co. is the notable early case dealing with the problem of copying in 1908.<sup>121</sup> Apollo (the defendant) was the manufacturer of piano rolls, which can be used to reproduce melody. White-Smith (the plaintiff) alleged the piano rolls “copied” the musical composition. In appeal, the Supreme Court answered the question on a narrow view with a literal meaning of the term in copyright act.<sup>122</sup> Justice Day, therefore, addressed his opinion that: “they are not intended to be read as an ordinary piece of sheet music, which to those skilled in the art conveys, by reading, in playing or singing, definite impressions of the melody.”<sup>123</sup> “[W]e cannot think that they are copies within the meaning of the copyright act.”<sup>124</sup> Justice Holmes concurred the opinion analyzing that “if the statute is too narrow, it ought to be made so by a further act, except so far as some extraneous consideration of policy may oppose.”<sup>125</sup>

Consequently, the Supreme Court insisted on applying the copyright act conforming to its literal terms until 1909, when Congress directly resolved the

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<sup>120</sup> Distinguishing musical works from sound recordings is important to further understand the discussion. *See id.* at 195-96.

<sup>121</sup> *See Apollo, supra* note 72, at 17.

<sup>122</sup> *See GOLDSTEIN, supra* note 33, at 52.

<sup>123</sup> *See Apollo, supra* note 72, at 18.

<sup>124</sup> *Id.*

<sup>125</sup> *Id.* at 20.

problem of reproducing musical works with embodiment in the 1909 Copyright Act.<sup>126</sup>

### 3.2.3.5 Computer Program

Since 1970, the copyrightability of computer programs has become another significant test to the copyright regime with the rapid improvement of computer technology. Indeed, a computer is the machine instructed by a program to organize information. It is uncertain whether computer programs can be protected as a "literary work" in section 101. Thus, in 1974, Congress appointed the National Commission of New Technological Uses of Copyrighted Works (CONTU) to further study the complicated technology.<sup>127</sup> Before the final report of CONTU was released, Congress enacted the 1976 Copyright Act, which defined literary work as "works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied."<sup>128</sup>

There is no clear language explicitly expressing the copyrightability of the computer program. Thus, the core problem turns to whether a computer program

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<sup>126</sup> See the 1909 Copyright Act, *supra* note 10.

<sup>127</sup> See Pamela Samuelson, *Allocating Ownership Rights in Computer-Generated Works*, 47 U. Pitt. L. Rev. 1185, 1193 (1986).

<sup>128</sup> 17 U.S.C. § 101 (1976).

can qualify as a literary or artistic work under the article. As to the argument, it is helpful to obtain a plausible answer within legislative history. The 1976 House Report construed that computer program falls within the definition of article 101 for copyright. There's no doubt that Congress has revealed a strong intention to confer protection of computer programs through the House Report.<sup>129</sup> Notwithstanding, the explanation is still incomplete because the computer program does not really fit the definition of literary works in nature.

Apart from the argument of language under article 101, the House Report also attempted to resolve another fundamental problem — whether the nature of computer program is an expression of an idea. The House Report stated that a computer program is an expression rather than an idea itself. But the actual processes or methods embodied in the program cannot be found the same nature as a computer program.<sup>130</sup> Presumably, Congress is in favor of granting protection to computer programs in the copyright field.

In 1979, the final report of CONTU came out and recommended Congress

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<sup>129</sup> “The term “literary works”...also includes computer data bases, and computer programs to the extent that they incorporate authorship in the programmer’s expression of original ideas, as distinguished from the ideas themselves.” See H.R. Rep. No. 94-1476, *supra* note 60, at 54.

<sup>130</sup> “[T]he expression adopted by the programmer is the copyrightable element in a computer program, and that the actual processes or methods embodied in the program are not within the scope of the copyright law.” *Id.* at 57.

to protect computer programs under copyright law.<sup>131</sup> According to the recommendation, on Dec. 12, 1980, Congress clearly carved out a definition of a computer program in article 101. "A set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result."<sup>132</sup> Such legislation meets the purpose to promote science with copyright law.

In judiciary, the leading case involved was *Apple Computer, Inc. v. Franklin Computer Corp.*, which concluded the three significant issues in dispute: (1) whether copyright could exist in computer programs expressed in object code, (2) whether copyright could exist in computer programs embedded on a ROM, (3) whether copyright could exist in computer operating systems.<sup>133</sup> For the first question, a program expressed in an object code can be protected under section 101 as literary works because the copyrightable expression includes "numbers, or other ... numerical symbols or indicia."<sup>134</sup> Second, the court affirmed that computer

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<sup>131</sup> Act of Dec. 12, 1980 (Bayh-Dole Act), Pub. L. No. 96-517, 94 Stat. 3015-3028 (Dec. 12, 1980) (codified as amended at 35 U.S.C. 200-211, 301-307 (1994)).

<sup>132</sup> See 17 U.S.C. § 101 (computer programs). In addition, the Intellectual Property and High Technology Technical Amendments Act of 2002 amended section 101 by moving the definition for computer program from the end of section 101 to be in alphabetical order, after "compilation." See Technology, Education, and Copyright Harmonization Act of 2002, Pub. L. No. 107-273, 116 Stat. 1758

<sup>133</sup> See *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240 (1983).

<sup>134</sup> See *id.* at 1249 (the court referred to definition of literary work in article 101 of U.S. Copyright Law: "[L]iterary are works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied").

programs expressed on a ROM complies with the fixation requirement under section 101.<sup>135</sup> For the last problem regarding to copyrightability of operating system programs, the court supported operating system programs are copyrightable as much as application programs and ruled that "[i]f other programs can be written or created which perform the same function as an Apple's operating system program, then that program is an expression of the idea and hence copyrightable."<sup>136</sup>

Under the explanation of copyright law, computer programs should fall within the scope of works protected in U.S. copyright law.

### **3.3 Challenges of Peer-to-Peer Transmission**

#### **3.3.1 Introduction**

Copyright law is racing to catch up with technology on the Internet. With the arrival of the commercial age of the Internet, the demand on high-quality transmission pressed manufacturers and service providers to advance their products because users don't like jammed traffic. The peer-to-peer system is the most popular but controversial one. Using a peer-to-peer file-sharing program and a

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<sup>135</sup> *See id.* (The court referred to fixation requirement in article 101 of U.S. Copyright Law: "a work is fixed in a tangible medium of expression when: its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. 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").

<sup>136</sup> *See id.* at 1253.



decent internet connection, a user can make all his files available to anyone else who is using the same program. Although most of the uses passed using peer-to-peer technology such as telephony traffic, real-time data and sharing files containing audio, video, data or anything in digital format, are legitimate, in some cases, the users involved in unauthorized distribution of copyrighted work caused legal problems on shutting down the illegal websites.<sup>137</sup>

Throughout the twentieth century, technological advances of digital transmission have created unprecedented argument in Capitol Hill and Supreme Court. To understand the recent peer-to-peer legal controversies in copyright law, it's essential to acknowledge how the system works and how the system is distinguished from other transmitting systems. Therefore, this part would define various models of transmitting data and explore the mechanism of those technologies. Surely, the advance of Internet technology is endless so the study could encompass the contemporary technology of computer science but not a perspective one.

### **3.3.2 Client-Server and Decentralized Models**

The primarily traditional transmission, client-server model is a computer

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<sup>137</sup> See Justice Department Announces Guilty Plea in P2P Piracy Crackdown, Computer Crime & Intellectual Property Section United States Department of Justice, April 30, 2007, <http://www.usdoj.gov/criminal/cybercrime/harvanekPlea.htm> (last visited December 10, 2007).

network consisting of a centralized powerful computer (the server) that works as a hub and a less powerful personal computer that works as a receiver (the client). In the network, the transmission between the server and the client requires the client apply a certain software program compatible with the central computer. A typical example for the non peer-to-peer file transfer is called File Transfer Protocol (FTP),<sup>138</sup> which contains at least a server and a client as well. The FTP server relies on FTP server software to be aware of the requests from other computers connected to the network. Simultaneously, the client computer has to link the server with the FTP client software to receive data. When downloading a file from the Internet, the downloader is transferring the file to your computer from another computer over the Internet.

On the other hand, "Peer to Peer" (P2P) is the most popular architecture transferring information from user to user.<sup>139</sup> The technical term peer-to-peer is complex because it is so different from the traditional central-server system that it often confuses people with its features. Basically, the current peer-to-peer architecture is the framework that uses each personal computer at the edge of the Internet as the server and client computer, rather than a central computer as a server. All the personal computers (the peers) connected do the equivalent jobs:

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<sup>138</sup> See FTP, Wikipedia, <http://en.wikipedia.org/wiki/Ftp> (last visited May 12, 2007).

<sup>139</sup> See P2P, Wikipedia, <http://en.wikipedia.org/wiki/Peer-to-peer> (last visited May 12, 2007).

simultaneously playing a role in sending and receiving data over the network. A central server managing the network is not necessary here because the functions of client and server merge.

Compared with the FTP model, the peer-to-peer network arrangement differs from the client-server model in which communication is usually to and from a central server. Further, peer-to-peer network is spectacularly different from FTP networking in two aspects.<sup>140</sup> One is the peer-to-peer model performs much more stably than the FTP model. The quality of FTP is essentially subject to the condition of the single central computer. In other words, the FTP transmission would disrupt as long as the server suspends. The peer-to-peer system has no such deficiency as FTP. Computer users are able to connect to any peer that participates under the framework instead of a central server in the network. The other is the FTP model is not economical because it costs more to maintain the powerful central computer than each personal computer. Another reason is the basic infrastructure, broader bandwidth, is much more crucial for the FTP model than the peer-to-peer system to process the transmission. The bandwidth connecting to a central server must be broad enough to afford the flow of information to a personal computer.

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<sup>140</sup> See Introduction to Windows Peer-to-Peer Networking, TechNet Library of Microsoft, September 27, 2006, <http://www.microsoft.com/technet/prodtechnol/winxppro/deploy/p2pintro.mspx> (last visited May 12, 2007).

For these reasons, the peer-to-peer architecture generally replaces the traditional channel to transfer data.

### 3.3.3 Classifications of Peer-to-Peer Systems

There is no standard definition of the peer-to-peer system because the concept of peer-to-peer continues to change with the innovation of technology.<sup>141</sup> Nonetheless, to some extent, the peer-to-peer system can be divided into two major categories by the role of central processing unit (CPU) in transmission. One is known as “hybrid peer-to-peer” system and the other is called “pure peer-to-peer” system.

The hybrid peer-to-peer system is the earliest peer-to-peer network in widespread use with a mixed client-server structure for transmission of data.<sup>142</sup> The hybrid model allows users to share CPU and individual files. In the meantime, it accompanies a central server to keep the peers responsible for hosting available

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<sup>141</sup> Peer-to-peer is a communications network in which all the computers have the same capabilities. Previously, it might be contrasted include the client/server model and the master/slave model. In recent usage, peer-to-peer has come to describe applications in which users can use the Internet to exchange files with each other directly or through a mediating server. See Clay Shirky, *What is P2P...and What Isn't*, November 20, 2000, <http://www.openp2p.com/pub/a/p2p/2000/11/24/shirky1-whatisp2p.html> (last visited May 12, 2007).

<sup>142</sup> For instances, OpenNAP mixes a client-server structure for searching the database and a peer-to-peer structure for transmitting. Gnutella or Freenet are based on the hybrid peer-to-peer structure for all purposes. They are sometimes referred to as true peer-to-peer networks, although Gnutella is greatly facilitated by directory servers that inform peers of the network addresses of other peers.

resources and noticing what they may share (as the central-server model does not have the peers). As a result, the central server could respond to the requests from peers and make its shareable resources available to them. Through the cooperation between the central server and peers, any user may swap information with another peer linking to the network.<sup>143</sup>

The typical famed example of hybrid peer-to-peer architectures is Napster. Napster's business model is providing an online platform for registered users to swap MP3 music files.<sup>144</sup> The users have to register their computer with Napster the first time and run specific software available on Napster's website to access Napster's central directory.<sup>145</sup> They may search for available files by means of a hotlist function, which requires the users to build up a "user library" in their personal computer.<sup>146</sup> They may also use the search function to acquire the

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<sup>143</sup> The hybrid peer-to-peer file-sharing is also popular in Taiwan, such as EzPeer and KURO. They are operating with a hybrid peer-to-peer architecture to reach the searching request from their members. They both attract thousands users to be the member of the website in a short period because of its convenience and low cost.

<sup>144</sup> See Napster's official site, <http://www.napster.com/choose/index.html> (last visited December 18, 2007).

<sup>145</sup> See *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1011 (CA. 9<sup>th</sup> Cir. 2001).

<sup>146</sup> As to the hotlist function, the court provides that "[i]f a registered user wants to list available files stored in his computer's hard drive on Napster for others to access, he must first create a "user library" directory on his computer's hard drive. The user then saves his MP3 files in the library directory, using self-designated file names. He next must log into the Napster system using his user name and password. His MusicShare software then searches his user library and verifies that the available files are properly formatted. If in the correct MP3 format, the names of the MP3 files will be uploaded from the user's computer to the Napster servers...the Napster user creates a list of other

information. Further, Napster's search service employs one or more of the centralized servers as a search engine to track the file location requested and to relay the information of such files to other users.<sup>147</sup> As long as the file's location has been identified, the central server would help match up available peers on the network. After all, the user's computer would be able to download a requested file directly from the host computer.<sup>148</sup> Relying on the functions of the central server, Napster is capable of controlling and monitoring the file transfer through its system. However, the unique feature makes Napster entangle with the lawsuit for infringement of copyright later on.

The pure peer-to-peer network (or decentralized peer-to-peer transmission) released subsequently has removed the central server from the architecture. It revokes the deficiency of the former hybrid model that sometimes is less efficient when a large amount of data needs to be charged. Since the pure peer-to-peer model runs without the notion of clients or servers, the nodes connected simultaneously function as the servers and the clients to each other for transferring

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users' names from whom he has obtained MP3 files in the past. When logged onto Napster's servers, the system alerts the user if any user on his list (a "hotlisted user") is also logged onto the system. If so, the user can access an index of all MP3 file names in a particular hotlisted user's library and request a file in the library by selecting the file name. The contents of the hotlisted user's MP3 file are not stored on the Napster system." *Id.* at 1012.

<sup>147</sup> *Id.*

<sup>148</sup> *Id.* at 1012-13.

data. That's to say, the end user commences file-sharing through a direct access to the peer of the other computer. Inevitably, the advent of the pure peer-to-peer system would bring about controversial legal issues with the decentralized feature. For example, Grokster Ltd. is a company adopting the decentralized peer-to-peer model to do business in the Napster's market.<sup>149</sup> The Grokster system makes it possible for its users to obtain the file location information and download content directly from computer to computer.<sup>150</sup> Without a central server for retrieval service, the Ninth Circuit argued that both defendants are unable to monitor or control the users' activities.<sup>151</sup>

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<sup>149</sup> There are a series of P2P website operators end up with "ster", such Napster, and Aimster. Grokster is another one derived its name from Napster because Grokster attempted to enter Napster's former ambit in business. *See* MGM Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 939 (2005).

<sup>150</sup> Grokster P2P system was created in 2001 for file-sharing. The background of the systems is provided that "Grokster's eponymous software employs what is known as FastTrack technology, a protocol developed by others and licensed to Grokster. StreamCast distributes a very similar product except that its software, called Morpheus, relies on what is known as Gnutella technology. A user who downloads and installs either software possesses the protocol to send requests for files directly to the computers of others using software compatible with FastTrack or Gnutella. On the FastTrack network opened by the Grokster software, the user's request goes to a computer given an indexing capacity by the software and designated a supernode, or to some other computer with comparable power and capacity to collect temporary indexes of the files available on the computers of users connected to it. The supernode (or indexing computer) searches its own index and may communicate the search request to other supernodes. If the file is found, the supernode discloses its location to the computer requesting it, and the requesting user can download the file directly from the computer located." *Id.* at 921. Moreover, FastTrack is able "to resume interrupted downloads and to simultaneously download segments of one file from multiple peers." *See* FastTrack, Wikipedia, [http://en.wikipedia.org/wiki/FastTrack\\_%28protocol%29](http://en.wikipedia.org/wiki/FastTrack_%28protocol%29) (last visited June 27, 2007).

<sup>151</sup> *See* MGM Studios, Inc. v. Grokster, Ltd., 259 F. Supp. 2d 1029, 1045 (2003).

### 3.3.4 BitTorrent

Another widespread file-sharing software based on peer-to-peer technology is BitTorrent.<sup>152</sup> BitTorrent is a communication protocol for the purpose of peer-to-peer transmission created by Bram Cohen in 2002.<sup>153</sup> Although BitTorrent basically relies on the architecture resembling other decentralized peer-to-peer networks, they are not exactly the same one.

First, a distinguishing feature of BitTorrent distribution is “web seeding.”<sup>154</sup> An individual user who wants to upload data can create a “seed” with the BitTorrent software on the website. After that, the creator may provide the seed on the BitTorrent website and make it available for all the BitTorrent users who want to download it. So, while connecting the seed through the website, the downloader can start receiving the content automatically because that is the function of trackers or file index of the BitTorrent software. At the same time, the downloading user is also uploading the content he received through the same seed working on the network.<sup>155</sup> Thus, BitTorrent website plays a distributor of the seeds in the circumstance. Second, it is noted that the transmission would not depend on the single peer or server. Even though the uploading peer has been off line, the

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<sup>152</sup> See BitTorrent’ official website, <http://www.bittorrent.com/> (last visited June 27, 2007).

<sup>153</sup> See Bittorrent, Wikipedia, <http://en.wikipedia.org/wiki/Bittorrent> (last visited June 27, 2007).

<sup>154</sup> *Id.*

<sup>155</sup> See Brian’s BitTorrent FAQ and Guide, <http://dessent.net/btfaq> (last visited June 27, 2007).



transmission still can be continued by other peers' backup, instead of one-on-one transfer. Like the Grokster system, the earlier versions of the BitTorrent program contain centralized servers known as "trackers" responsible for coordinating the file distribution between individual users. The BitTorrent's tracker is able to search and match up any available peers on the network for the downloader to avoid suspension of the transfer. Actually, the effort to improve BitTorrent is ongoing. In 2005, Bram Cohen succeeded in reforming a new version of BitTorrent that enables it to run without the trackers.<sup>156</sup>

Another attractive feature of BitTorrent file-sharing is that the powerful software allows users to transfer an incomplete fraction of the file to each other until all of them have the complete file.<sup>157</sup> According to this function, BitTorrent would prevent transmission from congestion because numerous suppliers could share the part they already have. The software enables users to combine those fractions to the entire file.<sup>158</sup>

The BitTorrent network makes file-sharing more efficient by expanding usage as the relational dynamic active in distributed networks. However, several

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<sup>156</sup> See Renai LeMay, *BitTorrent Enemies Face New Hurdle*, C/NET NEWS.com, May 20, 2005, [http://www.news.com/BitTorrent-enemies-face-new-hurdle/2100-1032\\_3-5715093.html](http://www.news.com/BitTorrent-enemies-face-new-hurdle/2100-1032_3-5715093.html) (last visited June 28, 2007).

<sup>157</sup> See Brian's BitTorrent FAQ and Guide, *supra* note 155.

<sup>158</sup> *Id.*

of websites running the infrastructure for BitTorrent networks, like SuprNova.org, were shut down in following worldwide action by industry bodies including the Motion Picture Association of America. "There are thousands of people in the entertainment industry who are working to develop, produce, and promote television shows. Those shows and those jobs are worth protecting," said Dan Glickman, MPAA chief.<sup>159</sup> The MPAA says it wants to encourage legitimate download sites instead. It has, however, targeted filed 100 lawsuits against operators of BitTorrent server sites; "[m]ore than 90% of the sites that the MPAA has sued so far have been shut down entirely."<sup>160</sup> The role the website plays in the transmission has always been the key point to determine whether the website operators should be liable for copyright infringement.<sup>161</sup>

### **3.4 Legal Controversies of Peer-to-Peer Transmission**

#### **3.4.1 Introduction**

File-sharing has become a nightmare to authors, along with the conjunction of data compression technologies and decentralized transmission network. The damages of profits irritate the major enterprises in the entertainment industry, and as

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<sup>159</sup> TV download sites hit by lawsuits, BBC NEWS, May 13, 2005, <http://news.bbc.co.uk/2/hi/technology/4545519.stm> (last visited June 28, 2007).

<sup>160</sup> *Id.*

<sup>161</sup> John Borland, *BitTorrent File-Swapping Networks Face Crisis*, C/NET NEWS.com, December 20, 2004, [http://www.news.com/BitTorrent-file-swapping-networks-face-crisis/2100-1025\\_3-5498326.html](http://www.news.com/BitTorrent-file-swapping-networks-face-crisis/2100-1025_3-5498326.html) (last visited June 29, 2007).

a result, those giants of copyright-related industries attempted to end it with lawsuit.

For the last twenty years, courts had been facing a puzzle as to potential liability of technology providers, such as manufacturers of devices that may be used to infringe copyrights.<sup>162</sup> Although the Supreme Court created the “*Betamax* doctrine” to determine secondary infringement, the subsequent courts seem to be confused with whether the rule straightforwardly applies to P2P based cases.<sup>163</sup> Comparing the decisions in those cases, the courts have reached different outcomes, which left the question of legal standards for secondary infringement open without unanimous opinions.<sup>164</sup>

This part attempts to engage analysis of the liability of parties related to the peer-to-peer transmission. The defendants’ conceptions embrace direct and indirect infringements. In cases, plaintiffs allege that users of software “directly infringed” copyright by reproducing and publicly distributing protected works, and the manufacturers of digital devices or website proprietors are liable for the infringement on the ground of “theories of secondary liability.”<sup>165</sup> On the other

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<sup>162</sup> *Id.* at 588.

<sup>163</sup> The most significant cases holding the liability of people involving in file-swapping through peer-to-peer architecture include *A&M Records, Inc. v. Napster, Inc.*, *In re Aimster Copyright Litigation*, and *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*

<sup>164</sup> See generally Jeffrey R. Armstrong, *Sony, Napster, and Aimster: An Analysis of Dissimilar Application of the Copyright Law to Similar Technologies*, 13 DePaul-LCA J. Art & Ent. L. 1 (2003).

<sup>165</sup> Secondary infringement comprising contributory and vicarious infringements was developed by case law. In the legislative context, the 1909 Copyright Act did not contain any express provision on

hand, defendants argued that the unauthorized use falls within the “fair use privileges” so the defendants should be free from the accusation.<sup>166</sup> The study of the involved legal concepts in the cases would certainly be helpful to make it clear the complex arguments undertaken in litigations.

### 3.4.2 Liability of Manufacturer

#### 3.4.2.1 Betamax Doctrine

The recent disputes of manufacturers’ contributory liability on peer-to-peer networks can be traced to the early significant case, *Sony Corp. of America, Inc. v. Universal City Studios, Inc.*, 1984.<sup>167</sup> The case is also known as “*Betamax* case,” which is the first case “to challenge the sale of a technology designed for use to make copies of copyrighted worked.”<sup>168</sup> The landmark case brought about an argument related to device manufacturers’ contributory liability and another related public policy that outlines whether the imposition of liability on third parties who purvey recording devices strikes the balance between copyright owners and

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secondary liability. They were not recognized by Congress until 1976 Copyright Act, which granted copyright owners exclusive rights under article 106, providing authors and copyright owners with the “exclusive right to do and to authorize.” In the House Report, “[u]se of the phrase to authorize” is intended to avoid any questions as to the liability of contributory infringers” See H.R. Rep. No. 94-1476, *supra* note 60, at 61.

<sup>166</sup> “Secondary liability for copyright infringement does not exist in the absence of direct infringement by a third party.” See *Napster*, *supra* note 145, at 1013.

<sup>167</sup> See *Sony*, *supra* note 37.

<sup>168</sup> See Pamela Samuelson, *The Generativity of Sony v. Universal: The Intellectual Property Legacy of Justice Stevens*, 74 *Fordham L. Rev.* 1831, 1841 (2006).

innovation of technology.

In the 1970s, the private large-scale reproduction of recordings was generally gearing up. Betamax, a video tape recording (VTR) format developed and distributed by Sony Corp., is able to record this telecast off-the-air and make a copy of the audiovisual material, which can be viewed at another time.<sup>169</sup> On November 11, 1976, Universal Studios (Studios) and Disney filed a suit against the Sony Corporation of America (Sony) on the ground that Sony's sale of recording devices has contributed to infringe their copyright when individual users of the recording device recorded their television programs.<sup>170</sup> The suit was rejected in the District Court but reversed by the U.S. Court of Appeals. In the Supreme Court, the judgment of the Court of Appeals was reversed.<sup>171</sup>

To determinate Sony's secondary liability, the District Court borrowed a traditional staple article of commerce doctrine from patent law's, codified in 35 U.S.C. §271(c),<sup>172</sup> because it is "unprecedented attempt to impose copyright

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<sup>169</sup> Sony, *supra* note 37, at 422 ("Sony's Betamax VTR is a mechanism consisting of three basic components: (1) a tuner, which receives electromagnetic signals transmitted over the television band of the public airwaves and separates them into audio and visual signals; (2) a recorder, which records such signals on a magnetic tape; and (3) an adapter, which converts the audio and visual signals on the tape into a composite signal that can be received by a television set").

<sup>170</sup> See *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429, 432 (1979).

<sup>171</sup> See Sony, *supra* note 37, at 456.

<sup>172</sup> See *id.* at 461; see also 35 U. S. C. § 271(c) (providing "[w]hoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made

liability upon” technology producers.<sup>173</sup> That means distribution of a component of a patented device will not violate the patent if it is suitable for use in other ways. The Supreme Court supported the opinion of the District Court and employed a substantial non-infringement use test to decide. The judge-made *Sony* doctrine inquires “whether the Betamax is capable of commercially significant noninfringing uses.”<sup>174</sup> Further, the Supreme Court sought the substantial purpose of the products to decide contributory infringement in the case. If the purpose of use is legitimate, Sony’s sale of the recording device would not constitute contributory infringement.<sup>175</sup>

Ultimately, the majority opinion reversed the Ninth Circuit in favor of Sony by a vote of 5-4. Justice Stevens addressed that the Betamax had “substantial non-infringing uses” because the non-profit nature of “time-shifting” is only to make it more convenient to see the television programs.<sup>176</sup> Sony did not directly

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or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.”).

<sup>173</sup> See *Sony*, *supra* note 37, at 421.

<sup>174</sup> *Id.* at 442.

<sup>175</sup> *Id.* (“...sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes”).

<sup>176</sup> *Id.* at 456 (“... a significant likelihood that substantial numbers of copyright holders who license their works for broadcast on free television would not object to having their broadcasts time-shifted by private viewers. And second, respondents failed to demonstrate that time-shifting would cause any likelihood of nonminimal harm to the potential market for, or the value of, their copyrighted works. The Betamax is, therefore, capable of substantial noninfringing uses”).

engage in any activity related to the infringement except selling the devices to general public. The sale of the home video recorder to individuals does not constitute contributory infringement.<sup>177</sup>

Another critical problem in the case is whether the consumers' copy of television programs has fallen within fair use exemptions under article 107 of U.S. Copyright Law.<sup>178</sup> If the Betamax has been used with a commercial base, the use would be presumed unfair. In contrast, the plaintiffs bear the burden to prove potential damages caused by the use of such devices to beat the fair use doctrine.<sup>179</sup> To the argument, the Supreme Court found that the time-shifting functions as a time machine making users' access to television programs at any moment they want.

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<sup>177</sup> *Id.*

<sup>178</sup> Article 107 of U.S. copyright law proscribes "[n]otwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include --

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work."

<sup>179</sup> See Sony, *supra* note 37, at 443, 453. As to the presumption that commercial use of copyrighted works is deemed unfair, the Supreme Court has rejected to apply the misunderstanding in a later case. Professor Litman thinks the Supreme Court had changed its vision on the presumption in *Campbell v. Acuff-Rose Music*. Therefore, the fair use doctrine should be applied on a case by case basis to resolve individual disputes; see also Jessica Litman, *The Sony Paradox*, 55 Case W. Res. 917, 949-50 (2005).

The device virtually enlarges the producers' profits in the way instead.<sup>180</sup>

Additionally, the plaintiffs failed to show evidence to prove damages caused by such use. In consequence, recording programs should fall within the fair use ambit for the reasons.

#### 3.4.2.2 Manufacturer of MP3 Player

Producers of new technological devices are usually major targets for copyright owners to place blame. As early as 1976, the entertainment corporations complained video tape recorders produced by Sony have stricken the balance between the value of supporting creation and promoting innovation in new technologies.<sup>181</sup>

The Supreme Court rejected the charge on the ground that the nature of using such a device is significant non-infringing and the use complies with public interests.<sup>182</sup>

The hostility toward device manufactures, however, did not diminish after Sony decisions. Since the 1990s, the quick development of digital compression technologies realized users' space-shifting over digital musical format. For example, MP3 player makes it possible to play the MP3 music stored in the device.

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<sup>180</sup> See Sony, *supra* note 37, at 455.

<sup>181</sup> See *id.* at 442.

<sup>182</sup> *Id.*



Music corporations claimed that most of the MP3 files, at that time, were unauthorized so manufactures shouldn't deserve the whole profits in ignorant of right-holders and composers' contribution. After all, the corporations brought suit against the device manufactures to stop the threat in 1998.

The key case is Recording Indus. Ass'n of Am. v. Diamond Multimedia Systems, Inc.<sup>183</sup> Recording Industry Association of America and the Alliance of Artists and Recording Companies (collectively, "RIAA") alleged the Rio<sup>184</sup>, a device manufactured by Diamond Multimedia Systems, Inc. (defendant), violated the Audio Home Recording Act of 1992 (AHRA)<sup>185</sup> because Rio does not employ a Serial Copyright Management System (hereinafter SCMS), which the AHRA requests.<sup>186</sup> The District Court rejected plaintiffs' allegation of an injunction relief, and then RIAA appealed.

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<sup>183</sup> See Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys., 180 F.3d 1072 (9<sup>th</sup> Cir. 1999).

<sup>184</sup> The Rio is a lightweight, hand-held device, capable of receiving, storing, and re-playing digital audio file stored on the hard drive of a personal computer. After the Rio receives a digital audio file, the Rio user can detach the Rio from the computer and play back the audio file separately through headphones while away from the computer. Notably, the Rio has no digital audio output capability, and therefore is incapable of passing on digital musical files to other Rio devices, or to other manufacturers' devices. The Rio relies upon a relatively new technology for compressing sound files: MPEG 1 Layer 3 ("MP3"). MP3 compresses by a 10:1 ratio, allowing approximately 60 minutes of music to be compressed to 32 megabytes of memory. The Rio itself contains 32 megabytes of memory, but this can be doubled by the purchase of a removable memory "card." Because the card is removable, a Rio user could record music on the memory card, and then give that card to any other Rio user. See *id.* at 1075.

<sup>185</sup> See Audio Home Recording Act of 1992, Pub. L. No. 102-563, 106 Stat. 4237.

<sup>186</sup> *Id.*

In appeal, the Ninth Circuit stated that the first condition here is whether the Rio is a digital audio recording device under the AHRA?<sup>187</sup> The court discreetly examined the definitions in article 1001 of the AHRA. First, the court held Rio must be able to reproduce, either directly or from a transmission, a digital music recording to be a digital audio recording device.<sup>188</sup> In addition, the court also found that Rio does not fit the digital musical recording because it neither contained “only sounds, and material, statements, or instructions incidental to those fixed sounds”<sup>189</sup> nor does it include a material object “in which one or more computer programs are fixed.”<sup>190</sup> Thus, the Rio does not fall within the ambit of

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<sup>187</sup> *Id.*

<sup>188</sup> The language of AHRA regarding to digital audio copied recording, *see* 17 U.S.C. § 1001(1) (“A digital audio copied recording is a reproduction in a digital recording format of a digital musical recording, whether that reproduction is made directly from another digital musical recording or indirectly from a transmission”).

<sup>189</sup> 17 U.S.C. § 1001(5)(A)

“A “digital musical recording” is a material object--

(i) in which are fixed, in a digital recording format, only sounds, and material, statements, or instructions incidental to those fixed sounds, if any, and

(ii) from which the sounds and material can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.”

<sup>190</sup> 17 U.S.C. § 1001(5)(B)

“A “digital musical recording” does not include a material object--

(i) in which the fixed sounds consist entirely of spoken word recordings, or

(ii) in which one or more computer programs are fixed, except that a digital musical recording may contain statements or instructions constituting the fixed sounds and incidental material, and statements or instructions to be used directly or indirectly in order to bring about the perception, reproduction, or communication of the fixed sounds and incidental material.”

AHRA since it cannot make copies from transmissions.<sup>191</sup>

Moreover, the court found hard drives that Rio relies on to store musical files cannot be deemed digital audio recording devices because the device is not primarily designed for recording digital music.<sup>192</sup> Instead, the Rio is associated with the nature of facilitating personal use, which the statute attempts to reach.<sup>193</sup> As a result, the court denied the plaintiffs' request for an injunction under the consideration of balance between the copyright protection and private use.

### 3.4.3 Direct Infringement of User

Congress has exercised the power granted by the U.S. Constitution and enumerated the exclusive rights for copyright owners in article 106 of the Copyright Act.<sup>194</sup>

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<sup>191</sup> See Diamond, *supra* note 183, at 1076.

<sup>192</sup> 17 U.S.C. § 1001(3)

"A digital audio recording device is any machine or device of a type commonly distributed to individuals for use by individuals, whether or not included with or as part of some other machine or device, the digital recording function of which is designed or marketed for the primary purpose of, and that is capable of, making a digital audio copied recording for private use...."

<sup>193</sup> 17 U.S.C. § 1001(8)

"No action may be brought under this title alleging infringement of copyright based on the manufacture, importation, or distribution of a digital audio recording device, a digital audio recording medium, an analog recording device, or an analog recording medium, or based on the noncommercial use by a consumer of such a device or medium for making digital musical recordings or analog musical recordings."

<sup>194</sup> 17 U.S.C. § 106

- (1) to reproduce the copyrighted work in copies or phonorecords
- (2) to prepare derivative works based upon the copyrighted work
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer

1. The right to reproduce the work in copies.
2. The right to make derivative works.
3. The right to distribute the work in copies to the public.
4. The right to perform the work publicly.
5. The right to display the work publicly.

The regulation specifically identifies the economic rights conferred to copyright owners, which is distinguished from moral rights. Through the rights enumerated, it is apparent that the creators can have knowledge of what rights they may hold and what rights could be potentially infringed.<sup>195</sup>

Since the Supreme Court concluded that plaintiffs' successful allegation of contributory infringement must be on the condition that direct infringement must have occurred.<sup>196</sup> As to the users' conduct under peer-to-peer framework, the plaintiffs alleged the peer-to-peer users engaged "in the wholesale reproduction and

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of ownership, or by rental, lease, or lending

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission".

<sup>195</sup> See Kenneth D. Crews, *White Paper: Copyright Law for the Digital Library*, 2001, at 2, available at

<http://dml.indiana.edu/pdf/CopyrightLawforDLibFramework.pdf> (last visited December 11, 2007).

<sup>196</sup> See Sony, *supra* note 37, at 434-42.

distribution of copyrighted works, all constituting direct infringement.”<sup>197</sup> The Ninth Circuit supported the allegation because “Napster users infringed at least two of the copyright holders’ exclusive rights: the rights of reproduction ... and distribution.”<sup>198</sup>

#### (1) Right of Reproduction

A basic goal of copyright laws is to prevent copying without the author’s consent. In the digital era, peer-to-peer users could easily infringe copyrights when they make digital copies as a part or the whole of the works. For example, the Napster user may convert copyrighted recording works into MP3 or download and make copies of the MP3 music without right-holders’ consent. The manners constitute reproduction under copyright regulations.<sup>199</sup>

#### (2) Right of Public Distribution

This right related to the use of copyrighted works prevents people from distributing copyrighted works publicly without right-holders’ consent. Especially in peer-to-peer architecture, publicly distributing copyrighted works through the Internet threatens the right-holders’ control of access to their works. For example, the Aimster user may distribute the works “if he wants make the file available for

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<sup>197</sup> See Napster *supra* note 145, at 1013.

<sup>198</sup> *Id.* at 1014.

<sup>199</sup> *Id.* at 1011.

sharing with other users of the Aimster system by listing it ...”<sup>200</sup> The exclusive right allows copyright owners to monopolize the right to distribute their works in public. Thus, peer-to-peer users who upload the MP3 files to websites for sharing with the public are liable for copyright infringement, even though the works are authorized.

### **3.4.4 Indirect Infringement of Website Operator**

#### **3.4.4.1 Overview**

In peer-to-peer networks, since file-sharing website proprietors or operators do not directly reproduce or publicly distribute works, they are accused of indirect liability to facilitate or encourage the direct infringers to the conduct illegal manners in some cases. However, there is no provision explicitly regulating indirect liability or secondary liability in U.S. copyright law. The only related statute is in section 106, where Congress grants copyright owners exclusive rights “to do and to authorize.”<sup>201</sup> Congress implies that the enactment is established to avoid the unfair results from third parties.<sup>202</sup>

In U.S. common law, the doctrine of secondary liability has been widely recognized to impose liability on third parties that do not directly enjoy copyright

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<sup>200</sup> See *In re Aimster Copyright Litigation*, 334 F.3d 643, 646 (2003).

<sup>201</sup> 17 U.S.C. § 106.

<sup>202</sup> See H.R. Rep. No. 94-1476, *supra* note 60, at 61.

on the account of overarching policy concern.<sup>203</sup> This is a doctrine originated from patent law, which is used in copyright cases.<sup>204</sup> The secondary liability includes two major species: one is contributory liability; another is vicarious liability.<sup>205</sup> Nonetheless, compared to centralized peer-to-peer framework, the current website operators have no longer played the role as an information search service provider.<sup>206</sup>

#### 3.4.4.2 Contributory Liability

The doctrine of contributory liability is devised to identify the situation in which the distributor intended the copyrighted work to be used to infringe another's copyright and so may justly be held liable for that infringement.<sup>207</sup> Contributory liability compromises both the subjective and objective elements. The charged person must be proved to satisfy the subjective and objective tests while direct

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<sup>203</sup> See *Grokster*, *supra* note 149, at 930.

<sup>204</sup> The "staple-article doctrine" means as long as the staple has substantial non-infringing uses it is acceptable even if some part of the staple article might cause infringement. *See id.* at 442.

<sup>205</sup> See Elizabeth Miles, *Note: In re Aimster & MGM, Inc. v. Grokster, Ltd.: Peer-to-Peer and the Sony Doctrine*, 19 Berkeley Tech. L.J. 21, 22 (2004). In addition, Professor Goldstein deems inducing liability as a new branch of indirect copyright liability introduced by the Supreme Court. *See* GOLDSTEIN, Volume II, *supra* note 40, at 8:18.1.

<sup>206</sup> The function fostering the users' search of digital files becomes the major method to achieve the online business.

<sup>207</sup> *See Grokster*, *supra* note 149, at 932; *see also* *New York Scaffolding Co. v. Whitney*, 224 F. 452, 459 (8<sup>th</sup> 1915) ("One who makes and sells articles which are only adapted to be used in a patented combination will be presumed to intend the natural consequences of his acts; he will be presumed to intend that they shall be used in the combination of the patent").

infringement occurs.

For the infringer's mind, it requires the contributor "know or have reason to know" the direct infringement. With respect to the contributor's knowledge of direct infringement, the standard of knowledge is objective. Even though the defendants lack actual knowledge of direct infringement, they could be liable for contributory infringement if they have constructive knowledge of the fact.<sup>208</sup> Indeed, it is dangerous to embrace any product as long as it could be used for illegal purposes. The court is obligated to examine all the evidence to weigh the legitimate and illegitimate uses in each specific case.<sup>209</sup> In the scenario of peer-to-peer networks, the website operators who knew their customers may have used that equipment or service to commit unauthorized use of copyrighted works have the knowledge element of contributory liability.

For the infringer's action, the doctrine of secondary liability tests whether the contributor "materially aids or contributes," so-called "material contribution," to the principle in such infringement.<sup>210</sup> As to the objective element, two forms of

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<sup>208</sup> See Sony, *supra* note 37, at 439.

<sup>209</sup> At this point, the Ninth Circuit suggests that "actual knowledge of specific infringing uses is a sufficient condition for deeming a facilitator a contributory infringer." See Napster, *supra* note 145, 1020. However, the Seventh Circuit disagreed with it later. The Ninth Circuit Court read Sony narrowly to construe Napster is liable to contributory because of its actual knowledge of specific infringing uses without considering the proportion of such infringing uses. See *In re Aimster*, *supra* note 200, at 649.

<sup>210</sup> See Sony, *supra* note 37, at 439 and *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (1971) ("One who, with knowledge of the infringing activity, induces, causes



contributions can be identified. One is contribution of the labor to the direct infringement. The other is the contribution of materials or equipment to the direct infringement.<sup>211</sup> In Napster, for example, the website operator exploits an integrated service and supplies software to facilitate users to locate and download MP3 files. The service allows users to locate other users' MP3 files by means of Napster's search function. As a result, the District Court found that "without the support services defendant provides, Napster users could not find and download the music they want with the ease of which defendant boasts."<sup>212</sup> In appeal, the court agrees that Napster provides "the site and facilities" to registered users for infringement of copyright.<sup>213</sup> The website operator's action of providing such service consists of material contribution to direct infringement.<sup>214</sup>

#### 3.4.4.3 Vicarious Liability

By comparison, contributory infringement focuses more on a defendant's connection to direct infringement but vicarious infringement concentrates on the close relationship to direct infringement.<sup>215</sup> Although vicarious liability derives

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or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer."); *see also* Napster, *supra* note 145, at 1023-24, and Religious Tech. Ctr. v. Netcom On-Line Commun. Servs., 907 F. Supp. 1361, 1374-75 (N.D. Cal. 1995).

<sup>211</sup> See GOLDSTEIN, Volume II, *supra* note 40, at 8:10-18.

<sup>212</sup> See A & M Records, Inc. v. Napster, Inc., 114 F. Supp. 2d 896, 920 (2000).

<sup>213</sup> See Napster, *supra* note 145, at 1022.

<sup>214</sup> See *id.*

<sup>215</sup> See GOLDSTEIN, Volume II, *supra* note 40, at 8:3-4 (Professor Goldstein thinks contributory

from respondent superior, it has not been limited to the relationship between employer and employee.<sup>216</sup> Like contributory infringement, vicarious infringement occurs when the defendant has directly infringed copyright but it is sometimes difficult to completely distinguish them in complicated cases.<sup>217</sup>

In the peer-to-peer case, the website operator can be imposed vicarious liability because he discards the direct infringement relying on the framework he virtually manages and directly increases revenue based on the illegal acts. There are two elements of vicarious infringement in the analysis. One is financial benefit and the other is supervision.<sup>218</sup> Vicarious liability means the defendant has the intention to obtain financial benefit from the direct infringement. In Napster, the website operator obviously is the beneficiary whose “future revenue is directly dependent upon increases in user-base” because the increase of registered users can attract more users with high-quality file-sharing.<sup>219</sup> In the situation, definitely, Napster gains revenues from its file-sharing business model on the network.

Additionally, for supervision, the element emphasizes the defendant’s

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infringement and vicarious infringement may sometimes mix).

<sup>216</sup> See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 262 (1996).

<sup>217</sup> “The lack of clarity in this area may, in part, be attributable to the fact that an infringer is not merely one who uses a work without authorization by the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority from the copyright owner.” See *Sony*, *supra* note 37, at 435.

<sup>218</sup> See *Napster*, *supra* note 145, at 1024.

<sup>219</sup> *Id.* at 1023.

ability of supervision. That means, although the defendant is able to supervise the infringer's conduct, he fails to do so. In *Napster*, the evidence appears that the access to the network is under the website operator's control so the defendant has no excuse to deny the fact that he has right and ability to supervise.<sup>220</sup> The website operator should be responsible for the failure to prevent the infringement. It's notable that there is no subjective requirement for the element of supervision. Defendants do not have to know the infringing conduct to constitute vicarious infringement.<sup>221</sup>

#### **3.4.4.4 Inducement Liability**

In the *Betamax* case, although patent law and copyright law are different in nature, the Supreme Court develops a theory of secondary infringement, originated from U.S. patent law, to resolve the problem of liability of third party.<sup>222</sup> The subsequent P2P-based cases applied the theory of secondary infringement to resolve the problem as mentioned above.

However, the pursuance with the lawsuit of peer-to-peer transmission has substantive difficulty because the architecture of the latest decentralized

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<sup>220</sup> *Id.*

<sup>221</sup> See *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 271 F. Supp. 2d 737, 746 (D. Md. 2003).

<sup>222</sup> See Intentional Inducement of Copyright Infringements Act of 2004: Statement of Marybeth Peters, The Register of Copyrights Before the S. Committee on the Judiciary, 108<sup>th</sup> Congress, 2<sup>nd</sup> Sess. (July 22, 2004).

peer-to-peer networks had important differences from older systems, such as Napster and Aimster. The landmark case of the decentralized architecture is *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 2005.<sup>223</sup> In the case, the plaintiff companies, which sell music laser discs in stores to the public, were infringed by the defendants, who operate a website for sharing digital musical files. Grokster is different from Napster in that the peer-to-peer framework that the defendants rely on features more decentralized mechanism than Napster's system.<sup>224</sup> Further, both Grokster and StreamCast systems are categorized as a kind of decentralized or pure peer-to-peer network, which lacks the central control management system to maintain centralized indexes of files and control over them.<sup>225</sup> Grokster specially employs the "supernode" model to index available files by a number of select computers on the network designated as indexing servers rather than a centralized indexing system. Due to the distinctive feature, the defendants are no longer responsible for index and unaware of the particular files copied using their software.<sup>226</sup> On this account, the District Court and Ninth

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<sup>223</sup> See *Grokster*, *supra* note 149.

<sup>224</sup> See *id.* at 920-21.

<sup>225</sup> See *MGM Studios Inc. v. Grokster, Ltd.*, 380 F.3d 1154, 1159 (9<sup>th</sup> Cir. 2004) (The court concludes three different methods of indexing: (1) a centralized indexing system, maintaining a list of available files on one or more centralized servers; (2) a completely decentralized indexing system, in which each computer maintains a list of files available on that computer only; and (3) a "supernode" system, in which a select number of computers act as indexing servers).

<sup>226</sup> *Id.*

Circuit both addressed opinions different from Napster and Aimster so that the defendants are free of the contributory and vicarious copyright infringement.<sup>227</sup>

In the argument, the issue in dispute becomes “under what circumstances the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright infringement by third parties using the product.”<sup>228</sup> Although the Supreme Court reaffirmed Sony’s holding of contributory infringement and stated that contributory infringement cannot be imposed on defendants without evidence showing their intent, it would not like to struggle in the paradox of defendant’s contributory and vicarious conducts with the opinions established in former cases.<sup>229</sup> Instead, the Supreme Court stuck to the doctrine borrowed from patent law and extended the secondary liability to the “inducement theory” of liability.<sup>230</sup> It

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<sup>227</sup> *Id.* at 1157.

<sup>228</sup> *See Grokster, supra* note 149, at 918-19.

<sup>229</sup> *See id.* at 933-34. (“...the Court of Appeals misapplied Sony, which it read as limiting secondary liability quite beyond the circumstances to which the case applied. Sony barred secondary liability based on presuming or imputing intent to cause infringement solely from the design or distribution of a product capable of substantial lawful use, which the distributor knows is in fact used for infringement. The Ninth Circuit has read Sony’s limitation to mean that whenever a product is capable of substantial lawful use, the producer can never be held contributory liable for third parties’ infringing use of it; it read the rule as being this broad, even when an actual purpose to cause infringing use is shown by evidence independent of design and distribution of the product...”).

<sup>230</sup> The Supreme Court explained that “[f]or the same reasons that Sony took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright. We adopt it here, holding that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.” *Id.* at 936.

explored the “inducement theory” of liability to hold a third party liable for the direct infringement of others because the third party’s inducing conduct causes the infringing result. Applying the inducement theory to the case, the Supreme Court imposed inducing liability on defendants in the case and held that:

“...one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.”<sup>231</sup>

Further, the Court illustrated that the defendants had commenced inducing acts such as advertisement or solicitation to encourage or foster their consumers to make unauthorized use of copyrighted works.<sup>232</sup> The defendants in fact have knowledge of the consumers’ infringement but fail to take action to prevent the unauthorized use. They should at least develop filtering tools or mechanisms to evade the damage caused by using their software.<sup>233</sup> Consequently, the Court held “[a] court would be unable to find contributory infringement liability merely based on a failure to take affirmative steps to prevent infringement.”<sup>234</sup> The website operators are liable for their business inducing users of software to enjoin copyright.

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<sup>231</sup> See *id.* at 919.

<sup>232</sup> See *id.* at 937.

<sup>233</sup> See *id.* at 939.

<sup>234</sup> *Id.*

The problem of third parties' infringement ends up with imposition of inducing liability, instead of contributory and vicarious liabilities.

### 3.4.5 Fair Use Privileges

In legislative context, Congress initially codified the fair use doctrine in article 107 of the Copyright Act as an affirmative defense to a copyright infringement suit when amending the full Act in 1976.<sup>235</sup> Although the technologies change rapidly, the statute does not intend to "freeze" the doctrine in response to public requests for sure.<sup>236</sup> In 1994, the Conference on Fair Use (CONFU)<sup>237</sup> started its endeavors to "bring together copyright owner and user interests to discuss fair use issues and, if appropriate and feasible, to develop guidelines for fair uses of copyrighted works by librarians and educators."<sup>238</sup> In November 1998, CONFU released its Final Report to the Commissioner on the Conclusion of the Conference on Fair Use.<sup>239</sup> The basic idea lawmakers have

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<sup>235</sup> Copyright Act of 1976, Pub. L. 94-553, 90 Stat. 2541 (October 19, 1976).

<sup>236</sup> See H.R. Rep. No. 94-1476, *supra* note 60, at 65-66.

<sup>237</sup> The Conference on Fair Use (CONFU) was call on by the Working Group on Intellectual Property Rights of President Bill Clinton's National Information Infrastructure Task Force. See Exec. Order No. 12,864, 58 Fed. Reg. 48,773 (1993) (Under the Clinton Administration's National Information Infrastructure initiative, the Working Group on Intellectual Property Rights in the Electronic Environment discussed the fair use of electronic materials in a variety of nonprofit educational contexts with copyright holders in 1994).

<sup>238</sup> See *Final Report to the Commissioner on the Conclusion of the Conference on Fair Use*, CONFU Report, November, 1998, at 2.

<sup>239</sup> *Id.*

concerned themselves with is harmonizing the “public interest” and “individual rights.

Basically, fair use privilege allows limited use of copyright works without right-holders’ consent. The exceptional provisions provide a shield for people who use copyrighted works for legitimate purposes because if copyright owners were granted unlimited monopoly, anyone would potentially infringe copyrights in using the works. The access to the works for learning or other public interests would be frustrated. Thus, the exemption is built for the legitimate purposes complying with constitutional objective — “to promote the progress of science and the useful arts.”<sup>240</sup> The copyright owners’ right to reproduce or to authorize others to reproduce the work in copies or phonorecords must be subject to certain limitations. To avoid uncertainty, Congress enumerated the use under certain situations is fair:<sup>241</sup>

- (1) The purpose and character of the use, including whether such use is of commercial nature or is for nonprofit educational purposes.
- (2) The nature of the copyrighted work.
- (3) The amount and substantiality of the portion used in relation to the copyrighted work as a whole.

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<sup>240</sup> See Kenneth D. Crews, *The Law of Fair Use and the Illusion of Fair-Use Guidelines*, 62 Ohio St. L.J. 599, 607 (2001).

<sup>241</sup> 17 U.S.C. § 107 (1997).



(4) The effect of the use upon the potential market for or value of the copyrighted work.

In addition to the dispute in *Betamax* case, the fair use privilege relates to the liabilities of transmission on peer-to-peer networks. If the courts denied the allegation that the unauthorized use of works falls into the fair use exemptions, the defendants could be liable for infringement of copyright; otherwise, the matters would not be subject to copyright laws.

In *Napster*, for instance, the Ninth Circuit Court agreed with the District Court's opinion that there is no fair use existing for the reasons: First, for the purpose and characteristic, *Napster's* users engage in commercial use because of saving the money they should pay for the products. Second, the nature of such works is creative with no question. Third, the *Napster* users lead to a wholesale copying of the works as soon as getting involved in *Napster's* service. For the last factor, the court analyzed the effect on the musical market that *Napster* users result in, and then held that the free download online has virtually prevented student consumers from buying audio CDs in stores so that the plaintiffs suffered radical pecuniary damages.<sup>242</sup>

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<sup>242</sup> See *Napster*, *supra* note 145, at 1014-17

### 3.5 Resolutions of Legislative Perspective

#### 3.5.1 Introduction

In the United States, not only in court, the battle has also been triggered in the legislative aspect. Although the judges try to find a fair way for the disputes, frankly, it's hard to convince all the parties to seek a harmonizing resolution while facing the dilemma. Meanwhile, the litigations suspended perhaps would last for years and the results are usually unpredictable. The copyright-owner groups turned to Capitol Hill to retake the dominance by lobbying lawmakers to pass more restrictive regulations to protect their rights or revenue streams.<sup>243</sup> Admittedly, the rapid change of digital transmission in the information age has gone beyond Congress' predictions at times. It is a chance for lawmakers to reconsider and adjust the copyright institute indeed.

#### 3.5.2 Digital Copyright Acts

In 1993, the Clinton administration began to set up the Information Infrastructure Task Force (IITF)<sup>244</sup> to develop and construct the National Information Infrastructure (NII)<sup>245</sup>, which leads to an information revolution of

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<sup>243</sup> See Peter S. Menell, *Envisioning Copyright Law's Digital Future*, 46 N.Y.L. Sch. L. Rev. 63, 65-66 (2002/03).

<sup>244</sup> The National Information Infrastructure: Agenda for Action, 58 Fed. Reg. 49025, 49035 (1993).

<sup>245</sup> According to the document, "[t]he phrase "information infrastructure" has an expansive meaning. The NII includes more than just the physical facilities used to transmit, store, process, and display voice, data, and images." *Id.* at 49026.

Americans' lives. Impelling legislation is one of the most important measures to achieving the goal of the Information Infrastructure Task Force.<sup>246</sup>

Since the 1990s, Congress passed a series of significant digital copyright acts combating piracy. On December 1, 1990, the Computer Software Rental Amendments Act<sup>247</sup> was codified at 17 U.S.C. § 109(b). On October 28, 1992, the first legislation directly regulating the manufacturer of device was enacted as the Audio Home Recording Rights Act.<sup>248</sup> On November 1, 1995, the Digital Performance Right in Sound Recordings Act created an exclusive right for copyright owners of sound recordings.<sup>249</sup>

Thereafter, both piracy of digital content and unauthorized online distribution have proliferated so that content industries press Congress to prevent the infringement of copyright. In the circumstance, various bills attempting to

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<sup>246</sup> See A Digital Future Coalition statement on H.R. 2441-- The NII Copyright Protection Act of 1995, February 15, 1996, <http://www.dfc.org/dfc1/Archives/n2/copyrigh.html> (last visited September 27, 2007) ("The DFC is the result of a unique collaboration of many of the nation's leading non-profit educational, scholarly, library, and consumer groups, together with major commercial trade associations representing leaders in the consumer electronics, telecommunications, computer, and network access industries for the purpose of striking an appropriate balance in law and public policy between protecting intellectual property and affording public access to it).

<sup>247</sup> Computer Software Rental Amendments Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089, 5134-37 (December 1, 1990) (amending chapter 9, title 17, United States Code, regarding protection extended to semiconductor chip products of foreign entities on June 28, 1991).

<sup>248</sup> See Audio Home Recording Rights Act of 1992, Pub. L. No. 102-563, 106 Stat. 4237 (October 28, 1992).

<sup>249</sup> See Digital Performance Right in Sound Recordings Act of 1995, Pub. L. No. 104-39, 109 Stat. 336 (November 1, 1995) (codified as amended in scattered sections of 17 U.S.C. (1996)).

overcome the threat of piracy have been proposed over past decade. Some of them were proper but some were not. For example, in 2002, Congressman Howard L. Berman led the sponsorship of the "Berman Bill," which allows right-holders to use self-help to impair piracy of their works. The bill was designed to erect a safe harbor for copyright owners to avoid damages resulted from peer-to-peer transfer systems such as Music City, Kazaa, and other Napster bases. The commentary doubted that the Berman bill is short of need in exercising self-help beyond the existing law.<sup>250</sup> As a result, the bill was too extreme to be in support by a majority in Congress. In addition, the Inducing Infringement of Copyrights Act (hereinafter "Induce Act") was introduced by Senators Orrin Hatch on June 22, 2004.<sup>251</sup> The original version of the Induce Act of 2004 attempted to include "whoever intentionally induces any violation" as an infringer by amending section 501 of copyright. Some criticism arose from the scope of a bill too broad and every computer user could be at risk of being prosecuted.<sup>252</sup>

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<sup>250</sup> The Berman P2P Bill: Vigilantism Unbound, Electronic Frontier Foundation (EFF), [http://w2.eff.org/IP/P2P/20020802\\_eff\\_berman\\_p2p\\_bill.php](http://w2.eff.org/IP/P2P/20020802_eff_berman_p2p_bill.php) (last visited October 15, 2007).

<sup>251</sup> Inducing Infringement of Copyrights Act of 2005, S.2560, 108<sup>th</sup> Cong. (2004).

<sup>252</sup> Mitch Glazier, a vice president of the Recording Industry Association of America, commented that "I don't like that as written, anyone could be found liable...But I 'm glad that people are trying to draw the line between the good guys and the bad guys." See Declan McCullagh, *Industry Offers Alternative to P2P Bill*, C/NET NEWS.com, August 24, 2004, [http://news.com.com/Industry+offers+alternative+to+P2P+bill/2100-1027\\_3-5322019.html](http://news.com.com/Industry+offers+alternative+to+P2P+bill/2100-1027_3-5322019.html) (last visited October 19, 2007).

There are three significant enactments against the violation passed by Congress in the last decade: the No Electronic Theft (hereinafter NET) Act of 1997,<sup>253</sup> the Digital Millennium Copyright Act of 1998,<sup>254</sup> and the Family Entertainment and Copyright Act Intentional of 2005(hereinafter FECA).<sup>255</sup> The copyright industries are successful in strengthening their rights with new legislation in copyright law to strike file-sharing networks and piracy.

### 3.5.3 The No Electronic Theft Act (NET) of 1997

The legislative reason of the NET Act<sup>256</sup> can be perceived in the decision in *U.S. v. LaMacchia*.<sup>257</sup> In 1994, a twenty-one-year-old student at the Massachusetts Institute of Technology (MIT), David La Macchia, was charged with conspiring with persons unknown to violate the wire fraud statute<sup>258</sup> because he managed a computer bulletin board that provided a free platform to his subscribers

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<sup>253</sup> See No Electronic Theft (NET) Act of 1997, Pub. L. No. 105-147, 111 Stat. 2678 (December 16, 1997) (codified as amended in scattered sections of titles 17 and 18 U.S.C. (2000)).

<sup>254</sup> See Digital Millennium Copyright Act (DMCA) of 1998, Pub. L. No. 105-304, 112 Stat. 2860 (October 28, 1998).

<sup>255</sup> See Family Entertainment and Copyright Act (FECA) of 2005, Pub. L. No. 109-9, 119 Stat. 218 (April 27, 2005) (codified at various sections of 17 and 18 U.S.C.).

<sup>256</sup> No Electronic Theft (NET) Act of 1997, Pub. L. No. 105-147, 111 Stat. 2678 (December 16, 1997).

<sup>257</sup> See *United States v. LaMacchia*, 871 F. Supp. 535 (D.C. Mass. 1994).

<sup>258</sup> "According to the indictment, LaMacchia devised a scheme to defraud that had as its object the facilitation "on an international scale" of the "illegal copying and distribution of copyrighted software" without payment of licensing fees and royalties to software manufacturers and vendors." See *id.* at 537. See Statement of Marybeth Peters, the register of copyrights, before the Subcommittee on Courts and Intellectual Property Committee on the Judiciary on September 11, 1997, available at [http://www.copyright.gov/docs/2265\\_stat.html](http://www.copyright.gov/docs/2265_stat.html).

for swapping unauthorized software program.<sup>259</sup> However, the court's holding relied on that the defendant's conduct was short of "mens rea" requiring proof of commercial advantage or private financial gain.<sup>260</sup> As a result, the court granted the defendant's motion to dismiss the government's indictment on the grounds that copyright infringement can be prosecuted only under the Copyright Act.<sup>261</sup>

In 1997, Congress enacted the NET Act legislation to preserve the legitimate copyright market.<sup>262</sup> The NET enactment was viewed to close the "loophole" in the criminal law by two implements.<sup>263</sup> One is broadening the scope of private financial gain through amending the definition of the term in section 101, which "includes receipt, or expectation of receipt, of anything of value, including the receipt of other copyrighted works."<sup>264</sup> Besides, the willful criminal infringement under 17 U.S.C. § 506(a)(1)<sup>265</sup>, the amendment added a new definition of copyright criminal

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<sup>259</sup> *Id.* at 536.

<sup>260</sup> *Id.* at 540.

<sup>261</sup> *Id.* at 545 (The court decided it according to *Dowling v. United States*, 473 U.S. 207 (1985)).

<sup>262</sup> See H. R.Rep. No. 105-339 (1997) (On December 16, 1997, President Clinton signed HR 2265 -- the "No Electronic Theft" Act -- into law. The act, sponsored by Representative Goodlatte (R-Virginia), was passed in the House on 11/4/97 and in the Senate on 11/13/97).

<sup>263</sup> See Statement of Marybeth Peters, the register of copyrights, before the Subcommittee on Courts and Intellectual Property Committee on the Judiciary, September 11, 1997, *available at* [http://www.copyright.gov/docs/2265\\_stat.html](http://www.copyright.gov/docs/2265_stat.html) (last visited October 24, 2007).

<sup>264</sup> The NET Act amended article 101 by adding the definition for "financial gain." See Pub. L. No. 105-147, 111 Stat. 2678 (December 16, 1997); *see also* 17 U.S.C. § 101.

<sup>265</sup> 17 U.S.C. § 506 (a)(1)(1997) ("Criminal Infringement. - Any person who infringes a copyright willfully...for purposes of commercial advantage or private financial gain").

infringement. According to the broader definition, anyone who infringes “by the reproduction or distribution, including by electronic means, during any 180-day period, of 1 or more copies or phonorecords of 1 or more copyrighted works” is subject to the punishment of section 2319 of title 18.<sup>266</sup> In a word, any commercial purpose or financial motive is not required to constitute criminal infringement of copyright.

#### **3.5.4 The Digital Millennium Copyright Act of 1998**

To preserve the legitimate markets of electronic commerce and prevent piracy on peer-to-peer transmission, Congress enacted the DMCA in 1998,<sup>267</sup> which implements two treaties of World Intellectual Property Organization (WIPO): the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.<sup>268</sup> Therefore, the United States conforms to the obligations of the treaties with the legislation entailing mandatory provisions under five titles.<sup>269</sup>

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<sup>266</sup> 17 U.S.C. § 506 (a)(2)(1997) (“ [B]y the reproduction or distribution, including by electronic means, during any 180-day period, of 1 or more copies or phonorecords of 1 or more copyrighted works, which have a total retail value of more than \$1,000, shall be punished as provided under section 2319 of title 18”).

<sup>267</sup> See Digital Millennium Copyright Act of 1998, Pub. L. No. 105-304, 112 Stat. 2860 (October 28, 1998).

<sup>268</sup> See The Summary of the Digital Millennium Copyright Act of 1998, U.S. Copyright Office, December 1998, <http://www.copyright.gov/legislation/dmca.pdf> (last visited January 11, 2008).

<sup>269</sup> (1) Title I “WIPO Copyright and Performances and Phonograms Treaties Implementation Act of 1998”, (2) Title II “Online Copyright Infringement Liability Limitation Act”, (3) Title III “Computer Maintenance Competition Assurance Act”, (4) Title IV contains six miscellaneous provisions, and (5) Title V “Vessel Hull Design Protection Act”.

(1) Title I: Anti-Circumvention and Anti-Trafficking Provisions

The DMCA has codified the “anti-circumvention provisions” in section 1201(a)(1) prohibiting unauthorized circumvent of the technological measure (e.g., encryption) that effectively controls access to a work.<sup>270</sup> Access control measures are found in many digital items such as DVDs, video games, or computer games. The “anti-trafficking provisions” in section 1201(a)(2), (b)(1) prohibit unauthorized distribution of the devices that can circumvent such technological protection and the device that can effectively protect copyright owners’ right to use work, such as unauthorized duplication of work.<sup>271</sup>

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<sup>270</sup> 17 U.S.C. § 1201 (a)(1)(1998) (“No person shall circumvent a technological measure that effectively controls access to a work protected under this title. The prohibition contained in the preceding sentence shall take effect at the end of the 2-year period beginning on the date of the enactment of this chapter”).

<sup>271</sup> 17 U.S.C. § 1201 (a)(2)(1998) (“No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that - (A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title; (B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or (C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title”).

17 U.S.C. § 1201 (b)(1)(1998) (“No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that - (A) is primarily designed or produced for the purpose of circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof; (B) has only limited commercially significant purpose or use other than to circumvent protection afforded by a technological measure that effectively protects a right of a copyright owner under this



According to the provisions, the DMCA includes two kinds of technological measures: one can effectively control “access to a work” and the other is able to effectively protect right-holders from unauthorized “use of their work.”<sup>272</sup> In addition, not only the user but also the manufacturer or trafficker of such technological devices or software that may encode copyrighted products to consumers can be imposed civil and criminal liability under the anti-circumvention and anti-trafficking provisions.<sup>273</sup>

(2) Title II: Safe Harbor for Internet Service Providers

In particular, Title II of the DMCA addresses the liability and exemptions of service providers through the Internet on section 512 with Online Copyright Infringement Liability Limitation Act.<sup>274</sup> In the meantime, Congress provides a series of safe harbors to the service providers’ four categories of conduct: (1) Transitory communications, (2) System caching, (3) Storage of information on systems or networks at direction of users, and (4) Information location tools.<sup>275</sup>

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title in a work or a portion thereof; or

(C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof”).

<sup>272</sup> See Menell, *supra* note 243, at 67.

<sup>273</sup> See *id.*

<sup>274</sup> See *id.*

<sup>275</sup> 17 U.S.C. § 512 (1998).

Furthermore, anyone seeking to benefit from the shield has to qualify as a service provider. The definition of a service provider for the purpose of transitory communications is addressed in section 512(k)(1)(A).<sup>276</sup> In addition, the definition of "service provider" for purposes of the other three safe harbors broadly encompasses online service providers in section 512(k)(1)(B).<sup>277</sup>

In re Aimster case, for example, related to exploitation of peer-to-peer transmission analyzes the application of the safe harbor statutes. Although the website operator fits the definition of Internet service providers of section 512(k)(1)(B), the court upheld that their conduct does not qualify for any protection under the umbrella.<sup>278</sup> If the Internet service providers and related entities attempted to be eligible for safe harbors of section 512, they have to "do what it can reasonably be asked to do to prevent the us of its by repeat infringers."<sup>279</sup>

### **3.5.5 The Family Entertainment and Copyright Act of 2005**

On January 25, 2005, Senator Orrin Hatch (R-Utah) introduced the Family

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<sup>276</sup> 17 U.S.C. § 512 (k)(1)(A) (1998) (the term "service provider" means an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received).

<sup>277</sup> 17 U.S.C. § 512 (k)(1)(B) (1998) (As used in this section, other than subsection (a), the term "service provider" means a provider of online services or network access, or the operator of facilities therefore, and includes an entity described in subparagraph (A)).

<sup>278</sup> See In re Aimster, *supra* note 200, at 655.

<sup>279</sup> *Id.*

Entertainment and Copyright Act in Senate, which was quickly passed by both the House<sup>280</sup> and the Senate.<sup>281</sup> On April 27, 2005, the Family Entertainment and Copyright Act was signed by President George W. Bush into law.<sup>282</sup> The Family Entertainment and Copyright Act consists of four major parts: (1) Title I: the Artists' Rights and Theft Prevention Act of 2005, (2) Title II: the Family Movie Act, (3) Title III: National Film Preservation Act of 2005, and (4) Title IV: the Preservation of Orphan Works Act.<sup>283</sup>

In particular, Title I is most significant for striking the unrestricted illegal file-sharing on peer-to-peer networks. Further, the Artists' Rights and Theft Prevention Act of 2005, also known as the "ART Act,"<sup>284</sup> aims to prevent copyright works, such as motion picture<sup>285</sup> from piracy. The Act adds section 2319(b) to

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<sup>280</sup> H. R. 357, 1<sup>st</sup> Sess., 109<sup>th</sup> Cong. (2005) (This bill passed in the House of Representatives April 19, 2005).

<sup>281</sup> S. 167, 109<sup>th</sup> Cong. (2005) (This bill passed in the Senate by unanimous consent on February 1, 2005).

<sup>282</sup> Family Entertainment and Copyright Act of 2005, Pub. L. No. 109-9, 119 Stat. 218 (April 27, 2005).

<sup>283</sup> Along with the Family Movie Act, the Family Entertainment and Copyright Act of 2005 contains the ART Act (which criminalizes the use of camcorders in movie theaters to pirate movies), the Film Preservation Act (which provides for the preservation of films in the collections of the Library of Congress) and the Preservation of Orphan Works Act (which corrects a technical error in the copyright law concerning application of the law to librarians and archivists).

<sup>284</sup> S. 167, 109<sup>th</sup> Cong. (2005) (With the respect to the original bill of the Act, *see* S. 1932, 108<sup>th</sup> Cong. (2003)).

<sup>285</sup> Article 101 defines the term "motion picture" as "audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any."

provide criminal penalties for unauthorized recording of motion pictures in a motion picture exhibition facility.<sup>286</sup> In fact, the legislators attempt to undercut the sources of illegal film files on peer-to-peer networks by means of imposing penalties on anyone who intentionally reproduces or distributes motion pictures without copyright holders' consent. The copyright Act amends article 506 (a) to provide criminal and civil penalties for unauthorized distribution of commercial prerelease copyrighted works, and for other purposes.<sup>287</sup> It is notable that the provision related to the unauthorized distribution of copyright works directly regulates the action of "seeding" on peer-to-peer networks for file-sharing purpose. Obviously, Congress has been continuing to reduce the freedom of transferring information on the network by imposing severe criminal and civil penalties on the involving parties. In addition to the Family Entertainment and Copyright Act of 2005, the proposals to strengthen the enforcement on intellectual property criminals are seeking for adherence in Congress.<sup>288</sup>

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<sup>286</sup> 18 U.S.C.A. § 2319(b).

<sup>287</sup> See Family Entertainment and Copyright Act of 2005, Pub. L. No. 109-9, 119 Stat. 218, 220 (April 27, 2005) ( 17 U.S.C § 506 (a)(1)(c) "by the distribution of a work being prepared for commercial distribution, by making it available on a computer network accessible to members of the public, if such person knew or should have known that the work was intended for commercial distribution").

<sup>288</sup> On July 27, 2006, the "Intellectual Property Enhanced Criminal Enforcement Act of 2006" was introduced in Congress for consolidation the protection of intellectual property. See H. R. 5921, 2<sup>nd</sup> Session, 109<sup>th</sup> Cong. (2006). Although the bill proposed failed to become the law, another bill, the "Intellectual Property Enhanced Criminal Enforcement Act of 2007" was just introduced in 110<sup>th</sup> Congress on July 24, 2007. See H.R. 3155, 1<sup>st</sup> Sess., 110<sup>th</sup> Cong. (2007).

## Chapter 4: International Copyright Law and New Technologies

### 4.1 Introduction

The major reason European sovereigns gave printers and publishers exclusive rights is to take communication under their control until the eighteenth century. With the advent of the Statute of Anne of 1710, authors' rights gradually carry greater weight in the copyright regime. Domestic copyright protection standards are greatly diverse because of the different philosophic theories underlying the copyright system. Because national copyright laws can be enforced only in the territory of the nation, the problem of choice of law has arisen.<sup>1</sup> For instance, a work published in state A would be covered by copyright law there, but that work could be copied and sold by anyone in state B. In this situation, the copyright application would be complicated as long as the relevant states do not have an amicable relationship. Thus, nationality is the key issue to protecting copyrighted works between nations.

With technological advances, more and more countries would like to enter into a bilateral agreement to protect domestic publishing abroad due to the increase in piracy or counterfeiting in the international community. Although the countries

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<sup>1</sup> See PAUL GOLDSTEIN, *COPYRIGHT'S HIGHWAY: FROM GUTENBERG TO THE CELESTIAL JUKEBOX*, 136-37 (Revised ed., Stanford University Press 2003).

called for international cooperation, in fact, they weren't all in the same boat. At that time, those countries can be divided into two groups: copyright importers (e.g. Ireland and the United States) and copyright exporters (e.g. France and the United Kingdom).<sup>2</sup> Inevitably, the protection given to copyright holders is not in accordance among the countries. Each country adopts the policy for copyright protection according to its economic status because the protection of international intellectual property law does not merely relate to legal but also trade issues.<sup>3</sup> The net exporters of intellectual property products who are afraid their ideas will be stolen and exploited commercially in other countries urged the formation of uniform standards to protect their remuneration from the creative or innovative products for economic reasons.

Accordingly, copyright holders attempt to internationalize the protection of copyright law in light of specific purposes. Following the trend of international intellectual property protection, the international community has reached significant copyright-related treaties to reduce the differences in copyright protection from country to country.<sup>4</sup> The Berne Convention for the Protection of Literary and

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<sup>2</sup> See PAUL GOLDSTEIN, *INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE*, 16-18 (Oxford University Press 2001).

<sup>3</sup> See DORIS ESTELLE LONG & ANTHONY D' AMATO, *INTERNATIONAL INTELLECTUAL PROPERTY*, 10 (West Group Publishing 2000).

<sup>4</sup> The international copyright treaties include (1) the Berne Convention, Berne, 1886, (2) the Universal Copyright Convention (UCC), Geneva, 1952, (3) the International Convention for the

Artistic Works (hereinafter Berne Convention)<sup>5</sup> was established under the impetus of the Paris Convention for the Protection of Industrial Property of 1883, which in the same way had created a framework for international integration of other kinds of intellectual property: patents, trademarks and industrial designs.<sup>6</sup> Most importantly, the Berne Convention is the first and most important international agreement about copyright that still plays a key role in copyright protection when subsequent major international copyright treaties are essentially found on the Berne Convention.<sup>7</sup>

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Protection of Performers, Producers of Phonograms and Broadcasting Organizations, Rome, 1961, (4) the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, Geneva, 1971, (5) the Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite, Brussels, 1974, (6) the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), 1994, (7) the WIPO Copyright Treaty (WCT), 1996, and (7) the WIPO Performances and Phonograms Treaty (WPPT), 1996.

<sup>5</sup> Berne Convention for the Protection of Literary and Artistic Works, done on September 9, 1886, 12 Martens Nouveau Recueil (ser. 12) 173, Additional Act and Declaration of Paris, done on May 4, 1896, 24 Martens Nouveau Recueil (ser. 12) 758, Berlin Revision, done on November 13, 1908, 1 L.N.T.S. 217, Additional Protocol of Berne, done on March 20, 1914, 1 L.N.T.S. 243, Rome Revision, done on June 2, 1928, 123 L.N.T.S. 233, Brussels Revision, done on June 26, 1948, 331 U.N.T.S. 217, Stockholm Revision, done on July 14, 1967, 828 U.N.T.S. 221, Paris Revision, done on July 24, 1971 [hereinafter Berne Convention].

<sup>6</sup> Paris Convention for Protection of Industrial Property, March 20, 1883, revised by July 14, 1967, 21 U.S.T. 1629, 828 U.N.T.S. 305.

<sup>7</sup> The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) incorporates the obligations of member states to comply with the Berne Convention in article 9 of the agreement of TRIPs, which states "[m]embers shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived therefrom." Besides, the treaties under World Intellectual Property Organization (WIPO) derive from the Berne Convention. For instances, article 1 of WIPO Copyright Treaty (WCT) requires overall contracting countries yield to articles 1 to 21 and appendix of the Berne Convention.

After a long-standing argument, the establishment of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) of 1994,<sup>8</sup> administered by the World Trade Organization (WTO)<sup>9</sup> to regulate intellectual property rights, symbolizes the successful integration of protection of intellectual property and international trade because cooperation among states and collaboration with other international organizations are required to accomplish both of them. The World Intellectual Property Organization (WIPO), one of the specialized agencies of the United Nations, is another important international organization for copyright protection.<sup>10</sup>

Piracy of entertainment products, however, has reached unprecedented levels with the widespread peer-to-peer file-sharing system. The governments' pursuant of control over unauthorized use must abide by the obligations under international copyright conventions.<sup>11</sup> The chapter, therefore, would develop a study on the critical treaties in the world to understand protection of copyright on an international level. The analysis would begin with the origins of the treaties and

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<sup>8</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement), Annex 1C, Legal Instruments - Results of the Uruguay Round vol. 31, 33 I.L.M. 81 (1994).

<sup>9</sup> World Trade Organization (WTO), <http://www.wto.org> (last visited October 19, 2001).

<sup>10</sup> World Intellectual Property Treaty (WIPO), <http://www.wipo.org> (last visited December 12, 2007).

<sup>11</sup> Although international copyright law has developed rapidly, it is short of explicit regulations for liability of such website operators.



then discuss the significant regulations of them for present copyright protection.

## 4.2 The Berne Convention

### 4.2.1 Origins of the Berne Convention

The inception of the Berne Convention can be attributed to the active movement of the “Congress of Authors and Artists” in the background. The congress consisting of participants of various countries began to advocate a multi-state agreement in the assembly in Brussels on September 27, 1858. After that, the congress continued to be committed to the establishment of uniform copyright protection on an international level.<sup>12</sup> In 1878, the international movement was stimulated by Victor Hugo at an international literary congress held in Paris. Five year later, the association changed its title to “International Literary and Artistic Association” (L’Association Littéraire et Artistique Internationale), also known as ALAI.<sup>13</sup> The conference of ALAI that took place in Berne, Switzerland, contended to form an international copyright union and drafted ten articles for the international treaty in the future.<sup>14</sup> Meanwhile, the Swiss government contributed to the establishment by means of diplomatic measure.<sup>15</sup> Ultimately, the treaty for the “Berne Convention for the Protection of Literary and Artistic Works” was signed

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<sup>12</sup> See LONG & D’AMATO, *supra* note 3, at 296.

<sup>13</sup> *Id.* at 296-97.

<sup>14</sup> See GOLDSTEIN, *supra* note 2, at 19.

<sup>15</sup> *Id.*

by ten countries in 1886 at the same venue, Berne, Switzerland, and became effective on December 5, 1887.<sup>16</sup>

#### 4.2.2 Evolution of the Berne Convention

The Berne Convention for the Protection of Literary and Artistic Works<sup>17</sup> has been amended many times since it came into force in 1886. The contracting countries of the Convention convene to review the treaty every 20 years on average, except during an interruption during World War II.<sup>18</sup> A series of conferences have been held to improve the Convention. Delegates achieved six major revisions during the conferences, which were in 1896 in Paris<sup>19</sup>, in 1908 in Berlin<sup>20</sup>, in 1928 in Rome<sup>21</sup>, in 1948 in Brussels<sup>22</sup>, in 1967 in Stockholm<sup>23</sup> and in 1971 in Paris<sup>24</sup>. Delegates also completed two amendments, in 1914 Berne in<sup>25</sup> and in 1979 in Paris<sup>26</sup>. Through those significant conferences, the scope of the protection and the

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<sup>16</sup> The Union includes Germany, Belgium, Spain France, the United Kingdom, Haidi, Italy, Liberia, Switzerland, and Tunisia.

<sup>17</sup> Berne Convention, *supra* note 5.

<sup>18</sup> World War II, Wikipedia, [http://en.wikipedia.org/wiki/World\\_War\\_II](http://en.wikipedia.org/wiki/World_War_II) (last visited December 21, 2007).

<sup>19</sup> Berne Convention, 1896 Paris Text, 12 Martens Nouveau Recueil (ser. 12) 173.

<sup>20</sup> Berne Convention, 1908 Berlin Text, 1 L.N.T.S. 217.

<sup>21</sup> Berne Convention, 1928 Rome Text, 123 L.N.T.S. 233.

<sup>22</sup> Berne Convention, 1948 Brussels Text, 331 U.N.T.S. 217.

<sup>23</sup> Berne Convention, 1967 Stockholm Text, 828 U.N.T.S. 221.

<sup>24</sup> Berne Convention, 1971 Paris Text, 828 U.N.T.S. 221.

<sup>25</sup> For the conference of 1914, it added an "Additional Protocol to the International Copyright Convention on November 13, 1908", which was signed on March 20 1914.

<sup>26</sup> The Berne Convention has major revisions: (1) in Paris (1896); (2) in Berlin (1908); (3) in Berne

services provided has developed and expanded radically.

The evolution of the Berne Convention can be outlined with the features of the individual conference. In 1896, the first revision conference in Paris was not merely to review the Convention but also to encourage contracting nations to adhere to the Convention.<sup>27</sup> Thereafter, little progress was made in subsequent conferences until the 1948 meeting in Rome. During the period in Rome, the protection of moral rights was proposed to the conference. The proposal arose from different opinions between countries whose fundamental theory is based on author's right or copyright.<sup>28</sup> After all, the protection of moral rights was recognized with the compromise provision (article 6bis).<sup>29</sup> Twenty years later, three significant changes were made in the Brussels text. One of them is that cinematographic works are added to the protected works under article 2.<sup>30</sup> In addition, the conference established longer periods, life plus fifty years, as a minimum term of protection within paragraph 2 of article 7.<sup>31</sup> Finally, authors' exclusive rights of public performance and representation had been embodied in article 11 of the

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(1914); (4) in Rome (1928); (5) in Brussels (1948); (6) in Stockholm (1967); and (7) in Paris (1971) and added minor amendments to the 1971 Paris Convention on October 2, 1979.

<sup>27</sup> Every conference routinely decides the venue for the next conference.

<sup>28</sup> Regarding to the argument of moral rights, *see* the discussion in chapter two.

<sup>29</sup> Berne Convention, 1928 Rome Text, art. 6bis.

<sup>30</sup> Berne Convention, 1948 Brussels Text, art. 2.

<sup>31</sup> Berne Convention, 1948 Brussels Text, art. 7, sec. 2.

Brussels text.<sup>32</sup>

The 1967 Stockholm Revision Conference features with more developing-country participants.<sup>33</sup> It is to be noted that, before the Stockholm round, the Swedish Government and the United International Bureaux for the Protection of Intellectual Property (best known by its French acronym BIRPI)<sup>34</sup> has commenced to prepare the draft of Protocol Regarding to Developing Countries. However, the substantial provisions, article 1 to 21 and the Protocol Regarding to Developing Countries, which reduces the obligations for the developing countries, had not come into force at this moment.<sup>35</sup> Due to the controversy between developed countries and developing countries, the Stockholm text did not obtain sufficient states in support of it. Only thirty-nine nations ratified the Stockholm text by 1971. Nonetheless, the members of the Berne Union initially reached a consensus to set up the World Intellectual Property Organization (hereinafter WIPO)

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<sup>32</sup> Berne Convention, 1948 Brussels Text, art. 11.

<sup>33</sup> Fifty nine members of the Berne Union are developing countries in the conference. *See* LONG & D'AMATO, *supra* note 3, at 300.

<sup>34</sup> Like the Paris Convention, the Berne Convention set up a bureau to handle administrative tasks. In 1893, these two small Bureaux merged and became the United International Bureaux for the Protection of Intellectual Property (best known by its French acronym BIRPI), situated in Berne. In 1960, BIRPI moved to Geneva, to be closer to the United Nations and other international organizations in that city. In 1967 it became the World Intellectual Property Organization (WIPO), and in 1974 became an organization within the United Nations.

<sup>35</sup> *See* GOLDSTEIN, *supra* note 2, at 22.

in the meetings of Stockholm.<sup>36</sup>

In 1971, the contracting countries of the Berne Union convened in Paris to resolve the provisions of interests of developing countries that the Stockholm conference left. Consequently, the Berne Convention is based on the Paris text of 1971. The latest amendment of the Berne Convention occurred in 1979 and made little change to the 1971 Paris text.

The number of contracting countries of the Berne Union has rapidly grown since the 1970s. As of 2007, 163 contracting countries are parties to the Berne Convention.<sup>37</sup> Taiwan is not a member of the Berne Union. Nevertheless, the principles of the Convention apply to Taiwan because it has been a member of the TRIPs Agreement since 2002.<sup>38</sup>

#### **4.2.3 Basic Principles under Berne**

The 1971 Paris text of the Berne Convention consists of substantive provisions from article 1 to article 20, and other provisions for administrative purpose. Four significant principles are incorporated to underlie the mechanism of

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<sup>36</sup> *Id.*

<sup>37</sup> The official statistics of the Berne Convention by WIPO, [http://www.wipo.int/treaties/en/statistics/StatsResults.jsp?treaty\\_id=15&lang=en](http://www.wipo.int/treaties/en/statistics/StatsResults.jsp?treaty_id=15&lang=en) (last visited December 24, 2007).

<sup>38</sup> The relationship between the Berne Convention and the TRIPs Agreement would be discussed *infra*. As to the obligations which Taiwan should comply with, chapter five would analyze Taiwan's status in international community for copyright protection.

this treaty: national treatment, automatic protection, independence of protection and minimum standards. Additionally, the special provisions for developing countries are inscribed in Appendix of the Convention.

#### **4.2.3.1 Principles of National Treatment**

The Berne Convention implements principles of national treatment in article 5, paragraph (1),<sup>39</sup> which simply requires every contracting party to treat domestic and other contracting states' claimants in the same way. Accordingly, all the signatories must recognize that other member countries enjoy the protection in the same degree as is given to their citizens.<sup>40</sup> As to the inclusion of the "works protected in the Convention," it admittedly refers to article 2, paragraph (1), which encompasses not only all of "literary and artistic works" illustrated but also the "every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression."

However, if a new creative work does not fall within the Berne Convention, the question is, if one Union country protected such work, must it give the same

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<sup>39</sup> Section 5(1) of the Berne Convention states that "[a]uthors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention."

<sup>40</sup> WORLD INTELLECTUAL PROPERTY ORGANIZATION, GUIDE TO THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS (Paris Act 1971), 32 (WIPO Publication 1978).

protection to a work originating from other Union countries.<sup>41</sup> In this argument, Professor Goldstein advocates that national treatment should be thoroughly applied to the facts on the account of respecting a legislature's motive and reducing the difference of copyright protection in economic concern.<sup>42</sup>

#### **4.2.3.2 Principle of Automatic Protection**

Section 5(2) of the Berne Convention clearly excludes any formality of the enjoyment and exercise of rights.<sup>43</sup> Any formality functioning as a condition that is necessary for the right granted by the convention shall be abrogated.<sup>44</sup> That is to say, the provision requires that work falling in the convention's minimum terms be protected automatically since it has been created.

#### **4.2.3.3 Principle of Independence of Protection**

Section 5(2) proscribes that the rights granted or protected in the convention must "be independent of the existence of protection in the country of origin of the work."<sup>45</sup> In a word, a Union author is entitled to be protected in foreign countries despite whether the works are protected in his country of origin or

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<sup>41</sup> See GOLDSTEIN, *supra* note 2, at 74-75.

<sup>42</sup> *Id.*

<sup>43</sup> The section 5(2) of the Berne Convention prescribes that "[t]he enjoyment and the exercise of these rights shall not be subject to any formality...."

<sup>44</sup> See *id.* GUIDE TO THE BERNE CONVENTION, *supra* note 40, at 33.

<sup>45</sup> Section 5(2) of 1971 Paris text of the Berne Convention expresses that "...such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work...."

not.

#### 4.2.3.4 Minimum Standards and Its Exceptions

The delegates of the Berne Convention plan to formulate a uniform standard of copyright protection that include countries all over the world by means of minimum standards in three specific aspects: works protected, rights to be protected, and duration of protection. The principle of minimum standards represents two major functions in international copyright regime. First, a basic framework that all members can agree to respect has been established to overcome the wide disparities among the various national standards that predated the Berne Convention.<sup>46</sup>

Second, although a principle of national treatment obligates contracting parties to provide the same level of protection for nationals of other member states as they do their citizens, scholars advocate that minimum standards apply to member countries to avoid the deficiency of national treatment. Specially, Professor Goldstein states that:<sup>47</sup>

“ [A] member country would be free to treat the copyrighted work of its own nationals in any way it chooses, but in dealing with works from other treaty members, it would have to abide by certain minimum treaty standards.”

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<sup>46</sup> See LONG & D' AMATO, *supra* note 3, at 298.

<sup>47</sup> See GOLDSTEIN, *supra* note 1, at 150.



The signatories are obligated to protect authors' literary and artistic works, at least in the minimum degree the Convention requires. Rather, the Berne Convention does not intend to prevent individual countries from granting higher levels of protection within their borders.

On the other hand, the Berne Convention incorporates a three-step test into paragraph (2) of article 9 which allows member countries to provide exceptions to an author's right of reproduction. This provision states the three steps as "... a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author."<sup>48</sup> (The three steps have been italicized for emphasis.) Accordingly, any nation's attempt to impose limitations and exceptions on an author's exclusive right to reproduce his creative works must be subject to the three-step test clause.

#### **4.2.4 Copyright Protection of the Berne Convention**

##### **4.2.4.1 Subject Matters**

As to the scope of works protected, the Convention enumerates certain

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<sup>48</sup> Berne Convention, *supra* note 5, art. 9.

categories of works as samples. The paragraph (1) of article (2) adopts the strategy of using the word “such as” to leave the definition of literary and artistic works open with innovation of technology. That means the protected works are not limited to those in the provisions instead.<sup>49</sup> The “literary and artistic works” can be divided into nine major categories including:<sup>50</sup>

- (1) books, pamphlets and other writings,
- (2) lectures, addresses, sermons and other works of the same nature,
- (3) dramatic or dramatico-musical works,
- (4) choreographic works and entertainments in dumb show,
- (5) musical compositions with or without words,
- (6) cinematographic works to which are assimilated works expressed by a process analogous to cinematography,
- (7) works of drawing, painting, architecture, sculpture, engraving and lithography,
- (8) photographic works of applied art,
- (9) illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science.

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<sup>49</sup> See GUIDE TO THE BERNE CONVENTION, *supra* note 40, at 13.

<sup>50</sup> Berne Convention, *supra* note 5, art. 2, sec. 1.

#### 4.2.4.2 Author's Rights

The Berne Convention requires contracting countries to have national legislation that protects authors' exclusive rights at least as much as the Berne Convention. The exclusive rights to be protected include:

- (1) the right to translate,<sup>51</sup>
- (2) the right to make adaptations and arrangements of the work,<sup>52</sup>
- (3) the right to perform in public dramatic, dramatico-musical and musical works,<sup>53</sup>
- (4) the right to recite in public literary works,<sup>54</sup>
- (5) the right to communicate to the public the performance of such works,<sup>55</sup>
- (6) the right to broadcast,<sup>56</sup>
- (7) the right to make reproductions in any manner or form,<sup>57</sup>
- (8) the right to use the work as a basis for an audiovisual work, and the

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<sup>51</sup> *Id.* art. 8.

<sup>52</sup> *Id.* art. 12.

<sup>53</sup> *Id.* art. 11.

<sup>54</sup> *Id.* art. 11ter.

<sup>55</sup> *Id.* art. 11.

<sup>56</sup> *Id.* art. 11bis.

<sup>57</sup> *Id.* art. 9, sec. 1. In addition, paragraph (2) set up a so-called "the Berne three-step test" to author's right to reproduce. Signatories can confine the author's right to reproduce by national law "in certain special cases" which "does not conflict with a normal exploitation of the work" and "does not unreasonably prejudice the legitimate interests of the author." *See id.* art. 9, sec. 2.

right to reproduce, distribute, perform in public or communicate to the public that audiovisual work.<sup>58</sup>

Right to reproduce and distribute are specifically applicable to online direct infringement of copyright. There are questions that need to be analyzed when applying the provisions to facts in digital environment.

For right of reproduction, paragraph (1) of article 9 the Berne Convention grants authors exclusive rights to reproduce their work no matter what manner or form they fix.<sup>59</sup> Thus, there are two inferences can be developed here. First, the language “in any manner or form” contains the act in which surfing websites requires the computer to make a temporary reproduction of the information in the computer’s random access memory (RAM). The issue of temporary reproduction has been left to national law subject to the three-step test. Second, the flexible provision encapsulates all new technology applied in digital transmission.

The issue on content of right to distribute also extends to the international arena. Under the Berne Convention, the author is entitled to distribute only cinematographic works.<sup>60</sup> However, the ambiguous term “distribution” of article

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<sup>58</sup> Summary of the Berne Convention for the Protection of Literary and Artistic Works (1886), WIPO, [http://www.wipo.int/treaties/en/ip/berne/summary\\_berne.html](http://www.wipo.int/treaties/en/ip/berne/summary_berne.html) (last visited December 23).

<sup>59</sup> “Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing the reproduction of these works, in any manner or form.” Berne Convention, *supra* note 5, art 9, sec. 1.

<sup>60</sup> *Id.* art. 14, sec. 1.

14, paragraph (1) provokes debates on conflict explanation between English text and French text.<sup>61</sup> According to English text, this term not only contains “control over the first publication of the work” but also “includes a right to control further distribution of copies of the work after authorized first publication,” Professor Patry explained.<sup>62</sup> By contrast, the French text makes it clear that “la mise en circulation des oeuvres ainsi adaptees ou reproduites,” which implicates the Convention grants the right to distribute only the first publication of the work. Consequently, Professor Patry explained that the French text should be taken since article 37, paragraph (1)(c) is applicable in the case in which interpretations of multiple texts are conflict.<sup>63</sup>

In addition to the author’s economic rights, article 6bis of the Convention lays down the protection of an author’s moral rights, which recognize the right of the author to claim authorship of the work, and prevent the work from any distortion, mutilation or other modification, or other derogatory action, which would be prejudicial to his honor or reputation.<sup>64</sup>

#### **4.2.4.3 Fair-Use Doctrines**

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<sup>61</sup> *Id.* (the provision expresses “...the “distribution” of the works thus adapted or reproduced”).

<sup>62</sup> See WILLIAM F. PATRY, COPYRIGHT LAW AND PRACTICE, Volume II, 835 (The Bureau of National Affairs 1994).

<sup>63</sup> Berne Convention, *supra* note 5, art. 37, sec. 1(c).

<sup>64</sup> *Id.* art. 6bis.

The Berne Convention provides general guidance for the fair-use doctrine as applied to certain situations, in addition to the three-step test clause granting member nations the right to create exceptions and limitations to an author's exclusive right.<sup>65</sup> Most importantly, there are two principles for fair-use doctrines concluded in article 10 of the Convention, which provides that use under this provision must be "compatible with fair practice, and their extent does not exceed that justified by the purpose."<sup>66</sup> The use of those works under the provision must mention the source of them, and the name of the author if possible.<sup>67</sup>

Inasmuch as the communication media impacts public interests, the Berne Convention also allows "articles published in newspapers or periodicals on economic, political and religious topics" and "broadcast works of the same character" to be reproduced if the source of the works has been clearly indicated.<sup>68</sup> Moreover, in accordance with informatory purpose, the exploitation of literary or artistic works seen or heard in the events, and which are reported "by means of photography, cinematography, broadcasting or communication to the public by

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<sup>65</sup> Section 10(1) regulates making quotations from a work which has already been lawfully made available to the public, such as newspaper articles and periodicals. Section(2) addresses the guideline for illustration in publications, broadcasts or sound or visual recordings for teaching. *See id.* art. 10, secs. 1, 2.

<sup>66</sup> *Id.*

<sup>67</sup> *Id.* art. 10, sec. 3.

<sup>68</sup> *Id.* art. 10bis, sec.1.

wire,” is allowed in the Convention.<sup>69</sup>

#### 4.2.4.4 Duration

Although the Berne Convention protects works during the life of the author plus fifty years after his death in general,<sup>70</sup> it sets three exceptions to the duration of protection according to different kinds of the creative works. First, cinematographic works can enjoy the protection for fifty years since “the work has been made available to the public with the consent of the author.” Having never been available to the public within fifty years from the making, the cinematographic works expire fifty years after the making.<sup>71</sup> The second one is for anonymous or pseudonymous works; they are entitled to a fifty-year term since “the work has been lawfully made available to the public.”<sup>72</sup> The last exception relates to photographic works and works of applied art. The Union countries must grant at least a twenty-five year term for protection since such work is made.<sup>73</sup>

#### 4.2.5 Conditions for Protection

As embodied in the Convention, article 3 provides several criteria for copyright protection. The countries of Berne Union must promise to protect those

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<sup>69</sup> *Id.* 10bis, sec. 2.

<sup>70</sup> *Id.* art. 7.

<sup>71</sup> *Id.* art. 7, sec. 2.

<sup>72</sup> *Id.* art. 7, sec. 3.

<sup>73</sup> *Id.* art. 7, sec. 4.

qualifying as protectible works.

#### **4.2.5.1 Personal Criterion: Nationality of the Author**

If the author's nation of origin is one of the countries of the Union, his works, whether published or not, can be applied under the Berne Convention.<sup>74</sup> The rule of habitual residence helps determine an author's nationality. The rule deems "authors who are not nationals of one of the countries of the Union but who have their habitual residence in one of them" as nationals of that Union country.<sup>75</sup>

#### **4.2.5.2 Geographical Criterion: Place of Publication of the Work**

Otherwise, when the author is not a citizen of a country of the Union, it is necessary to consider where the work published for the first time. In the situation, once his work "first published in one of those countries, or simultaneously in a country outside the Union and in a country of the Union," the protection also applies to such work.<sup>76</sup> It is notable that the exception is the so-called "back door to Berne."<sup>77</sup> The works of non-Union countries may be granted protection under the back-door provision. Because of the tolerance, the United States used to obtain benefits from the Berne Convention without any obligations.

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<sup>74</sup> *Id.* art. 3, sec. 1(a).

<sup>75</sup> *Id.* art. 3, sec. 2.

<sup>76</sup> *Id.* art. 3, sec. 1(b).

<sup>77</sup> See PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT, Volume II, 18: 37 (4<sup>th</sup> ed., Aspen 2007).



#### 4.2.5.3 Significance of Publication

For published works, this Convention requires two specific elements: author's consent and reasonable availability to the public. The method to make it available to the public depends on the nature of the work.<sup>78</sup> However, it is not essential to publicly sell the work in any manner. For example, publication of a book may be satisfied with free distribution or a loan.<sup>79</sup>

Simultaneous publication is another crucial issue of publication. Article 3, paragraph (4) clearly stipulates that "a work shall be considered as having been published simultaneously in several countries if it has been published in two or more countries within thirty days of its first publication."<sup>80</sup>

When applying the former personal and geographical criterion, the question of when the nationality and habitual residence should be fixed is pending because both may change at anytime. There could be three choices for the moment: "the date of the work's creation; the date of its first being made available to the public; or the date on which protection is claimed."<sup>81</sup> Looking to the Convention, there is no provision for that question. Thus, the national law enables the question to be determined absolutely.

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<sup>78</sup> Berne Convention, *supra* note 5, art. 3, sec. 3.

<sup>79</sup> See GUIDE TO THE BERNE CONVENTION, *supra* note 40, at 28.

<sup>80</sup> Berne Convention, *supra* note 5, art. 3, sec. 4.

<sup>81</sup> See GUIDE TO THE BERNE CONVENTION, *supra* note 40, at 29.

### 4.3 Copyright Protection of the TRIPs Agreement

#### 4.3.1 Historical Perspective of the TRIPs Agreement

The Agreement on Trade Related Aspects of Intellectual Property Rights is the most important international intellectual property convention annexed to the World Trade Organization.<sup>82</sup> Under the TRIPs Agreement, all the developed and developing countries of the international trading organization (WTO) are obligated to comply with the agreement.<sup>83</sup> The development of the TRIPs Agreement, therefore, can be traced back to the former body of WTO, General Agreement on Tariffs and Trade (hereinafter GATT), established at Geneva in 1947.<sup>84</sup> Surprisingly, the GATT was so successful that it had become the most important trade-related international treaty. As of 1994, one hundred twenty-three countries joined the Agreement over the world.<sup>85</sup>

In the beginning, the GATT was an international trade agreement signed by twenty-three countries to reduce tariff barriers in trade. With the increasing complexity of trade-related issues, the institution of the GATT underwent several

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<sup>82</sup> TRIPs Agreement, *supra* note 8.

<sup>83</sup> *Id.* arts. 65-67 (setting forth timetables for Members to comply with the provisions of TRIPs).

<sup>84</sup> General Agreement on Tariffs and Trade (hereinafter GATT), October 30, 1947, T.I.A.S. No. 1700, 55 U.N.T.S. 187 (the parties of WTO have adopted the General Agreement on Tariffs and Trade 1994, April 15, 1994).

<sup>85</sup> The GATT years: from Havana to Marrakesh, WTO, [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/fact4\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm) (last visited December 26, 2007).

“rounds” of negotiations to resolve the disputes among nations.<sup>86</sup> One of those complicated issues related to trade is international protection for intellectual property rights. In the copyright perspective, the advent of digital technologies used for piracy or counterfeiting have caused right holders of developed countries economical damages over past decades. Without adequate protection, the creator would have less incentive to invest in creation. As a result, in Tokyo Round, the major developed countries such the United States started to work toward resolving the problem through negotiations. Although the attended representatives failed to come to a consensus for protection of intellectual property at the end of Tokyo Round, they ushered the problem into a formal debate in international community.<sup>87</sup>

In 1986, the United States and other countries began promoting the integration of intellectual property protection into the General Agreement on Tariffs and Trade as a part of the Uruguay Round negotiations.<sup>88</sup> The trend of striking international piracy and counterfeit drew attention of the Uruguay Round of GATT, launched on September 20, 1986.<sup>89</sup> Thereafter, the subject of intellectual property was arranged into the agenda of the Uruguay Round. The participants’ ambition

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<sup>86</sup> See Gardner Patterson, *The Road from GATT to MTO*, 3 Minn. J. Global Trade 35 (1994).

<sup>87</sup> See LONG & D’AMATO, *supra* note 3, at 358.

<sup>88</sup> See Susan A. Mort, *The WTO, WIPO & the Internet: Confounding the Borders of Copyright and Neighboring Rights*, 8 Fordham Intell. Prop. Media & Ent. L.J. 173, 180 (1997).

<sup>89</sup> GATT, *supra* note 84.

can be seen in the Ministerial Declaration on the Uruguay Round, which pointed out the goal of the discussion for intellectual property rights is “to reduce the distortions and impediments to international trade, take into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade ...”<sup>90</sup> To achieve the goal, the conferences helped materialize “a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.”<sup>91</sup> Such instruments must be “without prejudice to other complementary initiatives that may be taken in World Intellectual Property Organization and elsewhere to deal with these matters.”<sup>92</sup>

The subsequent discussions continued to harmonize the protection for intellectual property rights among various national legal systems.<sup>93</sup> Undergoing marathon negotiations in the Uruguay Round, the TRIPS Agreement finally was passed and signed at the end of the Uruguay Round at Marrakesh, on April 15, 1994.

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<sup>90</sup> Statement by the Chairman, GATT: Ministerial Declaration on the Uruguay Round of Multilateral Trade Negotiations (September 20, 1986), 25 I.L.M. 1623, 1626.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.*

<sup>93</sup> See Trade Negotiations Committee - Mid-Term Meeting, 21 (April 21, 1989), available at [http://www.wto.org/gatt\\_docs/English/SULPDF/92070013.pdf](http://www.wto.org/gatt_docs/English/SULPDF/92070013.pdf) (last visited December 25, 2007).

The agreement became effective on January 1, 1995.<sup>94</sup>

#### **4.3.2 Basic Principles under the TRIPs Agreement**

##### **4.3.2.1 Principle of National Treatment**

Like the Berne Convention, article 3 of the TRIPs Agreement requires WTO members to comply with the principle of national treatment, which obligates them to treat other members' nationals "no less favorable" than their own.<sup>95</sup> As to the works subject to national treatment, the article expresses that the principle of national treatment is applicable to "the protection of intellectual property," including "all categories of intellectual property that are the subject of [s]ections 1 through 7 of [p]art II."<sup>96</sup> The scope of objects for national treatment under the TRIPs Agreement contains (1) copyright and related rights; (2) trademarks (3) geographical indications (4) industrial designs (5) patents (6) layout-designs (topographies) of integrated circuits; and (7) protection of undisclosed information. The scope of objects for the principle of national treatment under the TRIPs Agreement is broader than the Berne Convention. The TRIPs Agreement contemplates to absorb copyright and related rights but not limits to literary and artistic works.

On the other hand, the principle of national treatment is subject to two

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<sup>94</sup> TRIPs Agreement, *supra* note 8.

<sup>95</sup> *Id.* art. 3, sec. 1.

<sup>96</sup> *Id.* art. 1, sec. 2.

exceptions: first, obligations under the national treatment to performers, producers of phonograms and broadcasting organizations “applies in respect of the rights provided under this Agreement.”<sup>97</sup> Second, the application of national treatment must be confined by the pre-existing treaties such as “the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits.”<sup>98</sup>

#### **4.3.2.2 Principle of Most-Favored-Nation Treatment**

The principle of the most-favored-nation treatment plays a significant role in international conventions related to trade. The logic behind the principle is to avoid the situation that a nation could take advantage of specific nations by means of awarding a most favored nation status in bilateral trade relations. The most-favored-nation (MFN) clause requires party countries to provide protection in complete accord with what they grant to any other nation. In other words, the foreign country at least is entitled to treatment as favorable as any other country.<sup>99</sup>

Article 4 of the TRIPs Agreement regulates a most-favored-nation (MFN) clause to all the member states as to intellectual property protection. The provision states that “any advantage, favor, privilege or immunity granted by a member to the

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<sup>97</sup> *Id.* art.3, sec. 1.

<sup>98</sup> *Id.*

<sup>99</sup> JOHN JACKSON, THE WORLD TRADING SYSTEM: LAW AND POLICY OF INTERNATIONAL ECONOMIC RELATIONS, 160-61 (2<sup>nd</sup> ed., The MIT Press 1997).

nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other members.”<sup>100</sup> As with national treatment, the provision of the most-favored-nation clause is applicable to intellectual property defined by article 1 paragraph (2) comprising “all categories of intellectual property that are the subject of [s]ections 1 through 7 of [p]art II.”<sup>101</sup> Meanwhile, the most-favored-nation clause is subject to four exemptions prescribed under the TRIPs Agreement.<sup>102</sup>

Differences are noticeable between national treatment and most-favored-nation treatment. Professor Goldstein observes that “national treatment requires a country to give the creative goods of foreign nationals the same rights and remedies it gives to the intellectual goods of its own nationals;

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<sup>100</sup> TRIPs Agreement, *supra* note 8, art. 4.

<sup>101</sup> TRIPs Agreement, *supra* note 8, art. 1, sec. 2.

<sup>102</sup> Article 4 of the TRIPs Agreement states “[e]xempted from this obligation are any advantage, favor, privilege or immunity accorded by a Member:

(a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;

(b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;

(c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;

(d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPs and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members.”

most-favored-nation treatment requires the country to treat all foreign creative goods equally, allowing it to favor the creative goods of its own nationals if it wishes."<sup>103</sup> Conclusively, this opinion is plausible, inasmuch as the most-favored-nation clause is created to eliminate discrimination in international trade.

#### **4.3.2.3 Principle of Minimum Standards and Its Exceptions**

The TRIPs Agreement is set forth to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not become barriers to legitimate trade.<sup>104</sup>

The Agreement relies, for this purpose, on provisions that require all member states to have domestic laws and enforcement provisions in compliance with the international standards.

The 1971 Paris text of the Berne Convention has a close relationship with copyright protection of the TRIPs Agreement, which requires contracting parties to implement domestic law at least as much as those incorporated in 1971 Paris text to resolve the difference over copyright protection among member states.

Consequently, any country wishing to join the WTO must revise its domestic law to conform to the protections. All the above-discussed provisions of the Berne Convention on articles 1 through 21 of the Convention and the Appendix are

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<sup>103</sup> See GOLDSTEIN *supra* note 2, at 85.

<sup>104</sup> TRIPs Agreement, *supra* note 8, Preamble.



applicable under the TRIPs Agreement, except moral rights to authors codified in article 6bis.<sup>105</sup> Because of the objection of the United States, the provision of moral rights has been excluded from obligations of the TRIPs Agreement.<sup>106</sup>

The TRIPs Agreement transplants article 9 of the Berne Convention and incorporates a specific provision so as to deal with questions raised about exceptions and limitations to rights in the digital environment.<sup>107</sup> By contrast, article 13 of the TRIPs Agreement concerns all exceptions of exclusive rights, whereas article 9 of the Berne Convention is applicable only to the right of reproduction.<sup>108</sup> The stipulations can be considered as a basis of fair-use doctrine under the TRIPs Agreement.

Similar to the Berne Convention, the TRIPs Agreement does not prevent the signatories from granting more than is required so that they have right to enact more extensive protection of copyright in national legislation.<sup>109</sup>

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<sup>105</sup> *Id.* art. 9, sec. 1.

<sup>106</sup> *Id.*

<sup>107</sup> Article 13 of the TRIPs Agreement states “[m]embers shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.”

<sup>108</sup> See Neil W. Netanel, *The Next Round: The Impact of the WIPO Copyright Treaty on TRIPS Dispute Settlement*, 37 Va. J. Int'l L. 441, 459 (1997).

<sup>109</sup> TRIPs Agreement, *supra* note 8, art.1, para.1; According to the provision, Professor Nimmer construes that “Members are free to implement even higher standards in their domestic laws than the minimum standards outlined in TRIPs.” See David Nimmer, *GATT's Entertainment: Before and NAFTA*, 15 Loy. L.A. Ent. L.J. 133, 144 (1995).

### 4.3.3 Berne Plus Approach

For substantive protection, two steps have been adopted: minimum standards and Berne Plus approach. The TRIPs Agreement adopts the “Berne Plus” approach to establish a framework for copyright protection in response to the technological changes.<sup>110</sup> As a result, the protection of copyright under the TRIPs Agreement merely recognizes a few more rights but also extends a protection to computer programs, and databases.

#### 4.3.3.1 Computer Programs

With the increase in software piracy, modern legislation recognizes the outstanding significance of copyright protection for computer programs since the need to enhance such protection is evident to the development of the software industry. At the same time, computer programs do not fall within the scope of works protected in the 1971 Paris text of the Berne Convention. The TRIPs Agreement, therefore, determines that computer programs in source code (human readable form)<sup>111</sup> and object code (machine readable form)<sup>112</sup> are both entitled to protection as literary works under the Berne Convention.<sup>113</sup> Meanwhile, the delegates incorporate the idea-expression dichotomy into the TRIPs Agreement and

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<sup>110</sup> Netanel, *supra* note 108, at 454.

<sup>111</sup> See Source Code, Wikipedia, [http://en.wikipedia.org/wiki/Source\\_code](http://en.wikipedia.org/wiki/Source_code).

<sup>112</sup> See Object Code, Wikipedia, [http://en.wikipedia.org/wiki/Object\\_code](http://en.wikipedia.org/wiki/Object_code).

<sup>113</sup> TRIPs Agreement, *supra* note 8, art. 10, sec. 1.

vest copyright protection to expressions rather than ideas, procedures, methods of operation or mathematical concepts.<sup>114</sup>

#### **4.3.3.2 Compilations of Data**

Although the Berne Convention recognizes protection for expression of an idea as a literary work, it does not grant the equivalent treatment to compilations of data or databases.<sup>115</sup> In fact, compilations of data having creative efforts deserve copyright for their selection or arrangement because they qualify as intellectual creations. For this reason, the TRIPs Agreement codified a specific provision in paragraph (2) of article 10 granting copyright protection of databases.<sup>116</sup> The provision does not distinguish the forms for the materials, and vest copyright to the selection or arrangement of contents, but such protection is limited to the selection or arrangement of materials. While the data or material has not been included, it is independent of conferring the data or material copyright.<sup>117</sup>

#### **4.3.3.3 Rental Rights**

Article 11 of the TRIPs Agreement provides for a right of distribution, which contains only commercial rental rights. In the view of the copyright regime, the rental right authorizes authors to gain benefits from royalties and to prevent

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<sup>114</sup> *Id.* art. 10, sec. 2.

<sup>115</sup> Berne Convention, *supra* note 5, art. 2, sec. 1.

<sup>116</sup> TRIPs Agreement, *supra* note 8, art. 10, sec. 2.

<sup>117</sup> *Id.*

copyrighted works from unauthorized use.<sup>118</sup> However, the provision recognizes an author's commercial rental rights for computer programs, cinematographic works and works embodied in phonograms. The WTO members should implement the protection in national legislation unless the exceptions are met.<sup>119</sup> In addition, "producers of phonograms and any other right holders in phonograms" may also enjoy rental rights as computer programs because the provision is applicable to them *mutatis mutandis*.<sup>120</sup>

#### 4.3.3.4 Sound Recording

As to the performance fixed on a phonogram, the TRIPs Agreement confers the performers' exclusive rights on use of their performance, including fixing their unfixed performance, reproducing the fixation, broadcasting the performance by wireless means and communicating their live performance to the public.<sup>121</sup>

Consequently, the performers are capable of preventing their performance from

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<sup>118</sup> Many countries already had prohibition of the unauthorized rental of copyrighted works prior to the TRIPs. The U.S. copyright law, for example, recognizes rental rights in phonorecords and computer programs.

<sup>119</sup> For cinematographic works, if "such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred", the member state is exempted from the obligations. An exemption for computer program is provided that if "the program itself is not the essential object of the rental", the minimum obligation would be immune. See TRIPs Agreement, *supra* note 8, art. 11.

<sup>120</sup> The term *mutatis mutandis* can be defined as "[a]ll necessary changes having been made; with the necessary changes." Black's Law Dictionary, 1044 (8<sup>th</sup> ed., West Thomson 2004); see *id.* art. 14, sec. 4.

<sup>121</sup> *Id.* art. 14, sec. 1.

unauthorized reproduction and distribution over digital transmission. The TRIPs Agreement also grants producers of phonograms the right "to authorize or prohibit direct or indirect reproduction of their phonograms."<sup>122</sup>

#### 4.3.3.5 Broadcasting

In particular, article 14 paragraph (3) mandates member states vest either broadcasting organizations or owners of copyright in the subject matter of broadcasts the right to prohibit unauthorized use of broadcasting, including "the fixation, the reproduction of fixations, and the rebroadcasting by wireless means of broadcasts, as well as the communication to the public of television broadcasts of the same."<sup>123</sup>

#### 4.3.4 Enforcement Mechanisms

Compared to other international or multilateral conventions, the TRIPs Agreement is the most comprehensive one because the most unique and notable feature an array of enforcement mechanisms.<sup>124</sup> The TRIPs Agreement sets out provisions dealing with domestic procedures and remedies for the enforcement of intellectual property rights and the exercise of the WTO dispute settlement panel to

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<sup>122</sup> *Id.* art. 14, sec. 2.

<sup>123</sup> *Id.* art. 14, sec. 3.

<sup>124</sup> According to article 33 of the Berne Convention, although disputes between Union Countries concerning the interpretation or application of this Convention may be brought to the International Court of Justice, the measure to resolve disputes has never been used in practice. See Neil W. Netanel, *Asserting Copyright's Democratic Principles in the Global Arena*, 51 *Vand. L. Rev.* 217, 234 (1998).

resolve problems on an international law level.<sup>125</sup> The provisions are applicable only to national disputes, not personal (such as citizens or corporations).

The enforcement provisions are mainly aimed at “facilitating fair and equitable enforcement,” and “detering future infringement.”<sup>126</sup> The TRIPs Agreement intends to provide a basic framework to reinforce the substance of existing intellectual property law by creating a trade-based sanction regime for noncompliance.

#### 4.3.4.1 Enforcement Procedures

Article 41 of the Agreement lays down certain general principles applicable to enforcement procedures for intellectual property rights. First, member countries’ domestic law must “permit effective action” against infringement of intellectual property rights;<sup>127</sup> second, the relevant procedures should be “fair and equitable” or “unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays”;<sup>128</sup> third, the decision made by courts or other authorities must “be based only on evidence” that gives all parties the opportunity to hear and in be “in writing and reasoned.” In this respect, all the parties have the

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<sup>125</sup> See Adrian Otten & Hannu Wager, *Nature and Scope of the Agreement: Compliance with TRIPs: The Emerging World View*, 29 Vand. J. Transnat’l L. 391, 403 (1996).

<sup>126</sup> TRIPs Agreement, *supra* note 8, art. 61.

<sup>127</sup> *Id.* art. 41, sec. 1.

<sup>128</sup> *Id.* art. 41, sec. 2.

right to hear the decision “without undue delay”;<sup>129</sup> forth, such procedures should ensure the final decision is available for review by an appropriate authority.<sup>130</sup>

Moreover, the provisions of the enforcement mechanisms obligate signatories to implement “civil and administrative procedures and remedies”<sup>131</sup> and “special requirements related to border measures” in national law.<sup>132</sup> In doing so, the substantive protection of intellectual property rights under the Agreement can be greatly reinforced.

#### **4.3.4.2 Dispute Prevention and Settlement**

Apparently, the provision concerning keeping information about domestic law transparent is the first step to prevent and settle disputes.<sup>133</sup> All of the contracting countries should make relevant “laws and regulations, and final judicial decisions and administrative rulings” published or available to the public for this purpose.<sup>134</sup> Each member bears the obligations to not only give assistance to the Council for TRIPs to understand the implement of protections required, but also to respond to requests from other members for the legal or administrative information

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<sup>129</sup> *Id.* art. 41, sec. 3.

<sup>130</sup> *Id.* art. 41, sec. 4.

<sup>131</sup> *See id.* title to pt. III, 2, covering arts. 42-49.

<sup>132</sup> *See id.* title to pt. III, 4, covering arts. 51-60.

<sup>133</sup> *See* J.H. Reichman, *The TRIPS Agreement Comes of Age: Conflict or Cooperation with the Developing Countries?*, 32 *Case W. Res. J. Int'l L.* 441, 445 (2000).

<sup>134</sup> TRIPs Agreement, *supra* note 9, art. 63, sec. 1.

above.<sup>135</sup> The WTO's binding dispute settlement procedures can be applied to any dispute between WTO member countries regarding their TRIPS obligations. The procedures to resolve disputes between member states are elaborated in the Dispute Settlement Understanding (DSU), Annex 2 of the WTO Agreement.<sup>136</sup> Additionally, "WTO dispute settlement panels will not have a free hand in interpreting TRIPs."<sup>137</sup>

In recognition of rules of interpretation of public international law under Vienna Convention,<sup>138</sup> article 3, paragraph (2) of the DSU concludes that the Dispute

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<sup>135</sup> *Id.* art. 63, sec. 2.

<sup>136</sup> Understanding on Rules and Procedures Governing the Settlement of Disputes, April 15, 1994, WTO Agreement, Annex 2 [hereinafter DSU].

<sup>137</sup> See Netanel, *supra* note 108, at 449.

<sup>138</sup> For instance, Vienna Convention on the Law of Treaties (1969) is a significant international convention designed for "the maintenance of international peace and security, the development of friendly relations and the achievement of cooperation among nations." The provisions related to the discussion here include: article 31 that proscribes general rule of interpretation:

1. A treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose.

2. The context for the purpose of the interpretation of a treaty shall comprise, in addition to the text, including its preamble and annexes:

(a) any agreement relating to the treaty which was made between all the parties in connection with the conclusion of the treaty;

(b) any instrument which was made by one or more parties in connection with the conclusion of the treaty and accepted by the other parties as an instrument related to the treaty.

3. There shall be taken into account, together with the context:

(a) any subsequent agreement between the parties regarding the interpretation of the treaty or the application of its provisions;

(b) any subsequent practice in the application of the treaty which establishes the agreement of the parties regarding its interpretation;

(c) any relevant rules of international law applicable in the relations between the parties.

4. A special meaning shall be given to a term if it is established that the parties so intended; and article 32 providing supplementary means of interpretation as:



Resolution Body (DSB),<sup>139</sup> entrusted to administer rules and procedures, is not allowed to “add to or diminish the rights and obligations” under the TRIPs Agreement.<sup>140</sup>

#### 4.4 World Intellectual Property Organization

##### 4.4.1 Historical Perspective of WIPO

The origins of World Intellectual Property Organization<sup>141</sup> can be dated back to the end of the <sup>19<sup>th</sup></sup> last century.<sup>142</sup> The birth of the Paris Convention for the Protection of Industrial Property of 1883<sup>143</sup> reflected the right holders’ need for

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Recourse may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of article 31, or to determine the meaning when the interpretation according to article 31:

- (a) leaves the meaning ambiguous or obscure; or
- (b) leads to a result which is manifestly absurd or unreasonable

<sup>139</sup> DSU, *supra* note 136, art. 2.

<sup>140</sup> *Id.* art. 3.

<sup>141</sup> Convention Establishing the World Intellectual Property Organization, July 14, 1967, 21 U.S.T. 1770, 828 U.N.T.S. 3 [hereinafter WIPO Treaty]. The World Intellectual Property Organization (WIPO) is a specialized agency of the United Nations. WIPO administers intellectual property treaties, serves as a forum for treaty drafting, conclusion, and revision, and provides technical assistance for the drafting of domestic intellectual property legislation. For further information concerning WIPO and its activities, as well as for on-line copies of many of the WIPO documents cited herein, <http://www.wipo.org> (last visited December 12, 2007).

<sup>142</sup> The roots of the World Intellectual Property Organization go back to 1883, when Johannes Brahms was composing his third Symphony, Robert Louis Stevenson was writing *Treasure Island*, and John and Emily Roebling were completing construction of New York’s Brooklyn Bridge.

<sup>143</sup> The first major international treaty designed to help the people of one country obtain protection in other countries for their intellectual creations in the form of industrial property rights, known as inventions (patents), trademarks, and industrial designs. The Paris Convention entered into force in 1884 with 14 member States, which set up an International Bureau to carry out administrative tasks, such as organizing meetings of the member States.

protection of intellectual property on an international level. Like the Paris Convention, the <sup>Paris</sup> Berne Convention set up in <sup>1883</sup> 1886 was aimed at promoting copyright protection for creative works. A decade later, the Paris Convention combined with that of Berne Convention to be the United International Bureaux for the Protection of Intellectual Property (BIRPI).<sup>144</sup> Although the small international organization<sup>145</sup> administered merely four international treaties as of 1898, it is the predecessor of WIPO through the Berne Convention.<sup>146</sup>

This international organization underwent a significant development in the twentieth century, transforming from the BIRPI to the WIPO. The establishment of WIPO is based on the Convention Establishing the World Intellectual Property Organization adapted in 1967 and came into force in 1970.<sup>147</sup> Additionally, in 1974, WIPO became the specialized agency of the United States responsible for dealing with the protection of intellectual property among nationals<sup>148</sup> and administering the major international conventions under the leadership of the United

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<sup>144</sup> BIRPI, *supra* note 34.

<sup>145</sup> In 1898, BIRPI administered only four international treaties. Today its successor, WIPO, administers 24 treaties (three of those jointly with other international organizations).

<sup>146</sup> WIPO Treaties-General Information, WIPO, <http://www.wipo.int/treaties/en/general> (last visited November 11, 2007).

<sup>147</sup> See Edward Kwakwa, *Some Comments on Rulemaking at the World Intellectual Property Organization*, 12 Duke J. Comp. & Int'l L. 179, 180 (2002) (noting signing date of convention was 1967). In addition, WIPO initially had 13 members only in 1970.

<sup>148</sup> See Marney L. Check, *The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime*, 33 Geo. Wash. Int'l L. Rev. 277, 296 (2001).

Nations Director General and Secretariat.<sup>149</sup> Today, WIPO has 184 member states carrying out the obligations in domestic laws.<sup>150</sup>

#### **4.4.2 Internet Treaties**

##### **4.4.2.1 Background**

In December 1996, two new treaties were adopted at the Diplomatic Conference on Certain Copyright and Neighboring Rights Questions of World Intellectual Property Organization at Genva. The WIPO Copyright Treaty (WCT)<sup>151</sup> and the WIPO Performance Phonograms Treaty (WPPT)<sup>152</sup> covered the protection of copyright and neighboring rights in digital environments. Both treaties, recognizing the challenge to the copyright system posed by today's technological advances, have been referred to as the "Internet treaties."<sup>153</sup> Consequently, the purpose of the two treaties is to update and supplement the primary treaties incorporated in WIPO to regulate technological changes from digital technologies and the Internet networks.<sup>154</sup>

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<sup>149</sup> See Monique Cordray, *GATT v. WIPO*, 76 J. Pat. & Trademark Off. Soc'y 121, 122 (1994).

<sup>150</sup> Member States, WIPO, <http://www.wipo.int/members/en/> (last visited November 30, 2007).

<sup>151</sup> WIPO Copyright Treaty, Dec. 20, 1996, 36 I.L.M. 65 [hereinafter WCT].

<sup>152</sup> WIPO Performances and Phonograms Treaty, Dec. 20, 1996, 36 I.L.M. 76 [hereinafter WPPT].

<sup>153</sup> The phrase "Internet Treaties" is not an entirely accurate description of the two WIPO treaties concluded in December 1996. These documents apply to a very broad scope of digital technologies, many, but not all, of which bear upon the Internet. Because the agreements both address the legal gaps engendered by the Internet and recognize its burgeoning role in international trade, the author finds it appropriate to employ "Internet Treaties" as a shorthand.

<sup>154</sup> See The Advantages of Adherence to the WIPO Copyright Treaty (WCT) and the WIPO

Considering the problem with applying traditional copyright principles to the virtual world,<sup>155</sup> the two treaties establish adequate and effective protection, allowing creative works to be used by others in various ways under the creator's control. By incorporating the substantive rights of the Berne, Rome, and Paris Conventions, along with modern new rights, the framework of the Internet treaties intends to not only maintain a minimum standards level of protection but also ensure that the use or dissemination of right holders' works over new technologies is harmless to the right holder's benefits.

Conclusively, the Internet treaties continue to act as an impetus to ensure that copyright protection adapts to rapid changes in technology in a way that promotes, rather than restricts the development of Internet or digital products marketplaces.

#### **4.4.2.2 WIPO Copyright Treaty**

Pursuant to the optimal interests between authors and the public, the WIPO Copyright Treaty makes existing Berne's principles applicable to new technologies in the digital environment and creates modern protection at the same time.<sup>156</sup> Since

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Performances Treaty (WPPT), International Bureau of WIPO, 2, [http://www.wipo.int/copyright/en/activities/wct\\_wppt/pdf/advantages\\_wct\\_wppt.pdf](http://www.wipo.int/copyright/en/activities/wct_wppt/pdf/advantages_wct_wppt.pdf) (last visited November 30, 2007).

<sup>155</sup> See Mort, *supra* 89, at 187.

<sup>156</sup> See WCT, *supra* note 151, Preamble.

protection under the Berne Convention has not been adjusted with a substantive amendment for a long time, the need to update the protection of copyright draws the WIPO's attention. For the status of the Berne Convention in the treaty, the WIPO Copyright Treaty recognizes that the Berne Convention is qualified as a "special agreement" within the meaning of article 20 of the Berne Convention.<sup>157</sup> The WIPO Copyright Treaty should apply articles 1 through 21 and the Appendix of the Berne Convention *mutatis mutandis*.<sup>158</sup> In other words, it provides copyright protection for authors of literary and artistic works in the same level with Berne.

Accordingly, the WIPO Copyright Treaty deliberates "to supplement international copyright protection in these new areas, without derogating from any of the rights already established in Berne."<sup>159</sup> For the right of reproduction, the Diplomatic Conference conceived that the draft for reproduction and its exception under article 7 is superfluous because section 9(1) of the Berne Convention can deal with the potential conflicts by using digital transmission. The Conference explained by an "Agreed Statement" accompanying the WCT that "[t]he reproduction right, as set out in [a]rticle 9 of the Berne Convention, and the exceptions permitted thereunder, fully apply in the digital environment, in particular

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<sup>157</sup> Berne Convention, *supra* note 5, art. 20.

<sup>158</sup> WIPO Copyright Treaty, *supra* note 151, art. 3 (applying articles 2 through 6 of the Berne Convention).

<sup>159</sup> Mort, *supra* note 88, at 197-98.

to the use of works in the digital form. It is understood that the storage of a protected work in a digital form in an electronic medium constitutes reproduction within the meaning of [a]rticle 9 of the Berne Convention.”<sup>160</sup>

For rights of distribution, the WCT is the first international treaty that recognizes an author’s general right of distribution.<sup>161</sup> Article 6 of the WCT expresses an author’s exclusive right to distribute their creative works to the public regardless of whether the distribution is accomplished “through sale or other means of transferring ownership”<sup>162</sup> and leaves the problem of defining exhaustion to each state.<sup>163</sup> The WCT delegates separate the right of distribution from the right of rental codified in article 7.<sup>164</sup>

Indeed, the WCT also broadens it by creating new rights. The WIPO Copyright Treaty drafts the right of public communication to deal with the online transmissions whose activities are like a “passive carrier” without direct control over

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<sup>160</sup> Agreed Statements Concerning the WIPO Copyright Treaty, adopted December 20, 1996, Concerning Article 1(4), WIPO Doc. CRNR/DC/96 (last modified December 23, 1996).

<sup>161</sup> Basic Proposal for the Substantive Provisions of the Treaty on Certain Questions Concerning the Protection of Literary and Artistic Works to Be Considered by the Diplomatic Conference, August 30, 1996, Notes on Article 9 (9.04), CRNR/DC/4 (The Berne Convention contains a right of distribution only in respect of cinematographic works).

<sup>162</sup> WCT, *supra* note 151, art. 6, sec. 1.

<sup>163</sup> *Id.* art. 6, sec. 2.

<sup>164</sup> See WCT, *supra* note 151, art. 7, sec. 1 (like the TRIPs Agreement, the delegates of WIPO also permit the author is entitled to the exclusive right of commercial rental in computer programs, cinematographic works, and works embodied in phonograms).

the content. The Diplomatic Conference clarifies that “[i]t is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention.”<sup>165</sup> Consequently, article 8 of the WCT recognizes that copyright holders have the right to determine whether to make their works available via “wire or wireless means.”<sup>166</sup> The exclusive right contains where and when members of the public may access these works.<sup>167</sup>

According to article 11 of the WIPO Copyright Treaty, contracting parties are obligated to provide an adequate so-called “anti-circumvention” provision and effective remedies in national law. For example, the United States codified the DMCA according to the base of article 11 of the WCT.<sup>168</sup> Therefore, under the provision, the circumvention of technological measures (such as encryption) threatens legitimate interests of the author and should be regulated to avoid copyright infringement. In addition, article 12 of the WIPO Copyright Treaty requires contracting countries to prohibit the deliberate alteration or deletion of electronic “rights management information” for the reliability and integrity of the

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<sup>165</sup> Agreed Statements Concerning the WIPO Copyright Treaty, adopted December 20, 1996, Concerning Article 8, WIPO Doc. CRNR/DC/96 (last modified December 23, 1996).

<sup>166</sup> WCT, *supra* note 151, art. 8.

<sup>167</sup> *Id.*

<sup>168</sup> *Id.* art. 11.

online marketplace.”<sup>169</sup>

At the same time, when contracting parties intend to limit or exclude authors’ exclusive rights in national law, they should pass a three-step test to ensure the use is in compliance with fair-use doctrine. Article 10, paragraph (1) of the WIPO Copyright Treaty absorbs the general three-step test of the Berne Convention and administers a flexible armamentarium for particular circumstances. The treaty states “[c]ontracting [p]arties may, in their national legislation, provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this [t]reaty *in certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.*”<sup>170</sup> In recognition of the importance to balance authors’ rights and public interests, the provision should clearly state that member countries can create new exceptions to resolve the disputes in the digital network age.<sup>171</sup> Meanwhile, paragraph (2) of the stipulation requires that application of any exception to rights granted in the Berne Convention pass the three-step test.<sup>172</sup>

#### **4.2.2.3 WIPO Performances and Phonograms Treaty**

On the basis of the International Convention for the Protection of

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<sup>169</sup> *Id.* art. 12.

<sup>170</sup> *Id.* art. 10, sec. 1.

<sup>171</sup> See The Preamble of the WCT, *supra* note 151.

<sup>172</sup> *Id.* art. 10, sec. 2.



Performers, Producers of Phonograms and Broadcasting Organizations (hereinafter the “Rome Convention”) — which was October 26, 1961, in Rome — , the Phonogram Treaty provides protection for performers and producers, while considering the need to improve international rules in light of changes in technology. The rights protected by the WIPO Performances and Phonograms Treaty, such as “related rights” (that is, rights related to copyright) of performers and producers of phonograms are a result of balancing the rights of the general public.

Initially, article 2 of the WPPT broadly defines the term concerning to the Treaty.<sup>173</sup> Subsequently, the treaty secures economic and non-economic rights to performers and producers. Those rights can be outlined for performers. There are six exclusive rights under the WPPT, including moral rights,<sup>174</sup> economic rights in their unfixed performances,<sup>175</sup> the right to make fixed performances available,<sup>176</sup> reproduction rights,<sup>177</sup> distribution rights,<sup>178</sup> and rental rights.<sup>179</sup> Producers

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<sup>173</sup> *Id.* art. 2.

<sup>174</sup> *Id.* art. 5; Professor Goldstein states “[t]his is the first time moral rights have been prescribed for performers in an international agreement.” See GOLDSTEIN, *supra* note 2, at 43.

<sup>175</sup> *Id.* art. 6.

<sup>176</sup> *Id.* art. 10.

<sup>177</sup> *Id.* art. 7.

<sup>178</sup> *Id.* art. 8. This article stipulates:

- (1) Performers shall enjoy the exclusive right of authorizing the making available to the public of the original and copies of their performances fixed in phonograms through sale or other transfer of ownership.
- (2) Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right in paragraph (1) applies after the first sale or other transfer

benefit from four exclusive rights concerning their phonograms: reproduction,<sup>180</sup> distribution,<sup>181</sup> rental,<sup>182</sup> and authorization of public availability.<sup>183</sup>

On further analysis, under article 7 and article 11, performers and producers are entitled to exclusive rights to authorize others to directly or indirectly reproduce their performances.<sup>184</sup> The provision is not limited to the works “fixed in phonograms” but embraces those fixed “in any manner or form.”<sup>185</sup> This phrase encompasses all technological means of reproduction in the digital age. Agreed Statements concerning the WIPO Performances and Phonograms Treaty indicate that, “The reproduction right, as set out in articles 7 and 11, and the exceptions permitted thereunder through Article 16, fully apply in the digital environment, in particular to the use of performances and phonograms in the digital form. It is understood that the storage of a protected performance or phonogram in the digital form in an electronic medium constitutes a reproduction within the meaning of these Articles.”<sup>186</sup>

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of ownership of the original or a copy of the fixed performance with the authorization of the performer.

<sup>179</sup> *Id.* art. 9.

<sup>180</sup> *See id.* art. 11. (Right of Reproduction: Producers of phonograms shall enjoy the exclusive right of authorizing the direct or indirect reproduction of their phonograms, in any manner or form).

<sup>181</sup> *Id.* art. 12.

<sup>182</sup> *Id.* art. 13.

<sup>183</sup> *Id.* art. 14.

<sup>184</sup> *Id.* arts. 7, 11.

<sup>185</sup> *Id.*

<sup>186</sup> Agreed Statements Concerning the WIPO Performances and Phonograms Treaty, adopted

In addition, article 8 and article 12 individually grant distribution rights to performers and producers. The objects under the provisions contain “originals and copies” of performances or phonograms.<sup>187</sup> Like WIPO Copyright Treaty, both performers and producers are capable of making phonograms available to the public under WPPT.<sup>188</sup>

The WPPT features two new provisions in response to technological changes in the digital environment. Under article 18, contracting countries are obligated to establish “adequate legal protection and effective legal remedies” against people who infringe copyright by circumventing technological measures that are used to prevent unauthorized exploitation of creative works.<sup>189</sup> Another modern provision for the digital environment is article 19, which requires contracting parties to create adequate and effective legal remedies against unauthorized manners impacting “rights management information” in national law.

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December 20, 1996, Concerning Articles 7, 11 and 16, WIPO Doc. CRNR/DC/97 (last modified December 23, 1996).

<sup>187</sup> WPPT, *supra* note 152, art. 8, 12.

<sup>188</sup> *Id.*

<sup>189</sup> *Id.* art. 18.

<sup>190</sup> *Id.* art. 19.

Similarly, the three-test step clause applicable to circumstances under the WPPT treaty has been incorporated in article 16.<sup>191</sup> The provision deserves the same interpretation with article 10 of the WCT.

#### 4.4.3 WIPO and WTO/TRIPs Agreement

In the Uruguay Round of 1995, the international community successfully integrated WIPO and the WTO, two major systems of international intellectual property protection, and made them enter into a cooperation agreement. According to the agreement, WIPO would give assistance to all members of either the WTO or WIPO in the management of globalized trade. The impetus that accompanied this cooperation was initiated by the United States “to avoid duplication and recreating the wheel in the WTO.”<sup>192</sup> As a result, the cooperation with the TRIPS Agreement benefits WIPO a large increase in the membership of these treaties.<sup>193</sup>

In fact, increasing member states of the TRIPs Agreement adhere to these two treaties because the TRIPs Agreement could not be able to satisfy the need in

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<sup>191</sup> *Id.* art. 16.

<sup>192</sup> See Paul Salmon, *Symposium: Globalizations Impact on International Trade and Intellectual Property Law: Cooperation Between the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO)*, 17 St. John's J.L. Comm. 429, 434 (2003) (“The idea of WIPO-WTO cooperation was somewhat controversial at the time. Initially there was concern on the part of a number of developed countries that WIPO, which had originally opposed moving intellectual property to the WTO, might be too sympathetic to developing countries”).

<sup>193</sup> For example, the Berne Convention membership jumped from 84 in 1990 to 146 in 2000.

digital environment.<sup>194</sup> The treaties under WIPO are as much compatible with the TRIPs Agreement. For example, both treaties require signatories to implement the Berne Convention to serve as their fundamental framework for copyright protection. Moreover, although the obligations of WCT and WPPT under WIPO are similar to the TRIPs Agreement, the new treaties are established to update the TRIPs Agreement as the foundation for further legal infrastructure. They establish an international consensus on the application of copyright and neighboring right principles and create new rights for digital technologies.<sup>195</sup>

Regarding the most notable feature of TRIPs, enforcement mechanisms, the contracting countries of WIPO are not obligated to select the TRIPs-type dispute resolution because the Diplomatic Conference does not specifically require the enforcement mechanisms of the TRIPs Agreement. For example, article 14 of the WCT simply contains a general obligation that national authorities adopt those measures necessary to ensure the WIPO Copyright Treaty's application and to punish and prevent infringement.<sup>196</sup> Although the Internet treaties remain silent on the point, to prevent infringement, they require contracting parties to ensure that

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<sup>194</sup> The Advantages of Adherence to the WIPO Copyright Treaty (WCT) and the WIPO Performances Treaty (WPPT), *supra* note 154, at 9.

<sup>195</sup> *Id.*

<sup>196</sup> See WCT, *supra* note 151, art. 14.

enforcement procedures are available in national legislation.<sup>197</sup>

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<sup>197</sup> See *id.* art. 14; WPPT, *supra* note 153, art. 23.

## Chapter 5: Comparison of the Copyright Law related to P2P File-Sharing between Taiwan and the United States

### 5.1 Introduction

In complicated legislative history, copyright law of Republic of China has been greatly impacted by foreign legislation. Copyright protection on the island of Taiwan has undergone significant changes twice. First was copyright law of the colonial period, followed by copyright law of Republic of China. Before the government of Republic of China took over Taiwan, the Empire of Japan had ruled Taiwan for fifty years.<sup>1</sup> The colonial dominator promulgated the first copyright act of Republic of China. Although the act was overthrown with the Japanese Empire, thinking the copyright act originated from Japan deeply impacted the next government of Taiwan in copyright legislation.<sup>2</sup>

Historically, the copyright act of Republic of China can be traced to the Ch'ing Dynasty, which began copyright protection of China in 1910. Although the Ch'ing Dynasty was replaced in the revolution two years later, the copyright

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<sup>1</sup> About the history of Japanese Rule, *see* Taiwan, Wikipedia, [http://en.wikipedia.org/wiki/Taiwan#Japanese\\_rule](http://en.wikipedia.org/wiki/Taiwan#Japanese_rule) (last visited July 4, 2007).

<sup>2</sup> LUO, MING-TONG, COPYRIOGHT LAW, Volume I, 51 (6<sup>th</sup> ed., 2005).

protection was not abolished until 1915. Subsequently, on May 14, 1928, the government of Republic of China promulgated the copyright act of Republic of China, the copyright law in effect in Taiwan. In 1949, when the government of Kuomintang retreated to Taiwan, the copyright act of Republic of China was also being transplanted to the island.<sup>3</sup> After Japanese copyright protection withdrew, the other one from mainland China ensued at that time.

In legislative history, the copyright act has gone through fourteen amendments from 1944 until 2008. The government of Republic of China has adjusted the legal system to develop global trade and secure diplomatic relations. For instance, Legislative Yuan of Republic of China passed three significant amendments of copyright law in 1992, 1998, and 2001 to comply with requirements of the TRIPs Agreement. After the accession of WTO, four major changes took place in response to the challenges in the digital environment. Specially, the last amendment in July 2007 added new provisions dealing with inducement infringement over the Internet.

Moreover, the United States, the most important partner in trade and politics, has close relations with Republic of China in copyright protection. On October 8, 1903, at Shanghai, the Ch'ing Dynasty and the United States of America

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<sup>3</sup> About the history of Koumintang Rule, *see* Kuomintang, Wikipedia, <http://en.wikipedia.org/wiki/Kuomintang> (last visited July 4, 2007).



signed a treaty of commercial relations, in which China recognized that U.S. works enjoy copyright in the territory of the Ch'ing Dynasty.<sup>4</sup> This is the first treaty that identifies copyright protection in China's 5,000-year history. Since then, the cooperation between the two countries in copyright protection has increased with more comprehensive communication. In 1946, the Chinese government represented by Republic of China concluded the Treaty of Friendship, Commerce and Navigation with the United States of America. The treaty entered into force two years later granted copyright to U.S. nationals.<sup>5</sup> On July 14, 1989, Republic of China and the United States reached a bilateral copyright agreement, "Agreement for the protection of copyright between the coordination council for North American Affairs and the American Institute in Taiwan and the Coordination Council for North American Affairs," approved by Legislative Yuan of Republic of China on April 22, 1993, and entered into force on July 16, 1993.<sup>6</sup> The United States has consecrated to strengthen protection of intellectual property rights over the world recently. The U.S. sought to obtain broader protection on copyrighted products through

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<sup>4</sup> TS 430, ante, 695.

<sup>5</sup> Treaty of Friendship, Commerce and Navigation, Nov. 4, 1946, U.S.-Republic of China, T.I.A.S. No. 1871, 63 Stat. 1299 (1949); 6 Bevans 761.

<sup>6</sup> Agreement for the Protection of Copyright Between the American Institute in Taiwan and the Coordination Council for North American Affairs, July 16, 1993, AIT-CCNAA, KAV No. 4021. (Because Taiwan is not recognized by the United States, all United States-Taiwan negotiations are held through unofficial agencies. The American Institute in Taiwan represents the United States, and the Coordination Council for North American Affairs represents Taiwan).

negotiations on copyright. The external pressure regularly leads Republic of China to make concessions to the United States to avoid trade sanction.<sup>7</sup> Hence, foreign legislation cannot be neglected when Taiwanese government pursues a not isolated status of international society.

The study would take a comparative analysis of copyright legislation between the two countries and infer whether copyright law of Republic of China grants right-holders too much protection to achieve the goals set forth in article one of the copyright act of Republic of China, which requests harmonization of private and public interests.

## **5.2 Comparative Analysis of Copyright Legislative Background**

### **5.2.1 Constitutional Basis of Copyright Law**

In modern democratic nations, constitution law is the people's underlying fundamental authorization of powers to government. Legislative power is a significant power that protects people's legitimate interests by forming a legal system. Based on this view, copyright laws of the United States of America and Republic of China have legitimacy to accomplish the goals erected in constitution

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<sup>7</sup> Taiwan used to be under the pressure of "special 301", which derived from the Omnibus Trade and Competitiveness Act of 1988 (Trade Act of 1988) on the purpose of protecting United States intellectual property rights in foreign countries. The Trade Act of 1988 expressly finds that the "international protection of intellectual property rights is vital to the international competitiveness of United States persons that rely on protection of intellectual property rights." See Omnibus Trade and Competitiveness Act of 1988, sec. 1303 (a)(1)(A).

law.

In the U.S. copyright law, a direct constitutional basis, Copyright Clause, authorizes national legislators to enact the specific law for protection of copyright.<sup>8</sup>

The Copyright Clause is the only clause that empowers the U.S. Congress and specifies the purpose of this Clause. By contrast, constitutional builders of the Republic of China recognize the protection of people's property and the need to protect creation in three individual provisions: article 15, 165 and 166. Copyright act is the measure that indirectly carries out the goals of those provisions.<sup>9</sup>

Essentially, intellectual property has attribution of property right in nature.<sup>10</sup> As to the basis of protection of copyright, it is necessary to refer to the constitutional norms of property rights. The content of right of property under the Constitution has been described by Justices<sup>11</sup> of the Judicial Yuan,<sup>12</sup> whose power

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<sup>8</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>9</sup> See LUO, Volume I, *supra* note 2, at 15.

<sup>10</sup> With respect to the discussion, see chapter two of this dissertation.

<sup>11</sup> See Zhonghua Minguo Xianfa (Constitution of Republic of China), art. 79 [hereinafter Constitution of Republic of China]. The Judicial Yuan shall have a President and a Vice President, who shall be nominated and, with the consent of the Control Yuan, appointed by the President of the Republic. The Judicial Yuan shall have a number of Grand Justices to take charge of matters specified in Article 78 of this Constitution, who shall be nominated and, with the consent of the Control Yuan, appointed by the President of the Republic article 5. The Additional articles of the Constitution of the Republic of China The Judicial Yuan shall have 15 grand justices. The grand justices of the Judicial Yuan shall, in addition to discharging their duties in accordance with article 78 of the Constitution, form a Constitutional Court to adjudicate matters relating to the impeachment of the president or the vice president, and the dissolution of unconstitutional political parties.

The Judicial Yuan explained that "[t]he interpretations of the Judicial Yuan shall be binding upon every

includes providing rulings on the cases of interpretation of the Constitution, giving uniform interpretation of statutes and regulations, and declaring the dissolution of political parties in violation of the Constitution.<sup>13</sup> The reasoning of Interpretation No. 596 of the Judicial Yuan expresses the intent of article 15 of the Constitution is “to ensure that an individual may freely exercise the rights and powers to use, derive benefits from, and dispose of any and all of his or her properties depending upon the existing status of such properties, so as to secure the resources of life on which the survival of individuals and the free development of characters rely.”<sup>14</sup> For this sake, the property meeting the descriptions above qualifies for protection of right of property no matter what form it fixes. Additionally, Interpretation No. 370 held

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institution and person in the country, and each institution shall abide by the meaning of these interpretations in handling relevant matters. Prior precedents which are contrary to these interpretations shall automatically be nullified.” Judicial Yuan Interpretation Yuan Zi No. 185 (Jan 27, 1984).

<sup>12</sup> The Republic of China’s present judicial system originated in the later years of the Ch’ing Dynasty (1644-1911) when the nation initiated political reforms, and its foundation was laid in the early years of the Republic. In 1928, the National Government established a five-power polity in accordance with the teachings of Dr. Sun Yat-sen, the founding father of the Republic. The Judicial Yuan was established on November 16 of the same year, marking the start of the nations modernized judicial system. The Constitution of the Republic of China was promulgated and went into effect in 1947. In 1980, the administration of the courts and of the prosecution was separated. High Courts and all of the lower courts have since been placed under the administration of the Judicial Yuan. Hence, there is a clear delineation between the judicial and the executive powers, *See The Judiciary under the Five-Power Constitution and its Epochal Significance*, Judicial Yuan, <http://www.judicial.gov.tw/en/> (last visited July 10, 2007).

<sup>13</sup> Constitution of Republic of China, art. 78. The Judicial Yuan shall interpret the Constitution and shall have the power to unify the interpretation of laws and orders.

<sup>14</sup> Judicial Yuan Interpretation Yuan Zi No. 596 (May 13, 2005).

that “[a]s a trademark right is a property right, it should be protected under [a]rticle 15 of the Constitution.”<sup>15</sup> The holding is supported by Interpretation Nos. 492 and 594, subsequently.<sup>16</sup> In regard to patent, Interpretation No. 213 implies that protection of patent by statute complies with norm of property right in the constitutional sense.<sup>17</sup>

Nevertheless, the Justices of the Judicial Yuan has never declared copyright falls within the scope of right of property under article 15, like Interpretation No. 370 of trademark. The Taiwanese copyright scholar has asserted that such protection provided for authors of creative works in copyright law is the ultimate goal of protecting people’s right of property under the constitution law of Republic of China.<sup>18</sup> In his opinion, copyright can be embraced within the concept of right of property of article 15.<sup>19</sup> It is proper for Taiwanese legislation to deem copyright as a fundamental right of people, namely a property right, and protect it by the statute.<sup>20</sup>

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<sup>15</sup> Judicial Yuan Interpretation Yuan Zi No. 370 (January 6, 1995).

<sup>16</sup> See Judicial Yuan Interpretation Yuan Zi No. 492 (October 29, 1999) and Judicial Yuan Interpretation Yuan Zi No. 594 (April 15, 2005).

<sup>17</sup> See Judicial Yuan Interpretation Yuan Zi No. 213 (March 20, 1987).

<sup>18</sup> See LUO, Volume I, *supra* note 2, at 15.

<sup>19</sup> Constitution of Republic of China, art. 15. The right of existence, the right to work and the right of property shall be guaranteed to the people.

<sup>20</sup> Basically, right of property is one of fundamental rights under the Constitution of Republic of China. The protection of such rights granted by the Constitution must be preserved for legislative to determine its content. In accordance with the law, people can enjoy the protection of property rights. However,

Furthermore, promotion of culture-related industries has been one of the fundamental national policies of the Constitution of Republic of China.<sup>21</sup> There are two provisions enacted on this account. One is article 165, aimed at developing education and culture, and requiring the nation “safeguard the livelihood of those who work in the field of education, sciences and arts” and “in accordance with the development of national economy, increase their remuneration from time to time.”<sup>22</sup> This provision declares the nation should support the people engaged in the field of arts, which partly includes authors of creative works, by providing an appropriate environment.

The other provision contributing to the constitutional base of copyright legislation is article 166, which requires the nation “... protect ancient sites and articles of historical, cultural or artistic value.”<sup>23</sup> It can be concluded that, while framing the Constitution, the constitution builders were intent on maintaining the historical, cultural, and artistic value of the country. Thus, protection of copyright

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the statute regulating people’s right of property should comply with article 23, stating freedoms and rights enumerated between articles 7 to 22 can be restricted by law only when the restriction does not violate the principle of proportionality. Judicial Yuan interpreted that the principle of proportionality consists of due purposes, necessary means, and proper restrictions. *See* Judicial Yuan Interpretation Yuan Zi No. 476 (January 29, 1999); further, the legislative intent must be legitimate and the means to achieve the legislative intent must be effective without other less intrusive alternatives. *See* Judicial Yuan Interpretation Yuan Zi No. 544 (May 17, 2002).

<sup>21</sup> *See* section five of chapter eight of Constitution of Republic of China.

<sup>22</sup> Constitution of Republic of China, art. 165.

<sup>23</sup> Constitution of Republic of China, art. 166.

on creative works should fit into the explanation. The three articles provide for legislative power for the constitutional authority to develop the protection of copyright by statute.

## 5.2.2 Purposes of Copyright Act

### 5.2.2.1 Position of Taiwan

In general, the extent of to which a nation will interpret copyright law depends on the language legislators enact. The copyright act enacted in 1928 has not prescribed the goal of the act until the amendment of 1985. Placement of such a directory provision apparently shows the intent of the legislators and makes it clear that this provision guides the explanation of the whole copyright act when conflicts occur in some complicated case.<sup>24</sup> Doubtless, the judges who engage copyright litigations should consider the language of this article discovering the significant legislative background.

The first article of Taiwanese copyright act states that “[t]his Act is specifically enacted for the purposes of protecting the rights and interests of authors with respect to their works, balancing different interests for the common good of society, and promoting the development of national culture ...”<sup>25</sup> Further, the

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<sup>24</sup> See SIAO, SYONG-LIN, INTERPRETATION OF COPYRIGHT LAW, Volume I, 3 (Wu-Nan Book Inc., 1996).

<sup>25</sup> Zhao Zuo Quan Fa (Copyright Act), Zhonghua Minguo (Republic of China), art. 1 [hereinafter Copyright of Republic of China].

language of this article specifies three major goals that legislators intend to reach. The first one is protection of the rights and interests of authors. After a long historical evolution of authors' right or copyright, a number of legislators in the world admit granting protection to authors for creation. In recognition of the fact that an author's creation essentially deserves legal protection, the 1985 amendment proposed by the Executive Yuan of Republic of China<sup>26</sup> laid out protection of the rights and interests of authors within the guideline. Analyzing the words, legislators do not attempt to divide property and moral interests of authors in the paragraph. Thus, both categories of authors' interests are included in the stipulation.

Second, the copyright act emphasizes harmonization of different interests for the common good of society is significant. Taiwanese copyright scholars argue the words aimed at balancing different interests of a society are based on the thinking that creative works should be "liberated" to the other people in the society to prompt national culture. Since any creation of human beings is derived by or

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<sup>26</sup> The Executive Yuan is the highest administrative organ of the Republic of China under the article 53 of Constitution of the Republic of China. It has a president (often referred to as the premier), a vice president (vice premier), a number of ministers, heads of commissions, and ministers without portfolio. The president of the Executive Yuan is appointed by the president of the republic. The vice president of the Executive Yuan, ministers and heads of commissions, and ministers without portfolio are appointed by the president of the republic upon the recommendation of the president of the Executive Yuan, <http://www.ey.gov.tw/ct.asp?xItem=41251&ctNode=1327&mp=11> (last visited July 11, 2007).



enlightened from thinking existed previously, the creators may enjoy limited monopoly in the society.<sup>27</sup> For instance, the copyright act confers authors' exclusive rights in their life plus fifty years. Legislators have the authority to draw the line in determining how much protection the authors are entitled to.

The third goal erected is promotion of the development of national culture. This paragraph specifically demonstrates the ultimate goal that the act attempts to achieve by virtue of the two previous measures.

#### **5.2.2.2 Comparative Analysis**

On the view of comparative study between Taiwan and the United States, three different points of the purposes of copyright act may be observed. Those legal differences simply hallmark the diversity of legislation originated from two major legal systems in the world — civil law and common law jurisdictions.

First, the Copyright Clause of the United States Constitution, consisting of a grant of power and a limitation, empowers Congress to adopt adequate measures that would enrich society. But U.S. copyright law does not encompass any paragraph straightforwardly defining the ultimate goal of the Act. In contrast to the United States, the Constitution of Republic of China mandates government of the state to make national policies in protecting art and culture without the words

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<sup>27</sup> See SIAO, *supra* note 24, at 4-5.

describing the goals. The Constitution recognizes the alternative to make relevant law through the pervasive language. Legislation contrarily inserted the goals in article one of the copyright act, which has been characterized as a guiding provision, rather than a constitutional one.<sup>28</sup>

Second, a noticeable difference exists between the content of the Copyright Clause and the first article of Taiwanese copyright act. The U.S. Copyright Clause addresses the goal of copyright protection as “[t]o promote the [p]rogress of [s]cience and useful [a]rts”<sup>29</sup>; instead, the Taiwanese article specifies three goals in it. It is no surprise that the Taiwanese copyright act of 1985 drafts more details because it is at least two hundreds years younger than the Copyright Clause of the U.S. Constitution. Thus, the 1985 amendment responds to the shortcomings of prior copyright legislation by assuring authors’ protection and public interests would be applicable in copyright debates.

Third, the goals of the copyright act have given rise to a basic question that when the protection of copyright and public interests conflict, which one should take priority? In the U.S. position, as the Supreme Court observed: “[t]he economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best

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<sup>28</sup> Copyright Act of Republic of China, art. 1.

<sup>29</sup> U.S. CONST. art. I, § 8, cl. 8.

way to advance public welfare through the talents of authors and inventors in [s]cience and useful [a]rts.”<sup>30</sup> The Supreme Court continues to review the issue of importance when reviewing copyright controversies where it held the copyright law, as such, is no more than an economic incentive to encourage the author. The most profound phrase the Court addressed is that “[t]he copyright law, like the patent statutes, makes reward to the owner a secondary consideration.”<sup>31</sup> In sum, the thought of U.S. copyright system is primarily in light of utilitarianism of intellectual property protection.<sup>32</sup>

As to the Taiwanese position, considering the words literally, it can be found that legislators equally weighted the three purposes. However, in regard to the legislative background, the Executive Yuan clarified the copyright amendment when proposed to Legislative Yuan that promotion of the development of national culture is the ultimate goal of the act.<sup>33</sup> Copyright scholar of Republic of China contends that the copyright act of Taiwan provides for protection of authors to encourage creation and, at the same time, pursue public interests by implementing

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<sup>30</sup> *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

<sup>31</sup> *United States v. Paramount Pictures*, 334 U.S. 131, 158 (1948). *See also* *Washington Pub. Co. v. Pearson*, 360 U.S. 30 (1959), and *Sony v. Universal City Studios.*, 464 U.S. 417 (1984).

<sup>32</sup> More details regarding to utilitarianism in intellectual property perspective, *see supra* discussion in chapter two.

<sup>33</sup> *See* Xingzheng Yuan Jhuzou Cyuan Fa Xiuzheng Caoan Zong Shouming (General Interpretation for Amendemnt of Copyright Act by the Executive Yuan) (1985).

relevant instruments, such as limited duration and fair use doctrine. To avert the negative effects on developing or passing down the culture, it is essential to balance interests between an author's monopoly and public access.<sup>34</sup>

Historically, Republic of China never intends to take a utilitarian approach on intellectual property protection like the United States because of the influences of Germany. Authors' exclusive rights should not be located in the "secondary consideration" under the copyright act of Republic of China. Further, the key word of this provision is "balancing." Taiwanese legislation puts authors' rights in the same bracket as public use. Particularly in the digital environment, the improvements of modern information technologies certainly benefit society and clash with the copyright system, which makes for an unforeseeable future. The emergence of new technologies, to a large degree, depends on the reliability of legal norms developed to control the content. Facing the challenges of copyright, Taiwanese government should discreetly examine the allocation of various interests without an overextension in legislative and judicial perspectives. A desirable result of copyright protection cannot be reached disregarding either authors' rights or public welfare.

### **5.2.3 Nature of Copyright**

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<sup>34</sup> See LUO, Volume I, *supra* note 2, at 13.

The significance of nature of copyright concerns how much protection authors can enjoy. Further, in recognition of nature-law property theory as nature of copyright, author's right on the works he created is consolidated as much as other inherent rights. On the other hand, if statutory-grant theory prevails, copyright is no more than a limited monopoly granted by Congress.<sup>35</sup> Today, in the United States, copyright statute contains provisions pertaining to the reproduction, adaptation, public distribution, and public performance of the work. The copyright owner's monopoly is limited under the Copyright Clause of the Constitution of the United States because it entails information control. The concept of Congress's power to grant limited monopoly, however, experienced long-running debates until the watershed by the Supreme Court held in *Wheaton v. Peters*<sup>36</sup> in the nineteenth century.<sup>37</sup> In the 1976 Copyright Act, Congress ultimately dissolved the chasm of nature of copyright in spite of legislators or judges, who often properly treat copyright as the author's property right.

Compared to the American position, the feature of the Taiwanese legal system, civil-law jurisdiction, simplifies the copyright problem in Taiwan. Since

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<sup>35</sup> See Lyman Ray Patterson, *Copyright Overextended: A Preliminary Inquiry Into the Need for a Federal Statute of Unfair Competition*, 17 Dayton L. Rev. 385, 405 (1992).

<sup>36</sup> See *Wheaton v. Peters*, 33 U.S. 591 (1834).

<sup>37</sup> Professor Patterson suggests the importance of the *Wheaton* case is that the nature of American copyright was determined in this case as a statutory monopoly. See LYMAN RAY PATTERSON & STANLEY W. LINDBERG, *THE NATURE OF COPYRIGHT: A LAW OF USERS' RIGHTS*, 63 (The University of Georgia Press, 1991).

1928, the advent of the first copyright act inherited the distinction of civil-law jurisdiction, whose statute is the primary source of law.<sup>38</sup> Thus, authors' exclusive rights are granted by the copyright act. As to whether copyright is a right of property or a limited monopoly for authors, no clear exposition of it exists in the copyright system of Republic of China. However, according to Interpretation No. 596 of the Judicial Yuan, the property right has a wide definition that "[t]he people's right of claims under private law falls within the scope of property right guaranteed under [a]rticle 15 of the Constitution."<sup>39</sup> The inclusion of the interpretation entitles people's legal rights to protection of property right. Copyright, therefore, qualifies as a right of property in the constitutional sense.

Moreover, it is deniable that copyright is a property of a unique kind even though it is generally regarded as a form of property. If right owners may claim it as much as rights of tangible property, such as real property, public access would be at risk of being excluded with author's volition. Professor Patterson's opinion of limited monopoly for nature of copyright is so enlightened that it is helpful for Taiwanese legislators to accommodate various interests, concerned by the copyright act of Republic of China. Consequently, regardless of whether copyright is a right

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<sup>38</sup> See Mary Ann Glendon, Michael Wallace Gordon & Christopher Osakwe, *Comparative Legal Traditions*, 193-94 (2<sup>nd</sup> ed., West Publishing Co. 1994).

<sup>39</sup> Judicial Yuan Interpretation, *supra* note 14.

of property in nature, legislation should provide for limited exclusive rights rather than protection at degree of tangible property while dealing with new technologies.

### **5.3 Relation to International Copyright Law**

#### **5.3.1 Taiwan's Status in International Copyright Law**

The development of copyright protection by the Republic of China (Taiwan)<sup>40</sup> has been deeply influenced by political factors. The government of Taiwan used to play a significant role in the international community before the retreat of the Union Nations.<sup>41</sup> As the People's Republic of China took the place of Republic of China in the Union Nations, the country no longer participated in the international organization in various perspectives, including protection of copyright. Due to the isolated political status of the international society, Republic of China had few chances to be involved in copyright-related conventions with other nations until joining World Trade Organization.<sup>42</sup> At that time, protection of copyright was for no more than domestic affairs because the legislation of copyright law of Republic of China did not consider much about the principles of copyright

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<sup>40</sup> Since the late 1970s the name "China" is commonly used to refer to the People's Republic of China (PRC). Because of diplomatic pressure from the People's Republic of China, the Republic of China (Taiwan) is commonly referred to as "Chinese Taipei" in international organizations.

<sup>41</sup> See Foreign relations of the Republic of China, Wikipedia, [http://en.wikipedia.org/wiki/Republic\\_of\\_china](http://en.wikipedia.org/wiki/Republic_of_china) (last visited December 1, 2007).

<sup>42</sup> Accession of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu - Decision of November 11, 2001, WT/L/433.

recognized in the international copyright regime. Republic of China simply kept interaction on protection of intellectual property rights with the United States under the framework of bilateral trade.<sup>43</sup>

As the world entered a new century, the developments of economic globalization brought Republic of China back to the international stage. Since 1990, Republic of China has represented “the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu,” beginning the application procedure for WTO. After completing a set of negotiations in various perspectives,<sup>44</sup> on November 11, 2001, the Ministerial Conference of the WTO approved Republic of China’s application.<sup>45</sup> Ultimately, Republic of China officially became the 144<sup>th</sup> member nation of WTO on January 1, 2002.

Additionally, with the growth of global Internet networks at an unprecedented pace, the digital contents are widely spread, whether they are authorized or not. The emergence of new digital technologies permitting the

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<sup>43</sup> Taiwan and the United States of America cooperated in copyright protection between the parties by the “Agreement for the Protection of Copyright between the Coordination Council for North American Affairs and the American Institute in Taiwan” in 1993.

<sup>44</sup> WTO NEWS, WTO successfully concludes negotiations on entry of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, [http://www.doc.trade.gov.tw/BOFT/ekm/browse\\_db/OpenFileService\\_CheckRight.jsp?file\\_id=3750&context=sqlserver](http://www.doc.trade.gov.tw/BOFT/ekm/browse_db/OpenFileService_CheckRight.jsp?file_id=3750&context=sqlserver) (last visited December 23, 2007).

<sup>45</sup> WTO NEWS, WTO Ministerial Conference approves accession of Chinese Taipei, <http://ekm92.trade.gov.tw/BOFT/OpenFileService> (last visited December 23, 2007).



distribution of perfect copies at virtually no marginal cost is challenging to the existing copyright system of this country. The two Internet treaties, WCT and WPPT, under the World Intellectual Property Organization for copyright protection of the digital network environment are gradually inclined to be accepted by countries in the world. The government of Republic of China attempts to catch up with the trend of international copyright protection and cooperates with the stipulations of the Internet treaties by intensively amending copyright law.

Today, international treaties and agreements strengthen and enforce intelligence by forming a global reformulation of national laws. Consequently, the protection of copyright of Republic of China has expanded more than ever.

### **5.3.2 Taiwan's Obligations in International Copyright Law**

In the threshold of 1990, Taiwan started to promote the application for the General Agreement on Tariffs and Trade. Since that time, Republic of China has contributed to adjustments to national copyright legislation to align with the international conventions. With the approval of the protocol of accession of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, the Marrakesh Agreement of the World Trade Organization was established by Legislative Yuan of Republic of China on November 16, 2001.<sup>46</sup> The obligations of WTO, including

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<sup>46</sup> See Records of 4<sup>th</sup> Tenure, 6<sup>th</sup> Session, 7<sup>th</sup> Sitting of Legislative Yuan of Republic of China, November 16, 2001, *available at*

the TRIPs Agreement, have considerable influences on creation of national laws of Taiwan.<sup>47</sup> The TRIPs Agreement is binding to all member states of the WTO on protection of nationals and foreigners in various aspects.

For copyright protection, Republic of China subsumed into the international copyright regime with the entry of WTO. According to the TRIPs Agreement, Republic of China is required to implement the provisions of this Agreement and not contravene them in the national legal system. Meanwhile, member states are allowed to provide protection more than required under the TRIPs Agreement.<sup>48</sup>

Although the Berne Convention has been established for more than a century, Republic of China has never been a member state of the Berne Union. Despite that, the obligations to adhere to articles 1 through 21 of the 1971 Paris text and its appendix are imposed to Republic of China because copyright protection of the TRIPs Agreement is on the basis of Berne.<sup>49</sup> However, the provisions of moral rights or the right derived from it do not fall into the scope of obligations.

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[http://lci.ly.gov.tw/doc/communique/final/pdf/90/57/LCIDP\\_905701\\_00001.pdf](http://lci.ly.gov.tw/doc/communique/final/pdf/90/57/LCIDP_905701_00001.pdf) (last visited December 31, 2007).

<sup>47</sup> *Id.*

<sup>48</sup> *See* Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization [hereinafter WTO Agreement], Annex 1C, Legal Instruments - Results of the Uruguay Round vol. 31, 33 I.L.M. 81 (1994) [hereinafter TRIPs Agreement], art. 1.

<sup>49</sup> *See Id.* art. 9.

Consequently, the Berne Convention is partially and equivalently applicable to the copyright system of Republic of China. Republic of China should provide copyright protection at the level of the Berne Convention while not conflicting with the TRIPs Agreement. Namely, the future amendments of copyright law should be confined by the obligations incorporated in the Agreement. It is not proper for Taiwan to develop copyright law in a way departing from the international conventions afterwards.

### 5.3.3 Reform of Taiwanese Copyright Law

Since 1991, Legislative Yuan of Republic of China commenced to amend copyright law as the implementing domestic legislation to comply with the TRIPs Agreement, which is a “not self-executing treaty.”<sup>50</sup> The protection of copyright of Republic of China underwent five revisions until Republic of China’s WTO

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<sup>50</sup> See JOYCE, LEAFFER, JASZI & OCHOA, *Copyright Law*, 41 (7<sup>th</sup> ed., LexisNexis/Matthew Bender 2006); further, the nature of the TRIPs Agreement is not a “self-executing treaty” because article 1(1) of the Agreement indicates that “Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.” The provision implies the Agreement is in reliance on implement of domestic law of member states but not self-executing.

Like the Berne Convention, the Congress makes it clear on the issue by virtue of section 2 of Berne Convention Implementation Act of 1988:

- “(1) [The Berne Convention is] not self-executing under the Constitution and laws of the United States.  
(2) The obligations of the United States under the Berne Convention may be performed only pursuant to appropriate domestic law.  
(3) The amendments made by this Act, together with the law as it exists on the date of the enactment of this Act, satisfy the obligations of the United States in adhering to the Berne Convention and no further rights or interests shall be recognized or created for that purpose.”

accession came into effective. Specially, the amendments took place in 1992, 1998 and 2001 and have greatly improved copyright protection in Republic of China under the international copyright regime. Rather, the discussion below does not propose to summarize the entire contents of those amendments.

### **5.3.3.1 1992 Amendment of Copyright Act**

Four major features formulating a comprehensive framework of copyright protection have been accompanied in the 1992 amendment.

First, the 1992 amendment expands the scope of works protected. Prior to the 1992 amendment, copyright law of Republic of China incorporated seventeen works protected in article 4. The 1992 amendment simplified the language of the provision and concluded with ten significant works in article five. The 1992 amendment eliminated the ambiguous definition of artistic works, confining the development of artistic creation.<sup>51</sup> The legislation enumerating categories of works is in accord with copyright protection under “literary and artistic works” of the Berne Convention.<sup>52</sup> Compared with the older copyright protection, the 1992 amendment separated protection of architectural works from artistic works and listed architectural works as an independent category.<sup>53</sup> Additionally, compilation

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<sup>51</sup> See SIAO, Volume I, *supra* note 24, at 84.

<sup>52</sup> See Copyright Act of Republic of China, art. 2(1).

<sup>53</sup> See Copyright Act of Republic of China, art. 5(9).

work using the “creative selection and arrangement of materials” was added to copyright protection.<sup>54</sup> For the same reason, databases are eligible for protection under the provision.<sup>55</sup> It is uncontested that both changes are in compliance with the Berne Convention.<sup>56</sup>

Secondary, the emphasis of the dual protection — economic rights and moral rights — is the distinguishing characteristic of modern copyright legislation. From the viewpoint of international conventions, although moral rights have been excluded from TRIPs, the 1971 Paris text of the Berne Convention embraces such protection.<sup>57</sup> Copyright law of Republic of China used to involve little in protection of moral rights of an author.<sup>58</sup> To close the gap between the international conventions, the amendment of 1992 made a more comprehensive reform of the act with economic and moral aspects. Like Berne, an author’s moral rights under copyright law of Republic of China can be divided into right of publication,<sup>59</sup> right of paternity<sup>60</sup> and right of integrity<sup>61</sup> through the amendment of

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<sup>54</sup> See Copyright Act of Republic of China, art. 6.

<sup>55</sup> See SIAO, Volume I, *supra* note 24, at 114.

<sup>56</sup> Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, as last revised July 24, 1971, 25 U.S.T. 1341, 828 U.N.T.S. 221 [hereinafter Berne Convention], secs. 2(1), (5).

<sup>57</sup> See *id.* art. 6bis.

<sup>58</sup> Article 22, 25 and 26 have similar provisions, only from chapter 3 on the copyright infringement, but such legislation is incomplete. There are following shortcomings existing: First, the structure of less strict logic; Second is the work not paid enough attention to the right personality, and the provision itself to highlight the status of the right personality works.

<sup>59</sup> Copyright Act of Republic of China, art. 15.

1992.

Third, Legislative Yuan of Republic of China attempted to reinforce harmonization between an author's protection and the public's interest by means of two measures: one is expansion of the fair-use doctrine; the other is creation of compulsory licensing. The fair-use system had not been implemented into copyright law of Republic of China until 1992. The relevant exemptions were placed in chapter three for infringement of rights before the introduction.<sup>62</sup> In 1992, legislators concerned with the need for social development incorporated the U.S. fair-use system, which granting more exemptions for public use into the section of limitations on economic rights.<sup>63</sup> For the latter measure, compulsory license used to be applicable only to musical works.<sup>64</sup> In accordance with Appendix II of the Berne Convention, countries given the concession to translate the author's work on the conditions of domestic science, technology, culture and education must not be developing countries.<sup>65</sup> The 1992 amendment followed article II of the Appendix

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<sup>60</sup> Copyright Act of Republic of China, art. 16.

<sup>61</sup> Copyright Act of Republic of China, art. 17.

<sup>62</sup> See chapter three of Copyright Act of Republic of China (1980).

<sup>63</sup> The comparative analysis on fair-use with that of U.S. jurisdiction will be provided in infra discussion.

<sup>64</sup> Copyright Act of Republic of China, art. 69(1).

<sup>65</sup> My Department has developed countries to apply for identity accession to the World Trade Organization, can no longer invoke the Bern Convention gives developing countries the right to compulsory translation authorized concession,

of the Berne Convention to extend the scope of compulsory license to right of translation since Republic of China was a “developing country” at that time.<sup>66</sup> The two changes are basically in accordance with the purpose of “protecting the rights and interests of authors with respect to their works, balancing different interests for the common good of society, and promoting the development of national culture” under article one of the enactment.<sup>67</sup>

The next feature relates to duration of copyright protection. Following the Berne, the 1992 amendment provided for the protection of the work for the author’s life plus fifty years.<sup>68</sup> Photographic works, audiovisual works, sound recordings, and performances are also eligible for the same term after the public release of the work.<sup>69</sup> In the 1992 amendment, legislators imitated the Convention<sup>70</sup> to add duration for anonymous or pseudonymous works to close the gap in granting protection of copyright.<sup>71</sup>

The last characteristic is about granting foreign works as much protection as domestic works. By July 10, 1985, registration had been a prerequisite to

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<sup>66</sup> Article 67 and 68 of copyright law of Republic of China imposing compulsory license on author’s right of translation has been abrogated when Taiwan became a developed country.

<sup>67</sup> Copyright Act of Republic of China, art. 1.

<sup>68</sup> See SIAO, Volume I, *supra* note 24, at 216-18.

<sup>69</sup> *Id.* at 232; see also Berne Convention, *supra* note 56, art. 7(2).

<sup>70</sup> See *id.* art. 7(3).

<sup>71</sup> See Copyright Act of Republic of China, art. 32.

copyright protection. The unfashionable legislation was replaced by the principle of automatic protection, granting copyright protection upon completion of creative works. However, the enactment of automatic protection was not applicable to foreign works at that time. The legislation is contrary to the principle of national treatment of Berne.<sup>72</sup> Consequently, the inequity was redressed through the reformation in the 1992 amendment.<sup>73</sup> In recognition of the principles of national treatment and automatic protection, the copyright law of Taiwan would no longer require foreigners to accomplish registration before obtaining copyright protection. The principle of automatic protection has been implemented into the copyright law of Taiwan.

With regard to foreign works, this amendment also provided fewer restrictions for foreign works first published outside Taiwan, as long as they are published in Taiwan within thirty days of initial publication.<sup>74</sup> Finally, the right of translation extends to works of foreign nationals because the enactment adopted the legislative technique of the Berne Convention in that it does not differentiate nationality at this point.<sup>75</sup>

### **5.3.3.2 1998 Amendment of Copyright Act**

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<sup>72</sup> See Copyright Act of Republic of China, art. 5(1).

<sup>73</sup> See Copyright Act of Republic of China, art. 13 (2001).

<sup>74</sup> See Copyright Act of Republic of China, art. 4.

<sup>75</sup> See Copyright Act of Republic of China, art. 63.



The 1998 amendment of copyright law of Republic of China afforded a task to implement international copyright norms for entry into the WTO, making the TRIPs Agreement binding to all contracting parties. Although the framework of copyright law promulgated in 1992 has been broadly in line with international standards of copyright doctrines, inadequacies need to be improved.

The first change is the introduction of the idea-expression dichotomy. By 1998, copyright law of Republic of China did not explicitly express that the scope of copyright is limited to a particular expression of an idea but not the idea itself. Consequently, the 1998 amendment referred to the TRIPs Agreement and inserted the test into article 10bis to determine whether something is an unprotectable idea or a protectable expression.<sup>76</sup>

Secondary, subject to the provision of article 14(1) of the TRIPs Agreement, it should be the matter of legislation in member states to provide for protection of performers.<sup>77</sup> As to the measure to achieve the goal, the TRIPs Agreement does not mandate the contracting parties protect them by copyright or neighboring right. Since Republic of China is not the contracting party of the Rome Convention, the neighboring right has never been recognized in the Taiwanese copyright system. In 1998, Republic of China added a new article, which works as independent

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<sup>76</sup> See Copyright Act of Republic of China, art. 10bis.

<sup>77</sup> See TRIPs Agreement, *supra* note 48, art. 14(1).

protection for performers' performances, so as to meet the TRIPs standard.<sup>78</sup>

Third, it deleted the stipulation allowing the producer of audio works to exploit those works without the author's consent or authorization.<sup>79</sup>

With respect to computer programs, the TRIPs Agreement drafts should be specified by the literary works in the Berne Convention to enjoy the same protection. Although copyright law of Republic of China has never seen them as literary works, it engaged in protection of computer programs with a different viewpoint. In addition to existing provisions of computer programs, the amendment in 1998 set forth that "copies of computer programs incorporated in products, machinery, or equipment to be legally rented, where such copies do not constitute the essential object of such rental," can be used without authorization.<sup>80</sup> Moreover, copyright law of 1998 secured a set of fair use privileges for specific situations applicable to computer programs, which were excluded in the 1992 revision.<sup>81</sup> The reformations of copyright protection are basically in compliance with the TRIPs Agreement.<sup>82</sup>

Another significant improvement of the amendment relates to the inclusion of fair use doctrines. Until 1998, the term fair use had not existed in the law. To

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<sup>78</sup> See Copyright Act of Republic of China, art. 7bis, sec. 1.

<sup>79</sup> See Copyright Act of Republic of China, art. 38.

<sup>80</sup> Copyright Act of Republic of China, art. 60, sec. 2.

<sup>81</sup> See Copyright Act of Republic of China, art. 44.

<sup>82</sup> See TRIPs Agreement, *supra* note 48, art. 11.

pursue the balance of private rights and public interests, the copyright law expressively recognized “[f]air use of a work” in provisions and clarified that it does “not constitute infringement on economic rights in the work.”<sup>83</sup> In the meantime, the scope of the application of the fair use doctrine has enlarged through the amendment of copyright law.

The 1998 copyright law earmarks retroactive protection for works completed during the transition before Republic of China’s accession to WTO. To resolve the problem, the legislation adds three specific provisions.<sup>84</sup> It should be noted that article 117 stipulates the preceding three articles would come into force from the date upon which Republic of China was successful in joining WTO.<sup>85</sup> Thus, the tactical legislative technique prompts the other countries in the world to give assistance to Republic of China’s entry into WTO.

### **5.3.3.3 2001 Amendment of Copyright Act**

Taiwan used to embed the provision that expresses protection for computer programs “endure[s] for fifty years after the public release of the work.”<sup>86</sup> The duration of protection given to computer programs deviated from legislation of international copyright law until 2001. The 2001 revision reasoned that the TRIPs

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<sup>83</sup> Copyright Act of Republic of China, art. 65(1).

<sup>84</sup> See Copyright Act of Republic of China, arts. 106bis, 106ter, and 106quater.

<sup>85</sup> See Copyright Act of Republic of China, art. 117.

<sup>86</sup> See Copyright Act of Republic of China, art. 34.

Agreement attempts to confer computer programs the protection at same level as literary works so it is necessary to adopt the TRIPs approach for computer programs.<sup>87</sup> Consequently, the new law of 2001 removed “computer programs” from the preceding provision. The duration of computer programs should resort to the general regulation of section 30(1), stating that “[e]xcept as otherwise provided in this [a]ct, economic rights endure for the life of the author and fifty years after the author’s death.”<sup>88</sup>

#### **5.3.3.4 Subsequent Amendments for Digital Technologies**

So far, the copyright act of Republic of China has basically complied with international copyright law after amendments in 2003 and 2004. In 2003, the copyright amendment specified the term reproduction includes temporary reproduction to deal with the transient copy that inevitably occurs when running computers and Internet networks.<sup>89</sup> Moreover, the right of public transmission that prevents unauthorized spread of copyrighted works over the Internet was added.<sup>90</sup> The 2003 amendment also imitated article 12 of WCT and article 19 of WPPT to create a specific chapter<sup>91</sup> that explicitly regulates the protection of copyright

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<sup>87</sup> The Intellectual Property Office released *Zhao Zuo Quan Fa Bufen Tiaowen Dui Zhao Biao* (2001) (Comparison and Interpretation of Amendment of Copyright Act of 2001).

<sup>88</sup> Copyright Act of Republic of China, art. 30, sec. 1.

<sup>89</sup> *See* Copyright Act of Republic of China, art. 1 sec. 1(5).

<sup>90</sup> *See* Copyright Act of Republic of China, art. 1, sec. 1(10).

<sup>91</sup> *See* Chapter IVbis Electronic Rights Management Information of Copyright Act of Republic of

owners' electronic rights management information.<sup>92</sup> The next year, an amendment changed the title of chapter 4bis to "electronic rights management information and technological protection measures." Legislators codified relevant provisions against the circumvention in deriving from obligations concerning technological measures under article 11 of WCT and article 18 of WPPT.<sup>93</sup>

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China.

<sup>92</sup> Article 80bis of Copyright Act of Republic of China states "[e]lectronic rights management information made by a copyright owner shall not be removed or altered; provided, this shall not apply in any of the following circumstances:

1. Where removal or alteration of electronic rights management information of the work is unavoidable in the lawful exploitation of the work given technological limitations at the time of the act.
2. Where the removal or alteration is technically necessary to conversion of a recording or transmission system.

Whoever knows that electronic rights management information of a work has been unlawfully removed or altered shall not distribute or, with intent to distribute, import or possess the original or any copy of such work. He or She also shall not publicly broadcast, publicly perform, nor publicly transmit the same."

<sup>93</sup> Paragraph 18 of section 3 (1) of Copyright Act of Republic of China prescribes prescribes that "[t]echnological protection measures means equipment, devices, components, technology or other technological means employed by copyright owners to effectively prohibit or restrict others from accessing or exploiting works without authorization."

Article 80ter further states "[t]echnological protection measures employed by copyright owners to prohibit or restrict others from accessing works shall not, without legal authorization, be disarmed, destroyed, or by any other means circumvented.

Any equipment, device, component, technology or information for disarming, destroying, or circumventing technological protection measures shall not, without legal authorization, be manufactured, imported, offered to the public for use, or offered in services to the public.

The provisions of the preceding two paragraphs shall not apply in the following circumstances:

1. Where to preserve national security.
2. Where done by central or local government agencies.
3. Where done by file archive institutions, educational institutions, or public libraries to assess whether to obtain the information.
4. Where to protect minors.

#### 5.3.4 Copyright Protection for Foreign Works

Taiwan prepared itself to enter the global international organization, WTO, whose main function is to improve the welfare of the citizens of member countries by liberalizing trade.<sup>94</sup> As a member state of the WTO, Taiwan established a comprehensive framework of copyright, containing a broader scope of works protected, and more countries enjoy the shield, under TRIPs Agreement. The entry of Taiwan in the WTO marked the great advance of Taiwanese stance toward the universal copyright codification, since copyright law of Taiwan traditionally had been inclined to grant foreigners less protection than nationals to promote domestic copyright-based industries. Consequently, the advanced change brings about a fresh scenario to Taiwan in relation to contracting countries in intellectual property regime.

As a general principle, copyright law is territorial in nature and comes into force only within the jurisdiction of the nation. But when digital contents of national and foreign works are widely spread over the Internet, copyright

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5. Where to protect personal data.

6. Where to perform security testing of computers or networks.

7. Where to conduct encryption research.

8. Where to conduct reverse engineering.

9. Under other circumstances specified by the competent authority.”

<sup>94</sup> What is the World Trade Organization?, WTO,

[http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/fact1\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact1_e.htm).

infringements regularly cause controversy among multiple nations. Thus, the application of copyright law to foreign works draws the attention of legislators in enacting new copyright law.

#### **5.3.4.1 Position of U.S. Copyright Law**

The subject matter eligible for protection under the U.S. Copyright Act is set forth in article 104, which has undergone three significant amendments to reflect the U.S. attitude toward interaction of domestic and international copyright law. Article 104, added by title I of the Copyright Act of 1976, entered into force on January 1, 1978, provides for protection in regard to works created by non-U.S. authors.<sup>95</sup> According to the House Report accompanying the 1976 Copyright Act, the provision defines works protected in the act by the criteria of publication.<sup>96</sup> Under section 104(1), unpublished works within article 102 and 103 are subject to this protection regardless of the nationality or domicile of the author. For published works, the 1976 Copyright Act secures four conditions to determine whether such works are subject to protection.

The standards survived until the entry of the United States into the Berne Convention. With the passage of Berne Convention Implementation Act of 1988, the U.S. copyright system began to normalize copyright protection with other

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<sup>95</sup> Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (October 19, 1976).

<sup>96</sup> See H. R. Rep. No. 94-1476, 94<sup>th</sup> Cong. 2<sup>nd</sup> Sess., 4-5 (1976).

foreign nations. For the norm of national origin, the 1988 Act created a new condition in paragraph (4) of section 104(b), and moved the original paragraph (4) to paragraph (5). Congress also added subsection (c) expressing the effect of the Berne Convention.<sup>97</sup> Additionally, to adhere to the WIPO Copyright and Performances and Phonograms Treaties, Congress enacted the WIPO Copyright and Performances and Phonograms Treaties Implementation Act of 1998. The enactment renumbered and amended relative paragraphs of section 104(b). At the end, it added section 104(d), stating the effect of this new Act depends on the entry of the United States, which occurred May 20, 2002.<sup>98</sup>

The current U.S. copyright law uses the language of section 104(b) specifying six conditions for protection of foreign works. Under the provisions, works of foreign persons that comply with any one of the six may enjoy copyright under this Law. Those conditions are stated as follows: (1) on the date of first publication, one or more of the authors is a national or domiciliary of the United States, or is a national, domiciliary, or sovereign authority of a treaty party, or is a stateless person, wherever that person may be domiciled; or (2) the work is first published in the United States or in a foreign nation that, on the date of first

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<sup>97</sup> Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853, 2855 (October 31, 1988).

<sup>98</sup> WIPO Copyright and Performances and Phonograms Treaties Implementation Act of 1998, Pub. L. No. 105-304, 112 Stat. 2860, 2877 (October 28, 1998).



publication, is a treaty party; or (3) the work is a sound recording that was first fixed in a treaty party; or (4) the work is a pictorial, graphic, or sculptural work that is incorporated in a building or other structure, or an architectural work that is embodied in a building and the building or structure is located in the United States or a treaty party; or (5) the work is first published by the United Nations or any of its specialized agencies, or by the Organization of American States; or (6) the work comes within the scope of a Presidential proclamation ...”<sup>99</sup> Most important, the term “treaty party” means any signatory of the treaty, including multilateral agreement and bilateral arrangement to which the United States subject. For example, the United States is adhering to international conventions such as the Berne Convention, and the TRIPs Agreement, and bilateral arrangements with countries such as Brazil, China, and Poland.<sup>100</sup>

#### **5.3.4.2 Position of Taiwanese Copyright Law**

Like the U.S. attitude toward protection of foreign works in early periods, Republic of China used to discriminate in granting copyright to national and foreign works. On the impacts of international copyright legislation calling for protection

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<sup>99</sup> 17 U.S. C. § 104(b).

<sup>100</sup> See International Copyright Relations of the United States, U.S. Copyright Office Circular 38(a), <http://www.copyright.gov/circs/circ38a.html#>. (providing parties having relations of copyright protection with the United States as of 2003) (last visited January 10, 2008).

of foreign works at same degree national works enjoy, Republic of China embodied new article 4 with criteria on the Berne level.<sup>101</sup>

Article 4 of copyright law of Republic of China stipulates that foreign works are eligible for protection upon the fulfillment of the three conditions, except “where the terms of a treaty or an agreement that has been approved by resolution of the Legislative Yuan provide otherwise.”<sup>102</sup> First, if the work is first published in the jurisdiction of Republic of China, it will be conferred non-discriminatory protection under the Law. Additionally, under the section, a published work of a foreign author first published outside the jurisdiction of Republic China can enjoy protection if it is published in the jurisdiction of Republic of China within thirty days after its first publication.<sup>103</sup> In analysis, the two circumstances above should contain the fact that publication first occurs in Taiwan and another country simultaneously. The protection granted by those situations is premised on where the original nation of the foreign works grants Taiwanese works copyright “under identical circumstances, and such protection has been verified.”<sup>104</sup>

Third, a foreign work is given copyright protection when its original nation confers the works of nationals of the Republic of China copyright protection

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<sup>101</sup> See Beren Convention 1971, *supra* note 56, art. 3.

<sup>102</sup> Copyright Act of Republic of China, art. 4.

<sup>103</sup> Copyright Act of Republic of China, art. 4(1).

<sup>104</sup> Copyright Act of Republic of China, art. 4(2).

because of treaty, agreement, domestic law, regulation or practice of this country.

For instance, in 1946, the United States signed the Treaty of Friendship, Commerce and Navigation with Republic of China, and the Treaty came into force November 30, 1948.<sup>105</sup> Article 9 of the Treaty expressed the U.S. works enjoy the copyright protection as much as nationals.<sup>106</sup> On July 14, 1989, Republic of China and the United States reached a bilateral copyright agreement, “Agreement for the protection of copyright between the coordination council for North American Affairs and the American Institute in Taiwan” (hereinafter Copyright Agreement between Taiwan and the United States), approved by Legislative Yuan on April 22, 1993, and entered into force on July 16, 1993.<sup>107</sup> Moreover, England, New Zealand, Hong Kong, Macao, and Switzerland have protected Taiwanese works since Taiwan joined WTO.<sup>108</sup> For example, “Arrangement between the New Zealand Commerce and Industry Office and the Taipei Economic & Cultural Office, New Zealand on the Reciprocal Protection and Enforcement of Copyright” was signed by Taiwan and

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<sup>105</sup> 6 Bevens 761 New York Chinese TV Programs v. U.E. Enters., 954 F.2d 847 (1992).

<sup>106</sup> But the treaty does not recognize rights of translation, and only protect the works created by American, not including the works transferred from other people of other countries to American.

<sup>107</sup> Because Taiwan is not recognized by the United States, all United States-Taiwan negotiations are held through unofficial agencies. The American Institute in Taiwan represents the United States, and the Coordination Council for North American Affairs represents Taiwan.

<sup>108</sup> The Report of the Working Party on the Accession of Chinese Taipei to the WTO Agreement, section 191, WT/ACC/TPKM/18 (October 5, 2001). This Protocol, which shall include the commitments referred to in paragraph 224 of the Working Party Report, shall be an integral part of the WTO Agreement.

New Zealand on June 15, 1998, and became effective on December 22, 2000.<sup>109</sup>

Accordingly, granting foreign works protection under copyright law of Republic of China obviously hinges on a reciprocal relationship with other nations. The legislation of copyright law, however, is not in compliance with articles 3 and 4 of the Berne Convention, whose language embodied spirits of national treatment.<sup>110</sup> Fortunately, the conflict would no longer exist because of the application of exception of article 4. The TRIPs Agreement, as such, is attributed to “agreement” of the exception. Becoming a member state of the WTO, Taiwan must abide by the obligations of the TRIPs Agreement, which requires all member states to “comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto.” In other words, the establishment of comprehensive relations with other WTO member states in copyright protection makes relevant provisions of the Berne Convention prior to supra three conditions. The works created by nationals of other WTO member states are eligible for copyright protection in accordance with Berne standards. Meanwhile, Taiwanese works may enjoy copyright protection of other WTO member states to at least at the Berne degree. On the other hand, non-WTO member states cannot obtain copyright protection in Taiwan unless their

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<sup>109</sup> See Agreements and Protocols signed by the Intellectual Property Office, [http://www.tipo.gov.tw/cooperation/cooperation\\_c.asp](http://www.tipo.gov.tw/cooperation/cooperation_c.asp) (last visited January 21, 2008).

<sup>110</sup> See Berne Convention, *supra* note 56, arts. 3, 4.

national laws protect Taiwanese works reciprocally.<sup>111</sup>

#### 5.3.4.3 Protection After the Accession to WTO

Under the existing copyright act of Republic of China, problematic extensions that foreign works enjoy protection in Republic of China more than Taiwanese works have been raised because of the broad scope of protection in the 1993 Copyright Agreement between Republic of China and the United States. The Agreement stipulates the protection of U.S. works as follow:

First, an individual or juridical person would qualify as “protected person” if he is considered a citizen or national under the laws of United States,<sup>112</sup> or first publishes his or her works in the United States.<sup>113</sup> A work is considered as having been first published in the United States if it has been published there within thirty days of its first publication anywhere else.<sup>114</sup>

Second, the Agreement grants protection to an American national or entity, or to a juridical entity wherever located that is directly or indirectly controlled by, or where a majority of the shares or other proprietary interest is owned by, an American person or entity. The American national or entity should have acquired exclusive rights in a literary or artistic work within one year following the first publication of

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<sup>111</sup> See LUO, Volume II, *supra* note 2, at 369.

<sup>112</sup> Copyright Agreement, art 1, sec. 3(a).

<sup>113</sup> See *id.* art 1, sec. 3(b).

<sup>114</sup> See *id.* art 3, sec. 3.

the work. Such work must have first published in a country that is party to a multilateral copyright convention to which Republic of China or the United States is a signatory, and “been made available to the public” in Republic of China or the United States.<sup>115</sup>

In analysis, the second approach confers more preferential treatment to U.S. works than Taiwanese works given that the juridical entity is directly or indirectly controlled by, or that a majority of the shares or other proprietary interest is owned by an American person or entity. The protection extremely favoring U.S. works is likely to be under the concern beyond international copyright principles. The provision of section 1(4) has never existed in any international copyright conventions.

After the entry of WTO, although Taiwan is obligated to comply with most-favored-nation treatment of TRIPs in granting copyright to other member states, the existing Copyright Agreement between Taiwan and the United States assimilated by the proviso, article 4(d) of the TRIPs Agreement, is still working.<sup>116</sup> Consequently, the agreement in regard to protection of copyright should not conflict with the basic principles implemented by the TRIPs Agreement.

#### **5.4 Liabilities of End Users under File-Sharing System**

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<sup>115</sup> See *id.* art.1, secs. 3, 4.

<sup>116</sup> See TRIPs Agreement, *supra* note, 48, art. 4(d).

### 5.4.1 Introduction

The advent and growing popularity of digital transmissions have posed new challenges to legislators and the courts to fulfill the imperative of the copyright act to promote the development of national culture. In the historical perspective of Taiwan, the Cheng Kung University case of 2001 was the threshold of the battle between entertainment industries and unauthorized MP3 downloaders. Fourteen students were found to be reproducing pop music in MP3 format without consent. The union of musical companies, IFPI, was aware of an environment with digitalized musical works.<sup>117</sup> Increasingly, consumers prefer to choose music in a digital form because of reproduction quality and convenience.<sup>118</sup> Thus, it was inevitable that online musical works would become the mainstream products of the recording markets in Taiwan. The scenario occurs in markets of other entertainment products as well.

The end users who exchanged copyrighted works or made them available to

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<sup>117</sup> According to the survey of downloading music online by Secure Online Shopping Association (SOSA) in Taiwan, it shows that showed that 85 percent of consumers have used the download services for music, and 78 percent of consumers mainly rely on computers or MP3 players. Especially in the student respondents, as much as 90% of the young people born in the 1980s have downloaded music files over the Internet. See *The Survey on Online Music Download* (Chinese version), Secure Online Shopping Association, [http://www.sosa.org.tw/news/news3\\_pop.asp?title=「網路音樂下載大調查」~高達85%的消費者使用網路下載音樂%20%2054%願意付費使用&id=66](http://www.sosa.org.tw/news/news3_pop.asp?title=「網路音樂下載大調查」~高達85%的消費者使用網路下載音樂%20%2054%願意付費使用&id=66) (last visited January 13, 2008).

<sup>118</sup> See GOLDSTEIN, *supra* note 1, at 163 (Professor Goldstein observes the digital form has three attributes: fidelity, facility and ubiquity).

the public without consent were to be charged with copyright infringement. The infringing manners violate the copyright protection of right holders to reproduce and distribute. Except the Cheng Kung University case, which ended up reaching a compromise before going to court, subsequent cases such as the ezPeer and Kuro cases evoked comprehensive debates on modern development of digital contents against traditional protection of copyright in Taiwan. This part of the discussion will briefly analyze end users' liability in the ezPeer and Kuro cases and modern decentralized peer-to-peer transmission, BitTorrent, without involving liabilities of website operators, which will be discussed in the next part. In addition, this discussion will focus on comparing the existing Taiwanese law and U.S. law to substantially understand similarities between the two jurisdictions.

## **5.4.2 Protections for Copyright Holders on Digital Files**

### **5.4.2.1 The Subject Matters**

The categories of copyrighted works have experienced great changes with the evolution of technology. For example, movies, computer software and digital product express their content in various ways. Traditional copyright legislation that confined subject matters to the categories of works enumerated is unable to afford the task of dealing with technological changes. Hence, the 1992 copyright act of Republic of China abandoned the traditional legislative approach and



specified ten categories of works as examples. Those works of authorship include:<sup>119</sup>

- (1) oral and literary works
- (2) musical works
- (3) dramatic and choreographic works
- (4) artistic works
- (5) photographic works
- (6) pictorial and graphical works
- (7) audiovisual works
- (8) sound recordings
- (9) architectural works
- (10) computer programs

Moreover, the act clearly states the competent authority can determine “[t]he examples and content of each category of works set forth in the preceding paragraph ...”<sup>120</sup> In 1992, the Ministry of the Interior of Republic of China, the competent authority at that time, defined audiovisual works as films, video recordings, video compact discs and other images performed by machine or device,

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<sup>119</sup> See Copyright Act of Republic of China, art. 5, sec. 1.

<sup>120</sup> Copyright Act of Republic of China, art. 5(2) (The Ministry of the Interior used to be the competent authority of copyright act until November 12, 2001. The Ministry of Economic Affairs, R.O.C. is the current competent authority).

no matter what media the works fix.<sup>121</sup> Accordingly, a film attached to the digital form can obtain protection under the term audiovisual works. Also, the digital duplication of works of authorship is subject to the copyright act. For example, downloading copyrighted works over Internet without consent may result in charges of infringing the author's right to reproduce such works regardless of what medium it fixes.

In comparison, U.S. copyright law gives copyright protection to for the original works falling into eight general categories.<sup>122</sup> The duplications of those copyrighted works should be subject to the copyright act as well.

#### **5.4.2.2 Author's Right of Reproduction**

Authors have the right to reproduce their own creation, which is the most fundamental right for them to exclude unauthorized use of their creative works. Consequently, in the copyright act of Republic of China, the right of reproduction is defined as "authors have the exclusive right to reproduce their works."<sup>123</sup> But performers' exclusive right to reproduce their performances is restricted within sound recording, video recording, or photography.<sup>124</sup>

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<sup>121</sup> On June 10, 1992, the Ministry of the Interior of Republic of China illustrated section 5(1) of copyright act. *See* Nei Zheng Bu Tai (81) Nei Zhu Zi No 8184002.

<sup>122</sup> 17 U.S.A. § 102(1).

<sup>123</sup> Copyright Act of Republic of China, art. 22, sec. 1.

<sup>124</sup> *See* Copyright Act of Republic of China, art. 22, sec. 2.

Basically, reproduction can be carried out by means of various measures or devices.<sup>125</sup> With the improvement of new technologies, however, the simple concept has brought about two essential issues of scope in granting the exclusive right. The first issue is whether the right to reproduction is limited to tangible duplication of copyrighted work or whether the intangible duplication can be absorbed into the concept of reproduction.<sup>126</sup> For example, a copy of digital content being perceived in reliance on digital device or machine is an intangible copy. In the 2003 copyright amendment, the legislature of Republic of China considered the characteristic of a digital form whose content is intangible to human beings unless they play it using a certain device and thus delete the limitation in the paragraph.<sup>127</sup> As a result, the controversy has no longer existed in application of copyright act of Republic of China.

Second, whether temporary or ephemeral copy is considered for an author's

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<sup>125</sup> Section 3(5) of Copyright Act of Republic of China elaborates the exclusive right that "[reproduce] means to reproduce directly, indirectly, permanently, or temporarily a work by means of printing, reprography, sound recording, video recording, photography, handwritten notes, or otherwise. This definition also applies to the sound recording or video recording of scripts, musical works, or works of similar nature during their performance or broadcast, and also includes the construction of an architectural structure based on architectural plans or models."

<sup>126</sup> Section 3(5) of Copyright Act of Republic of China, grants authors exclusive right to reproduce works tangibly until 2001 amendment of copyright act.

<sup>127</sup> See Interpretation of the 2001 amendment (Chinese version), Intellectual Property Office, Ministry of Economic Affairs, R.O.C. (TIPO), *available at* [http://www.tipo.gov.tw/copyright/copyright\\_news/920710/九十二年著作權法新舊條文對照及說明.doc](http://www.tipo.gov.tw/copyright/copyright_news/920710/九十二年著作權法新舊條文對照及說明.doc) (last visited January 31, 2008).

right of reproduction is a significant question with the advent of computer technologies since the 1970s. One of the temporary copies occurs in the application of a computer. By definition, the reproduction of data stored in random access memory (RAM) would be erased automatically after the computer is turned off. The other situation of transient copies occurs when online service providers are equipped with a cache, which temporarily stores data that can be accessed rapidly. In contrast with the reproduction permanently retained, although the temporary reproduction in transitory duration can be embraced by definition of reproduction in nature, the excessive limitation on temporary copy of a computer device would impede computer users' access to information flow. Attempting to harmonize interests of right holders and public welfare, the 2003 copyright amendment of Republic of China codified temporary reproduction as a reproduction as referred to in the definition of reproduction.<sup>128</sup> The legislative background explores that this amendment is in accordance with the TRIPs Agreement, requiring member parties of WTO provide substantial provisions of the Berne Convention in copyright regime, and refers to Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society.<sup>129</sup>

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<sup>128</sup> See Copyright Act of Republic of China, art. 22.

<sup>129</sup> See the comparison and interpretation of the 2001 amendment, *supra* note 87.

In 2003, Taiwanese legislative added, as part of the amendment, statutory exceptions for certain circumstances, and the language was finally accomplished in the 2004 amendment as “temporary reproduction that is transient, incidental, an essential part of a technology process, and without independent economic significance, where solely for the purpose of lawful network relay transmission, or for the lawful use of a work.”<sup>130</sup> It is notable that the code of an author’s exclusive right to reproduce is not applicable to “technically unavoidable phenomena of the computer or machine occurring in network browsing, caching, or other processes for enhancing transmission efficiency,” averting to hinder public access.<sup>131</sup>

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<sup>130</sup> Copyright Act of Republic of China, art. 22, sec. 3. In addition, legislative background of the provision states the amendment refers to article 5 of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society. Section (1) of the Directive stipulates that “[t]emporary acts of reproduction referred to in [a]rticle 2, which are transient or incidental [and] an integral and essential part of a technological process and whose sole purpose is to enable: (a) a transmission in a network between third parties by an intermediary, or (b) a lawful use of a work or other subject-matter to be made, and which have no independent economic significance, shall be exempted from the reproduction right provided for in [a]rticle 2.”

<sup>131</sup> Copyright Act of Republic of China, art. 22, sec. 4. According to the legislative background, the new section refers to section (33) of the Preamble of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society. (It provides “[t]he exclusive right of reproduction should be subject to an exception to allow certain acts of temporary reproduction, which are transient or incidental reproductions, forming an integral and essential part of a technological process and carried out for the sole purpose of enabling either efficient transmission in a network between third parties by an intermediary, or a lawful use of a work or other subject-matter to be made. The acts of reproduction concerned should have no separate economic value on their own. To the extent that they meet these conditions, this exception should include acts which enable browsing as well as acts of caching to take place, including those which enable transmission systems to function efficiently, provided that the

### 5.4.2.3 Author's Right of Public Transmission

As digital technology comes, germination of the Internet and other electronic communications technologies make authors' works easily transferred to digital form, and then quickly transmitted to other end users over the network. On the other hand, those digital files are potentially in danger of being made available to the public on websites, especially after customers make copies. The end user may access the digital content at any time and location he selects, instead of the passive role he used to play. The feature of interactive communication of end users greatly reduces an author's control on the works. A compact disc purchaser, for example, may transfer the sound recording to MP3 file and provide the content to other computer users online. Traditional copyright law, however, does not give authors adequate protection for the considerable negative impact of digital technologies. The shortcomings of the copyright legal system have come into notice by the international community.<sup>132</sup> Thus, the Internet treaties reformed

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intermediary does not modify the information and does not interfere with the lawful use of technology, widely recognized and used by industry, to obtain data on the use of the information. A use should be considered lawful where it is authorized by the right-holder or not restricted by law").

<sup>132</sup> In 1996, Diplomatic Conference of WIPO addressed about the issue that the right of communication does not presently extend to literary works, except in the case of recitations thereof. Literary works, including computer programs, are presently one of the main objects communicated over networks. Other affected categories of works are also not covered by the right of communication, significant examples being photographic works, works of pictorial art and graphic works. *See* Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, CRNR/DC/4, 10.06 (August 30, 1996).

international copyright law for the digital network environment by stipulating that the authors should be given the right to communicate.<sup>133</sup>

Referred to as the Internet treaties, the 2003 copyright amendment of Republic of China recognizes an author's exclusive right of public transmission in response to concerns about the threat to authors, namely the right to communicate to the public in those treaties. In the first place, the act of 2003 describes public transmission as "to make available or communicate to the public the content of a work through sounds or images by wire or wireless network, or through other means of communication, including enabling the public to receive the content of such work by any of the above means at a time or place individually chosen by them."<sup>134</sup>

Obviously, the legislators have drawn a divided line between right of public transmission and distribution by whether the object is tangible or intangible.<sup>135</sup>

The object for right of public distribution is much more tangible than data sent

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<sup>133</sup> In regard to WIPO Copyright Treaty, article 8 stipulates the right of communication to the public; in addition, as to WIPO Performances and Phonograms Treaty, article 10 proscribes the right of making available of fixed performances, and article 14 regulates the right of making available of phonograms.

<sup>134</sup> Copyright Act of Republic of China, art. 3, sec. 10.

<sup>135</sup> In spite that section 3(12) of Copyright Act of Republic of China defines the term "distribution" as "with or without compensation, to provide the original of a work, or a copy thereof, to the public for the purpose of trade or circulation", the fundamental difficulty is to separate public transmission from public broadcast in copyright case. Article 91bis(2) A person who distributes or with intent to distribute publicly displays or possesses a copy knowing that it infringes on economic rights shall be imprisoned not more than three years and, in addition thereto, may be fined not less than seventy thousand and not more than seven hundred and fifty thousand New Taiwan Dollars.

through the Internet because the right is applicable only to a work itself or its “copy.” The division is, however, not a universal legislation in comparison with the U.S. copyright system, which asserts right of public transmission under right of distribution. More specifically, regarding the conductor’s manner, the Intellectual Property Office of Taiwan clarifies that the phrase “to make available to the public,” requires the conductor procure the transmission accessible for any potential receiver rather than the transmission actually happening.<sup>136</sup>

Next, the copyright act stipulates that “authors of works have the exclusive right of public transmission of their works.”<sup>137</sup> For performers, the right of public transmission is limited to their performances in sound recordings.<sup>138</sup> In this sense, the ten categories of works specified in section 5(1), and the performance under section 7bis are subject to an author’s exclusive right of public transmission.

#### **5.4.2.4 Fair-Use Exemptions**

The principle of fair-use allows a non-right-holder to use the copyrighted works without the right-holder’s consent within reasonable a scope. In other words, those people complying with fair-use facts would be exempted from liabilities of

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<sup>136</sup> The interpretation of right of distribution by the Intellectual Property Office of Taiwan (TIPO), [http://www.tipo.gov.tw/copyright/copyright\\_book/copyright\\_book\\_32.asp](http://www.tipo.gov.tw/copyright/copyright_book/copyright_book_32.asp) (last visited January 30, 2008).

<sup>137</sup> Copyright Act of Republic of China, art. 26bis, sec. 1.

<sup>138</sup> See Copyright Act of Republic of China, art. 26bis, sec. 2.



infringing copyright. Thus, such exemption is a limitation on an author's exclusive rights, which, in essence, conflicts with public benefits in specific circumstances. Moreover, copyright is intended to increase and not to impede the harvest of knowledge. The institution of fair-use, therefore, intends to balance the interests of creators and the public's access to the works.

As of the initial copyright act, Republic of China has never enacted provisions of the fair-use doctrine until the copyright act promulgated in 1992, even though it sets some analogues on the purpose of balancing various interests. In a historical perspective, the development of the fair-use doctrine in the Taiwanese copyright act has experienced two significant amendments, in 1992 and 1998.

On June 10, 1992, the new copyright act added articles 44 to 63, dealing with some circumstances in which copyrighted works can be used within a reasonable scope and imported four fair use privileges under article 107 of U.S. copyright law in response to need of the public use.<sup>139</sup> Further, because the specifications of the fair-use doctrine are established to harmonize an author's right and public welfare in society, articles 44 to 63 are statutory enumerated situations in

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<sup>139</sup> Article 107 of U.S. copyright law states: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. *See* Copyright Act of Republic of China, art. 107 (June 10, 1992).

which public use is likely to suppress protection of the copyright owner. They are provided for the fair use shield as long as the conductors meet the requirements prescribed.

In respect to article 65, it expands the scope of fair use privileges with four specific factors under section 65(2). The provision states that<sup>140</sup>:

- (1) The purposes and nature of the exploitation, including whether such exploitation is of a commercial nature or is for nonprofit educational purposes,
- (2) The nature of the work,
- (3) The amount and substantiality of the portion exploited in relation to the work as a whole,
- (4) The effect of the exploitation on the work's current and potential market value.

They are not liable for infringement of a copyright owner's economic rights. Taiwanese copyright scholars analyze the provisions of the four-step test codified in the 1992 copyright act is a supplemental clause to articles 44 to 63 but not parallel.<sup>141</sup> Reviewing the phrase of this article literally, the considerations of all circumstances and the particular facts in article 65 are mandated when determining

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<sup>140</sup> Copyright Act of Republic of China, art. 65.

<sup>141</sup> See LUO, Volume II, *supra* note 2, at 273.

whether the exploitation of a work under articles 44 through 63 is within a reasonable scope.<sup>142</sup> That's to say, the fair-use test of article 65 is applicable only to the facts of articles 44 to 63.<sup>143</sup> The 1992 amendment did not intend to create any new circumstance by article 65 at that time.

It's noteworthy that those provisions of fair use have been placed under the section of "limitations on economic rights" of copyright act. Obviously, the law makers intend to confine right-holders' economic rights by the exemptions of fair use other than moral rights. To avoid controversies, the legislature, therefore, clearly demonstrates the provisions of articles 44 through 63 and 65 are not applicable to an author's moral rights.<sup>144</sup>

For the 1998 copyright amendment, two unique changes distinguished it from the previous copyright act. First, the legislature added section 65(1), expressing "[f]air use of a work shall not constitute infringement on economic rights in the work."<sup>145</sup> This is the first time that the academic term "fair use" is explicitly codified in the copyright act of Taiwan.

In addition, compared to the previous copyright act, section 65(2) has been codified as a general clause because the new words, "or other conditions of fair

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<sup>142</sup> See Copyright Act of Republic of China, art. 65 (1992).

<sup>143</sup> See LUO, Volume I, *supra* note 2, at 274-78.

<sup>144</sup> See Copyright Act of Republic of China, art. 66 (1992).

<sup>145</sup> Copyright Act of Republic of China, art. 65, sec. 1 (1998).

use,” are capable of absorbing any fair-use facts other than those specified. The expansion definitely makes application of the fair-use doctrine more flexible than previous copyright acts, since fair use is an indefinite concept that addresses the abstract norm in the codes to respond to the complexity of social activities and provide adequate application of the law in specific cases. Consequently, the section of 65(2) has turned into an independent source to determine whether fair-use doctrine is applicable to each case.<sup>146</sup> Courts should move into the general clause for the four-step test of fair-use while the facts do not fall into articles 44 through 63, and address such issues on a case-by-case basis.<sup>147</sup>

### **5.4.3 Analysis of End Users’ Liabilities**

#### **5.4.3.1 Introduction of P2P Cases in Taiwan**

As the Internet spreads into an increasing number of homes over the world, the recording industry of Taiwan and other countries faces an unprecedented technological threat. When the recording industry filed suit against the unauthorized use in Taiwan, two landmark cases, *ezPeer* and *Kuro*,<sup>148</sup> provoked

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<sup>146</sup> See LUO, Volume II, *supra* note 2, at 279-80.

<sup>147</sup> For instance, article 46 of copyright law of Republic of China states, for the purpose of teaching in schools, teachers may “reproduce” the works of another person which have already been publicly released within a reasonable scope. The article limits the manner to reproduction and not extends to other use, such as translation or public display. Therefore, article 65 requires courts examine other conditions of fair use by the four-step test.

<sup>148</sup> See criminal case, Republic of China v. *EzPeer*, 92 Su Zi No. 728 (Shihlin Difang Fayuan (District Court), June 30, 2005).

discussion about technology and the copyright law because the opposite results on the defendants' liabilities was reached by district courts. In spite of that, the courts addressed end users' liabilities in both judgments.<sup>149</sup>

The Kuro is a peer-to-peer file-sharing program that freely offers users music files over the Internet. Since 2000, the defendants have relied on the architecture to found a website platform, called Kuro, for exchanging MP3 music files. One year later, the defendant provided file-sharing for those willing to pay for membership of the website. As long as users download and install the Kuro software, members are able to connect to the central Kuro servers instantly. One of the server functions is as a doorkeeper who identifies users. Then, if verified, the other indexing server records the information to establish a database of songs available to those who want to download. In contrast, members who want to receive music files are allowed to search the Kuro indexing server. The servers are capable of seeking available files and facilitating the connection between the users.

Business models of ezPeer and Kuro are not involved in actual uploading or downloading of copyrighted music by their central servers. Without storing the MP3 files containing the copyrighted music in the database, they simply provide a means to acquire the copyrighted music by locating host users who possess and are

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<sup>149</sup> The part of website operator's liabilities has been left to next section *infra*.

willing to share the music. All uploads and downloads are accomplished over the Internet.

#### 5.4.3.2 Unauthorized Reproduction

In file-exchanging, end users may violate an author's exclusive right to reproduce in two situations. One is when the user who provides digital content for sharing makes such copies of works, such as a song or film, without authorization, he is liable for infringement of an author's right to reproduce unless fair-use facts exist.

The other is that a user on a peer of the P2P network who obtains those copies violates copyright law as soon as he receives and reproduces the files in his computer.<sup>150</sup> In *ezPeer*, the district court contended that the downloading infringes defendants' right to reproduce works.<sup>151</sup>

Furthermore, the analogue occurs to the end users of BitTorrent, including first seed providers and subsequent receivers. If the first seed provider illegally reproduces works of authorship, or the end user makes copies of downloaded files in the computer, both would infringe on copyright.

Regarding liabilities of infringement of the right of reproduction, the copyright act of Republic of China of 2003 imposed civil and criminal liabilities on

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<sup>150</sup> Copyright Act of Republic of China, art. 91, sec. 4.

<sup>151</sup> See *ezPeer*, *supra* note 148.

those willful infringers, whose unreasonable manners cause damages on a commercial scale. The legislative reason underlying the imposition is to comply with the requirements of the TRIPs Agreement.<sup>152</sup> The infringers under article 91 are divided into two categories by their mental state. Making copies of works “with intent to profit,” infringers would be imposed penalties heavier than those “without the intent to profit.”<sup>153</sup> Consequently, after Republic of China’s accession to WTO, Taiwan no longer has latitude to refuse to provide criminal procedures and penalties for copyright infringement.

Nevertheless, two main problems of implementation derive from the amendment of 2003 in practice. In fact, it is difficult to draw a bright line between subjective elements whether the infringer is intent to engage in commerce when making copies, because there is no objective standard properly administrating the

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<sup>152</sup> Article 61 of the TRIPs Agreement requires all signatories, at least, enact criminal procedures and penalties in cases of willful copyright piracy on a commercial scale. Thus, as a member states of WTO, Taiwan is obligated to impose criminal penalties on those piracy severely damaging commerce.

<sup>153</sup> Section 91(1) of Copyright Act of Republic of China of 2003 states “[a] person who infringes on the economic rights of another person by means of reproducing the work with intent to profit shall be punished by imprisonment for not more than five years, detention, or in addition thereto a fine of not less than two hundred thousand and not more than two million New Taiwan Dollars.” Comparatively, in 2003, the article 91(2) prescribes “[a] person who infringes on the economic rights of another person by means of reproducing the work without the intent to profit, where the number of copies reproduced exceeds five, or where the total amount of infringement calculated by the market value of lawful copies of the work at the time of seizure exceeds thirty thousand New Taiwan Dollars, shall be punished by imprisonment for not more than three years, detention, or in lieu thereof or in addition thereto a fine of not more than seven hundred and fifty thousand New Taiwan Dollars.”

matter. The other problem relates to the norms relying on the quantity of copies made or the amount of damage caused to determine if the penalties should be posed. The fixed amount under section 91(2) has apparently corroded the court's authority in examining fair-use facts. To remedy the deficiencies, the legislature deleted the differentiations and left the provision with a broad scope.<sup>154</sup>

#### **5.4.3.3 Unauthorized Public Transmission**

In these Taiwanese cases, P2P end users who transfer digital music files over the Internet without authorization are considered infringers of copyright. Their actions, including delivery of music files to a web server, constitute infringement of the copyright owner's exclusive right to transmit his or her works to the public.<sup>155</sup> Accordingly, the first seed provider, who makes the works or copies available to the public under the framework of BitTorrent, appears to be liable for the direct infringement. The subsequent user who sends the data to others is also subject to the copyright infringement.

A copyright owner's right of public transmission is independent of his right of public distribution under Taiwanese copyright law, in contrast with U.S.

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<sup>154</sup> Article 91 of 2004 of Copyright Act of Republic of China expresses "[a] person who infringes on the economic rights of another person by means of reproducing the work without authorization shall be punished by imprisonment for not more than three years, detention, or in lieu thereof or in addition thereto a fine not more than seven hundred and fifty thousand New Taiwan Dollars."

<sup>155</sup> See *ezPeer*, *supra* note 148.



copyright law, which deems public transmission a part of public distribution.<sup>156</sup>

Although such legislation of public transmission by the United States is not the majority of international copyright regime, it definitely complies with the obligations of international conventions in protecting copyright as long as adequate protection in domestic law is provided.

As to liabilities, Taiwanese legislators punished the user who infringes on a copyright owner's economic rights by means of public transmission criminal penalties.<sup>157</sup> Additionally, responding to growing infringements over the Internet, legislators added in 2007 a provision regulating that, in the case of a decision delivered by courts of the first instance, the defendant, an enterprise, that violated article 91, article 92, or section 93(4) by public transmission, should cease activities or take corrective action. Failing to do so, the competent authority of the copyright act is empowered to suspend the activities when the enterprise's business materially impacts the copyright owner's economic interests in a severe way.<sup>158</sup> The new

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<sup>156</sup> 17 U.S.C. § 109.

<sup>157</sup> "A person who infringes on the economic rights of another person without authorization by means of public recitation, public broadcast, public presentation, public performance, public transmission, public display, adaptation, compilation, or leasing, shall be punished by imprisonment for not more than three years, detention, or in lieu thereof or in addition thereto a fine not more than seven hundred and fifty thousand New Taiwan Dollars." Copyright Act of Republic of China, art. 92.

<sup>158</sup> "When an enterprise, by means of public transmission, violates the provisions of [a]rticle 91, [a]rticle 92, or [a]rticle 93, subparagraph 4 and is convicted by a court, it shall immediately cease such activities. If the enterprise does not cease those activities, then following the convening by the competent authority of a group of specialists, academicians, and related enterprises who determine that

measure burdens the entity engaging in public transmission online with obligation to avoid enlarging right-holders' damages and leads to a fair market for competition.<sup>159</sup>

#### 5.4.3.4 Fair or Unfair Use

It is uncontested that the end users' file-sharing in the cases of Taiwan would constitute an infringement of the plaintiff's copyright. They can be exempt from liabilities only if their activities pass the fair-use test under copyright law of Republic of China. Because Taiwan transplanted the fair-use principle from 17 U.S.C. 107 (1976), as to the judgment of fair-use facts in individual cases, it had better refer to the holdings made by U.S. courts in copyright aspect to understand application of the principle.

Before the fair-use test codified in 1976, it was absolutely a judge-made doctrine in the U.S. copyright system to promote the progress of science and useful arts. The fair-use test of section 107 can be traced back to Justice Story's famous and profound discourses in *Folsom v. Marsh*.<sup>160</sup> Regarding the question whether a

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the enterprise's activities constitute a serious infringement and that they materially affect the rights and interests of the economic rights holder, the competent authority shall prescribe a period of one month within which the enterprise shall take corrective action; where the enterprise fails to take corrective action within that period, the competent authority may order suspension or compulsory termination of the enterprise's business." Copyright Act of Republic of China, art. 97bis.

<sup>159</sup> For legislative reasons of the provisions, see Zhao Zuo Quan Fa Bufen Tiaowen Xiuzheng Liyou (reasons of amended provisions of copyright act), July 11, 2007, available at [http://www.tipo.gov.tw/copyright/copyright\\_news/960711/P2P](http://www.tipo.gov.tw/copyright/copyright_news/960711/P2P) 條文 (中英對照版) -1.doc (last visited January 26, 2008).

<sup>160</sup> *Folsom v. Marsh*, 9 F. Cas. 342 (1841).

justifiable use can be concluded, Justice Story stated “[i]t is certainly not necessary, to constitute an invasion of copyright, that the whole of a work should be copied, or even a large portion of it, in form or in substance. If so much is taken, that the value of the original is sensibly diminished, or the labors of the original author are substantially to an injurious extent appropriated by another, that is sufficient, in point of law, to constitute a piracy pro tanto.”<sup>161</sup>

At this point, he further elaborated the essential factors that must be considered as follows: “[i]n short, we must often, in deciding questions of this sort, look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.”<sup>162</sup> Consequently, the words used in determining fair use have become the basis of existing legislative language of four factors of fair-use test.<sup>163</sup>

In the landmark case, *Campbell v. Acuff-Rose Music*, the Supreme Court emphasizes all four statutory factors should be considered without discrimination.<sup>164</sup>

The interpretation serves the constitutional goal “to avoid rigid application of the

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<sup>161</sup> *Id.* at 348.

<sup>162</sup> *Id.*

<sup>163</sup> See *Campbell v. Acuff-Rose Music*, 510 U.S. 569 (1994).

<sup>164</sup> See *id.* at 578 (“Nor may statutory factors be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright”).

copyright statute.”<sup>165</sup> Comparatively, the fair-use test of Taiwan is extremely similar to the U.S. copyright act. Although the copyright act of Republic of China remains a dual track design, containing other fair-use facts from articles 44 through 63, the factors are illustrative but not limitative. No one should be a controlling factor in judging fair-use facts.<sup>166</sup> As to the legal effects of fair-use exemptions, “A work only for personal reference or fair use of a work does not constitute infringement of copyright.”<sup>167</sup>

The Shihlin District Court of Taiwan contended in the *ezPeer* case that end users are not entitled to fair-use protection. For reproducing the works, the court at first employed article 51, which allows reasonable use by an individual or a family for nonprofit purpose to be reproduced by a machine and not provided for public use.<sup>168</sup> In litigation, the evidence showed the specific members of *ezPeer* were engaging in making copies of works to profit, or not for use by an individual or a family. Thus, the reproduction does not fulfill fair use indeed.

Next, the court focused not only on the purpose and nature of the exploitation but also on the effect of the exploitation on the work’s current and potential market value under article 65. Surely the nature of such use is commercial

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<sup>165</sup> *See id.* at 577.

<sup>166</sup> *See id.*

<sup>167</sup> Copyright Act of Republic of China, art. 91, sec. 4.

<sup>168</sup> *See id.* art. 51.

and its purpose is not for nonprofit education. The judges further presumed that no fair-use facts occur by means of a substitution effect on the markets, and referred to the quantity of the copies in the meantime. But they did not detail the analysis of the substitution effect and what roles the matter of quantity plays in judgment.<sup>169</sup>

For public transmission, Shihlin district court examined the elements specified in article 50 and 61 for reasonable manners. The court ultimately rejected the application of these provisions because the fact that end users retained unauthorized copies in their personal computers and made them available to the public should be blocked from fair-use zone, even if there is no intent to profit.<sup>170</sup> The court jumped to the matters of quantity and amount caused by defendants and scarcely considered general guidance of article 65. It finally held the defendants are not entitled to fair-use protection through the brief analysis. Obviously, this part would consist of unpersuasive arguments.

In the other case, Taipei District Court was reluctant to divide defendants' actions into reproduction and public transmission. It viewed the actions taken in the peer-to-peer model overall. A high volume of infringement occurred — around nine hundred seventy songs had been downloaded by defendants without authorization for entertainment. The court finally concluded the defenses under

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<sup>169</sup> See *ezPeer*, *supra* note 148.

<sup>170</sup> See *id.*

article 51 and sections 65(1), (3), and (4) are not solid at all because the defendants were simply intent to save expenditure by using the Kuro model.

The transparency of the fair-use principle under U.S. copyright institution does not implement well in litigations of Taiwan. That's why the standards of fixed quantity and amount codified by the 2003 copyright amendment have been abandoned after one year. Courts should bear in mind that all the facts or factors must be weighted together while balancing various interests.

## **5.5 Indirect Liability in Peer-to-Peer Transmission**

### **5.5.1 Introduction**

The most controversial point of file-sharing cases is in regard to the indirect liability of website operators who transmit digital files or make them available to the public. Because of the advance of peer-to-peer technologies, file-sharing website operators using a more decentralized architecture do not have to be involved too much in copyright infringements. Indeed, they are weakening copyright owners' control of distribution by the functions of this new technology.

In terms of the copyright protection, their business models, at best, constitute secondary liability, which generally consists of contributory liability and vicarious liability. After the Grokster case, they also should be liable for inducing infringement as a common law tort. The contemporary indirect liability of

copyright law is based on three separate doctrines for third-parties' tortuous conducts because, in essence, indirect liability derives from U.S. common-law doctrines of jointly liability in tort law.<sup>171</sup>

Like the U.S. copyright act, Taiwan does not codify secondary liability or inducement liability as a pattern of infringements. Consequently, Taiwanese judiciary used to apply or analogize existing doctrines or statutes of civil and criminal code to resolve the problems derived from technological change.

However, the much-awaited decisions announced by the two district courts, *ezPeer* and *Kuro*, are so different that neither recording industry nor peer-to-peer users know what course to take in commerce. The cases of *ezPeer* and *Kuro* truly illustrate the difficult balance between the uncontrollable distribution and public access to copyrighted works.

This part would set out an analysis on secondary infringement that has not been clarified by judicial interpretation of Republic of China because both cases ended up with compositions after they were brought into the appellate court. Considering the commercial benefits, the defendants of the *ezPeer* case who won the round in district court were reluctant to entangle with the litigation in appeal courts. Therefore, in June 2006, *ezPeer* reached a composition with IFPI and promised to

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<sup>171</sup> See *Carbice Corp. of Am. V. Am. Patents Dev. Corp.*, 283 U.S. 27, 33 (1931).

compensate copyright owners.<sup>172</sup> Similarly, after losing the legal battle in district court, the defendants of the Kuro case endeavored to resolve disputes throughout negotiations, and also compromised with the recording industry in September 2006.<sup>173</sup> The two websites ultimately suspended free file-sharing and sought to license from right-holders.

Furthermore, this part would develop a study on inducement liability dealing with recent disputes involved in decentralized peer-to-peer transmission. Despite the absence of secondary liability, Taiwanese legislation codified the holdings of *Grokster*, which incorporates the doctrine of inducing infringement from patent law into copyright law.<sup>174</sup> Since then, the copyright act of Taiwan has become the first copyright legislation that recognizes theory of inducement liability against unauthorized distribution over the Internet. In the visions of legislators, the emergence of free file-exchange has not only deprived copyright owners' interests but also injured the spawn of the copyright-related industry of Taiwan. Those

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<sup>172</sup> IFPI Members' Foundation in Taiwan released declaration of compromise with *ezPeer* on June 29, 2006.

<sup>173</sup> Kuro decided to suspend service of Taipei and Bei Jing on October 15, 2007; *see* more details in ZD Net.com.tw, *available at* <http://www.zdnet.com.tw/news/ce/0,2000085674,20110758,00.htm> (last visited February 2, 2008)

<sup>174</sup> The amendment of 2007 of Copyright Act of Republic of China added sections 1(7) and section 2 of article 87, and article 97bis. It also revised section 93(4), and added section 87(1)(7), section 87(2), and article 97bis.



entrepreneurs should be liable for their inducing actions.<sup>175</sup> After all, the new provisions turned out to be copyright owners' new weapon to strengthen protection of their works. A few months later, the first instance, Kupeer, a website for unauthorized file-sharing, was clamped down on with the new statute on September 4, 2007.<sup>176</sup> It absorbed previous members of Kuro and ezPeer and continued to provide analogous service to facilitate the spread of copyrighted works without consent.

To understand the inducement liability, it is necessary to look to the U.S legal system where the theory originates.<sup>177</sup> Finally, the study involves an analysis of secondary liability of BitTorrent. The study also concluded with a suggestion for the post-Grokster copyright protection in Republic of China at the end.

## **5.5.2 Case Study on Third-Parties' Liability in Taiwan**

### **5.5.2.1 Decisions of EzPeer and Kuro Cases**

In regard to technological matters, the plaintiffs (the recording corporations) alleged the technology ezPeer relied on is Napster-like, classified as a hybrid

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<sup>175</sup> See Press Release, Intellectual Property Office, Ministry of Economic Affairs for the amendments, July 14 2007, available at [http://www.tipo.gov.tw/copyright/copyright\\_news/960711/p2p](http://www.tipo.gov.tw/copyright/copyright_news/960711/p2p) 新聞稿-960614 ( 中文版-掛局網 ) .doc (last visited February 2, 2008).

<sup>176</sup> See Kupeer's official site, <http://kupeer.com> (last visited February 2, 2008).

<sup>177</sup> See Press Release, IFPI Members' Foundation in Taiwan on September 6, 2007, [http://www.ifpi.org.tw/activity/act\\_index.htm](http://www.ifpi.org.tw/activity/act_index.htm) (last visited January 22, 2008).

peer-to-peer model.<sup>178</sup> Although the transmission goes through members' personal computers, the website's central server plays a key role in identifying members and direct file index. The manager of the website controls or supervises members' activities in the transmission model. Accordingly, the prosecutor of Shihlin District Public Prosecutors Office accused defendants who provided such hybrid peer-to-peer systems of directly infringing on the right to reproduce and publicly transmit copyrighted works because defendants could foresee the members' activities but still allowed it happen.<sup>179</sup> The prosecutor also explained that the website operators who provided index and transmission service play an essential role in infringements. Thus, they should be liable for direct infringement of copyright. Apparently, on the prosecutor's view, how ezPeer is defined and what functions it actually performs are crucial to its legal position. However, the defendants denied the accusation with the statement that the peer-to-peer system employed by ezPeer is so-called pure peer-to-peer architecture, whose characterization is the absence of central servers to index files. In litigation, Shihlin District Court of Taiwan found that the evidence prosecutors provided is not sufficient to prove the accusation and rejected the case. The rulings would be analyzed as follows:

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<sup>178</sup> More details are available at discussion of chapter three of this dissertation.

<sup>179</sup> See Indictment of Shihlin District Public Prosecutors Office, 92 Su Zi No. 728 (2003).

First, the court held that the key to determining whether the defendants' facilitation violates copyright law is the business model of ezPeer. Technological distinction does not change anything in legal matter. In other words, the kind of peer-to-peer model the defendants relies on is quite indifferent to the case.<sup>180</sup>

As to direct infringements, the court contended that the defendants did not directly commit these infringements, and those members who used the platform for unauthorized file-swapping are direct infringers in this case. The defendants' failure to filter contents in the ezPeer system should not be accused of direct infringements of copyright. Indeed, the software they developed is a neutral instrument that contains infringing and non-infringing uses. Thus, their endeavors to develop ezPeer software and manage the website for file-exchange do not create any unallowable risk in the legal sense. In addition, if the infringing user of ezPeer plays the role as a tool completely dominated by website operators, the dominators should be deemed as direct offenders. If, however, such users have free will in deciding whether to engage in the ezPeer system, instead of being a defendants' tool, the defendants should not be liable to direct infringement of copyright. The court ultimately discovered there was not sufficient evidence showing the status of the infringing user as a tool in infringements and, thus, denied this accusation.

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<sup>180</sup> *Id.*

Second, in regards to another possible criminal liability, joint offender,<sup>181</sup> the defendant's mental status is the most difficult but important point that must support the objective evidence. The conviction relies heavily on the defendants' mental status at the moment they conducted the infringement. In this case, there is no sufficient evidence to prove the defendants had an agreement with ezPeer members to infringe on copyright. The court stated that, even if the defendants noticed the members' unauthorized activities, it is not persuasive to conclude that they intended to carry it out if there is no further proof. So, the prosecutors' presumption of the defendants' mental status is not consolidated after the examination.

The last significant legal issue is about accomplice.<sup>182</sup> The court affirmed the nature of assistance the defendants provided to users of ezPeer for file-swapping is so neutral that it may serve various purposes. For example, selling an ax to a

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<sup>181</sup> Joint offenders of a crime are persons who jointly commit the crime. With the intent to commit a crime jointly, each joint offender commits his or her part of the crime to accomplish the crime. It is not necessary that all joint offenders commit the same act which is an element of the crime. While a person who commits an act which is an element of the crime is considered a joint offender of the crime, a person who, with the intent to commit the crime jointly, commits an act which is not an element of the crime or conspires with others before the fact without personally committing the crime, is also considered to be a joint offender in the commission of the crime and shall be liable for the consequences of the crime. *See* Judicial Yuan Interpretation Yuan Zi No. 109 (November 3, 1965) and *see also* Xing Fa (Criminal Code), Zhonghua Minguo (Republic of China), art. 30 [hereinafter Criminal Code of Republic of China].

<sup>182</sup> *See* Criminal Code of Republic of China, art. 30, sec. 1.

person does not constitute aid to commit a subsequent crime because the ax is not made exclusively for criminal purpose. In light of this hypothesis, the court decisively held that the participation of the defendants is independent of the users' subsequent unauthorized manners and the defendants do not have acknowledgement of the infringing activities or intent to carry out the infringements unless their mental status has been proved in this case. Additionally, in the court's opinion, there are no legal sources imposing obligation on the website operator to prevent or suspend the infringement. The defendants should not be liable for failure to ensure no such infringement occurs on their sites and facilities.

On September 9, 2005, the Taipei District Court delivered its decision after the ezPeer case. Perhaps learned from the ruling by the Shihlin District Court, the court addressed opposite opinions in regard to the authentication of the peer-to-peer architecture, technology neutrality, and mental status of joint offenders. In this Kuro case, the defendants who operated an online peer-to-peer music sharing website relied on a central database and server to facilitate copy and transmission between users. Such technology and business model maintained by Kuro are corresponding to ezPeer, indeed.

First, the Taipei District Court set out its analysis with confirmation that the transmission system Kuro employed is classified as “hybrid peer-to-peer.”<sup>183</sup> On the prosecutor’s stand, the accused defendants employed this sort of peer-to-peer architecture that comes with central servers to index MP3 files for facilitating users’ infringements. Kuro’s operators or owners were accused of violating copyright law even though they did not reproduce or transmit music files publicly by themselves. Compared to the ambiguity in the ezPeer case, the court explicitly adopted the authentication that recognizes the mechanism of Kuro is similar to Napster.<sup>184</sup>

Second, the defendants asserted another strong argument about the concept of technology neutrality, emphasizing peer-to-peer technology should not be banned by law because it contains both infringing and non-infringing use. Thus, the nature of technology, including the peer-to-peer system, is neutrality per se. The phrase by James Carey provides an optimal annotation for it: “[e]lectronics is neither the arrival of apocalypse nor the dispensation of grace. Technology is technology; it is a means for communication and transportation over space, and nothing more.”<sup>185</sup> At this

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<sup>183</sup> See Republic of China v. Kuro, 92 Su Zi No. 2146 (Taipei Difang Fayuan (District Court), September 9, 2005).

<sup>184</sup> *Id.*

<sup>185</sup> JAMES W. CAREY, COMMUNICATION AS CULTURE: ESSAYS ON MEDIA AND SOCIETY, 139 (1<sup>st</sup> ed., Routledge 1992).

point, the district court of Taipei contended the peer-to-peer architecture is a neutral technology in nature. It further considered that innovation of transmission technology is not banned by statute, and the defendants provided the peer-to-peer technology for the purpose of profits by means of advertising the function of free file-sharing, which a bona fide user would never do. Of course, they anticipated the consequences to bring about the main income over the business model. The court finally denied the defense with technology neutrality and held the defendants should be liable for their abuse of the peer-to-peer system.<sup>186</sup>

Third, the court analyzed it on the account of both intent (*mens rea* element) and conducts (*actus reus* element) of the defendants to determine if they are joint offenders with Kuro members in committing infringements. The platform consisting of Kuro software, mainframe, web-host, file-indexing servers, and so on, provides an integral service for file-swapping. Any member, if not connected to the platform and pass its identification, will not be alone with Kuro software to swap files.

Throughout the authentication in litigation, the court found such results of members' reproduction and massive exchange of files without authorization are, at least, foreseeable to the website operators. Meanwhile, the website operators are able to reduce the illegal conduct with filtering equipment but did not take steps to

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<sup>186</sup> See Kuro, *supra* note 183.

prevent.<sup>187</sup> The deliberate aid provided by website operators is contributory to accomplish a division of infringements. Thus, based on the inactivity and sharing of commitment, the court conclusively ruled that the defendants had agreement or mental connection with Kuro members to violate copyright law, which imposes criminal penalties. The defendants should be deemed as joint offenders in the commitment of crime and bear the same liabilities as principals.<sup>188</sup>

#### **5.5.2.2 Differences between ezPeer and Kuro cases**

The disputes of peer-to-peer transmission were not diminished with the end of litigations. The two successive cases against website operators have completely puzzled the public with the very different decisions. The question about whether those people who managed a peer-to-peer platform for file-exchange without authorization should be liable for members' infringing conducts remains unsettled in these cases. The differences between ezPeer and Kuro are resulted from another critical question in applying secondary liability: how much proof is required for establishing facilitators' mental state in contributory and vicarious infringements. Further, even if a defendant has knowledge of the illegal activities, is he obligated to suspend or prevent the infringements? Due to the absence of statutes or precedents in copyright legal system of Republic of China before amendment 2007,

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<sup>187</sup> *See id.*

<sup>188</sup> *See id.*



it depends on interpretations by the courts in confrontation with the technological changes in digital transmission.

For example, although the courts of the ezPeer case and the Kuro case disregarded the distinction from various peer-to-peer architectures when instructing defendants' mental state, it depends on defendants' conduct in the business model to judge the case. Noteworthy is the resemblance of the two cases is analogous to the concept of substantial non-infringing in the Sony case and also consistent with technology neutral.<sup>189</sup> To this extent, either facilitators' neutral aids or neutral technologies cannot be mistakenly linked to the defendants' bad intent. In counterpart, the users of neutral technology are not immune from liabilities for their usage.

Moreover, ezPeer denied the discovery of defendants' knowledge on the grounds that "awareness of computer software" is not equivalent to "awareness of natural person." It held persuasive evidence showing the defendants' bad intent is required. By contrast, the court of Kuro recognized that defendants noticed the illegal content was widespread through the platform they managed. The Kuro case infers the defendants had bad intent because they could foresee the circumstances but did nothing to prevent it. Perhaps, the court of the Kuro case was affected by

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<sup>189</sup> See Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 454-55 (1976).

the Grokster case, regardless of existing copyright law to seek a settlement from the principle of patent law.

In fact, neither court examined the defendants' substantial acts to discover what role they play in the business model. The ezPeer case was reluctant to pay too much attention on technical matters to distinguish what kind of system the alleged operators employed because, even if the defendants used central servers that index files and record data of end users' activities, the evidence is not sufficient to show they were aware of the infringements taking place in their platform. The sufficiency of evidence becomes the most arguable point that results in the discrepancy in the two cases.

The reason ezPeer takes a restricted approach to determining defendants' intent is about compliance with the criminal code. At this point, probative value of evidence is still the key to determining the constitution of crimes specified in the copyright act. The subjective elements for criminal liabilities are distinct from those for civil liabilities because those provisions require specific attempt or intent to constitute the crimes. In Taiwan, infringement of copyright is subject to civil and criminal liabilities under the copyright act. Paragraph 1, Article 1 of the Criminal Code prescribes that a person can be imposed criminal punishment that

exists only while he is committing the criminal act.<sup>190</sup> All the laws containing criminal penalties should comply with this general rule of Criminal Code. On this account, articles 91 through 103 of the copyright act of Republic of China punish specific infringers with criminal penalties, including imprisonment and fines under article one of the Criminal Code that interprets constitution of crimes.<sup>191</sup>

As ezPeer held, the defendants' conducts exceed the law makers' expectation for the definition of copyright infringement. This loophole for copyright protection is caused by a gap between innovation of technology and reformation of the legal system. To fill this gap, any imposition of criminal penalty on nationals should be regulated by law because criminal penalty, deprived of people's fundamental rights, may lead to the most severe results to those punished. In this regard, ezPeer adopted a more restricted approach in examining whether the conductor has committed all the elements than in a civil case. That means any analogy or expansion on existing criminal elements is not allowed. Criminal penalty for secondary infringement cannot be imposed unless it has been passed by Taiwanese legislation. By the same token, Shihlin District Court denied the assertion that ezPeer is obligated to prevent or suspend third-parties' infringements in the peer-to-peer transmission.

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<sup>190</sup> See Criminal Code of Republic of China, art. 1, sec. 1, para. 1.

<sup>191</sup> See Copyright Act of Republic of China, arts. 91-103.

Despite the absence of judge-made doctrines, secondary and inducement liability in the copyright act of Republic of China at that time, the cases have nicely illustrated the recent conflicts between technologies and copyright protection.

### **5.5.3 Comparative Analysis on Secondary Liability**

#### **5.5.3.1 Before 2007 Amendments of Copyright Act**

On the view of comparison, the famed peer-to-peer cases Napster and Grokster deal with the issues only in civil law rather than criminal law. One possible reason is those alleged entrepreneurs have compromised with copyright owners or have been broken for a huge amount of compensation. There are few chances for the cases to move into criminal judgments in U.S. courts.

The U.S. position is that criminal charges of infringement of copyright are based on civil liabilities for copyright infringement. People who violate copyright law would be imposed strict liability, which means even if the conductors did not intend to carry out the direct infringements of copyright, they are liable for infringement of copyright. The strict liability, however, does not extend to criminal circumstances. The infringer would not be convicted of crimes of copyright act unless his intent or attempt can be proved. As a result, the success in a civil lawsuit does not guarantee a successful consequence in criminal charges.

On the other hand, the Taiwanese commentator argues that the facilitators have created risks of infringing copyright. In consideration of their business model and technology, they have the ability and obligation to take substantial steps to stop or prevent the risks. Thus, the Kuro case turned to the concept of joint offenders in pursuing defendants' liabilities to avoid the violation of the principle of criminal law.

Comparing the analysis of U.S. courts, there are two prongs of contributory liability: (1) the defendant's knowledge of the infringing activity, and (2) the defendant's contribution to, or participation in, the infringing activity. Assuming the business model the defendants maintain relies on central or index servers, the website operator can identify the end users and recognize the contents transmitted over Internet. Such functions simply symbolize their ability to control or monitor users' activities. It would not be too difficult to find their actual or constructive knowledge of the underlying wrongful act over the Napster-like system.

Particularly, if the facilitator has the ability to recognize the legal activities in his facilities, constructive knowledge should be established. As the Kuro case held, the defendants have foreseen the result with the ability to monitor or control it. In other words, such minimum knowledge of infringements, constructive knowledge, can be transferred to defendants' intent without the worry of probative value of

evidence. The opinion that ignores the integral service of the website is provided and maintained by the defendants appears to be unpersuasive.

Conversely, website operators are unable to monitor or control members' illegal activities through a more decentralized architecture in which a central server is not required. In this circumstance, the court needs more evidence to show the subject that elements have been fulfilled or facilitators' aids are not neutral in individual cases. It might be the reason the Kuro case denied referring to theory of secondary liability like Napster.

In the jurisdiction of Republic of China, theory of secondary liability derived from U.S. common-law system can be referred to as jurisprudence in civil lawsuits.<sup>192</sup> Infringement of copyright is one sort of tort under civil law in nature. Article 88 of copyright law, however, provides that "[a] person who unlawfully infringes on another person's economic rights or plate rights out of intention or negligence shall be liable for damages."<sup>193</sup> If the infringement of a copyright case is beyond the regulation of copyright law, the pending court may view foreign judgment as jurisprudence in determining the case. A civil case allows more flexible sources to resolve disputes than a criminal case.

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<sup>192</sup> If there is no applicable act for a civil case, the case shall be decided according to customs. If there is no such custom, the case shall be decided according to the jurisprudence. *See* Ming Fa (Civil Code), Zhonghua Minguo (Republic of China), art. 1 [hereinafter Civil Code of Republic of China].

<sup>193</sup> Copyright Act of Republic of China, art. 88.

Civil Code of Republic of China creates two main categories of torts: one is intentional tort, and the other is negligent tort.<sup>194</sup> Additionally, if multiple persons jointly commit torts to the right owners, the jointdoers are liable for the injury arising therefrom.<sup>195</sup> The scope of joint tort feasons includes instigators and accomplices in the process.<sup>196</sup> The concept of joint tort feason is quiet close to contributory liability. But unlike U.S. copyright infringement, the difference is the tort feason is limited to the person who intentionally or negligently causes damages to the right owners. In peer-to-peer cases in which website operators have substantial abilities to filter illegal contents, even if it is short of stipulations for website operators' obligation to filter contents, the business model that affords massive scale transmission everyday may make defendants bear the obligations to take steps to stop joindoers' activities. Therefore, the defendants might be liable for joint tort feason in the situation they contribute to the damages.

Vicarious liability derives from agency principles of respondeat superior, and will be imposed on a defendant that (1) has the right and ability to control the infringing acts of another, and (2) receives a direct financial benefit from the infringement. Vicarious liability is based on the defendant's relationship with

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<sup>194</sup> See Civil Code of Republic of China, art. 184, sec. 1.

<sup>195</sup> See Civil Code of Republic of China, art. 185, sec. 1.

<sup>196</sup> See Civil Code of Republic of China, art. 185, sec. 2.

the direct infringer. Unlike contributory infringement, knowledge is not an element of vicarious infringement. In Taiwanese perspective, article 188 of Civil Code of Republic of China prescribes the employer's joint liability under employment relationship.<sup>197</sup> The employer is jointly liable for employee's torts as long as the employee's conduct falls within the scope of employment where employer's can supervise. The statute for employment is analogized to the facts of vicarious liability. Of course, the condition that the employee constitutes intentional or negligent torts must be fulfilled before judging an employer's liability of supervision.

#### **5.5.3.2 After 2007 Amendments of Copyright Act**

Resemble P2P business models have brought about a dilemma to copyright protection in many countries over the world. In response to the technological changes, Taiwan has imported new doctrines of copyright from foreign jurisdictions. Especially the United States, whose copyright system is comparatively advanced, is the major country from which Taiwan is learning. The U.S. copyright system has impacted the copyright regime universally in dealing with conflicts between new technologies and copyright protection through statutory and common-law copyright.

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<sup>197</sup> See Civil Code of Republic of China, art. 188, sec. 1.



On January 11, 2006, Xie Guo Liang, a member of the Legislative Yuan of the Republic of China, considered the call for resolving the disputes arose in courts by legislative power. He headed the list of the bill for indirect liability and brought it to the Economics and Energy Committee of Legislative Yuan.<sup>198</sup> The general illustration of this bill articulates that the provisions drafted are targeting those peer-to-peer website operators who have not been licensed by copyright holders in using their works for profits.<sup>199</sup> The indirect liability is essential for effective copyright protection for digital copyright-related industry of Taiwan, and it has become confused as ezPeer and Kuro cases have struggled to apply the existing legal principles to the unprecedented technologies, with conflicting results.

To close the loophole, the legislative members attempt to codify analogue secondary liability as “sui generis” in copyright act. Perhaps, Taiwanese Legislative assumes it is the best way to clarify the puzzles in the previous judgments and accomplish deference of such infringements.<sup>200</sup> Additionally, any copyright enactment must comply with the general clause under article one that mandates legislators to encourage authors to create by granting sufficient incentives

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<sup>198</sup> See Operations and Functions of Economics and Energy Committee, Legislative Yuan, [http://www.ly.gov.tw/ly/en/05\\_comm/comm\\_05.jsp?ItemNO=EN150105](http://www.ly.gov.tw/ly/en/05_comm/comm_05.jsp?ItemNO=EN150105) (last visited February 11, 2008).

<sup>199</sup> See Press Release, *supra* note 175.

<sup>200</sup> *Id.*

and assuring that future technologies will not be chilled. Based on the legislative concerns, on June 14, 2007, the Legislative Yuan of Republic of China passed the amendment, promulgated on July 11, 2007.<sup>201</sup>

Paragraph 7 of section 87(1) imposes liability on a person who intends to allow the public to infringe economic rights over the Internet and to receive benefits.<sup>202</sup> Accordingly, the paragraph contains two layers of subjective element: one is a conductor's intent to allow the public to commit unauthorized reproduction without consent; the other is a conductor's intent to profit. In other words, the conductor would be charged of it, as long as both elements have been met. The 2007 amendment apparently narrowed the requirements of a conductor's mental state in comparison with contributory and vicarious liability. Therefore, in addition to actual or constructive knowledge of the infringements, a provider's specific intent to damage copyright holders and to benefit from the process are

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<sup>201</sup> Any of the following circumstances, except as otherwise provided under this Act, shall be deemed an infringement of copyright or plate rights: Paragraph 7 of section 87(1) of Copyright Act of Republic of China expresses "[t]o provide to the public computer programs or other technology that can be used to publicly transmit or reproduce works, with the intent to allow the public to infringe economic rights by means of public transmission or reproduction by means of the Internet of the works of another, without the consent of or a license from the economic rights holder, and to receive benefit therefrom."

<sup>202</sup> According to interpretation of the Intellectual Property Office, the defendant must acquire "economic benefits" from the infringing conducts. See Press Release, *supra* note 175.

essential, particularly when the technologies have both infringing and non-infringing uses.

For objective elements, the provision focuses on leading the public to commit infringements by providing relevant technology that is helpful to infringing purposes. Meanwhile, it does not exclude provider acts that may constitute civil or criminal liabilities, such as aider, abettor, or joint offender. The existing stipulations of civil and criminal code are applicable to the infringement in the absence of specifications in copyright act.<sup>203</sup>

There is another significant difference between Taiwanese enactment and the U.S. doctrine of secondary liability — violation of the former would lead to severe criminal penalty.<sup>204</sup> In contrast, the latter is pure civil liability of torts. Perhaps it is the reason that Taiwanese legislators enacted a narrower statute to deem this sort of conduct as an infringement. Lawmakers should be careful when holding non-infringers liable for the infringement of others, particularly so that the new law partially covers secondary infringements with the limited scope of subjective and objective elements.

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<sup>203</sup> See legislative reasons of the provisions, *supra* note 159.

<sup>204</sup> Article 93 of Copyright Act of Republic of China expresses “[i]n any of the following circumstances, a sentence of up to two years imprisonment or detention shall be imposed, or in lieu thereof or in addition thereto, a fine of not more than five hundred thousand New Taiwan Dollars 4. Violations of subparagraph 7 of paragraph 1 of article 87.”

Since the act for indirect infringements has been enacted, courts bear the obligation to apply the provisions in criminal cases that involve services for unauthorized file-exchange through peer-to-peer technology. After all, there is no question that such services should be liable for the copyright infringement they facilitate and from which they profit.

#### **5.5.4 Inducement Infringement**

##### **5.5.4.1 Legislation of Inducement Liability in Taiwan**

As of July 2007, Legislative Yuan of Republic of China has equivalent regulations for inducement liability to improve the existing law for copyright infringement.<sup>205</sup> Taiwanese legislators did their efforts to harmonize the interests of various groups and the public in granting copyright holders the right to prevent third party inducement of copyright infringement. In recognition of liability for the inducement of copyright infringement, they imitated Grokster case that "... one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is

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<sup>205</sup> The only provision might be applied to the situation is Paragraph 1, Article 184 of Civil Code of Republic of China: "A person who, intentionally or negligently, has wrongfully damaged the rights of another is bound to compensate him for any injury arising therefrom; The same rule shall be applied when the injury is done intentionally in a manner against the rules of morals." Civil Code of Republic of China, art 184, para 1. When someone operates a file-sharing website by means of pure P2P model, such as Grokster case, court may analogize paragraph 1 of article 184 of Civil Code of Republic of China for inducement of copyright infringement.

liable for the resulting acts of infringement by third parties”<sup>206</sup> and thus codified the ruling in copyright act.

This enactment propounds courts can scrutinize the specific circumstances to find the website operators who depend on infringement for their commercial viability liable.<sup>207</sup> As the competent authority, the Intellectual Property Office of Ministry of Economic Affairs demonstrated that Taiwanese lawmakers have carved out a new species of copyright liability that has never been considered infringement to encourage the growth of digital content industry.<sup>208</sup> As a result, copyright holders are given a Grokster shield that encompasses the specific circumstances in ezPeer and Kuro. Those website Operators, therefore, are obligated to comply by enforcing the provisions to prevent inducing acts.

To reduce the difficulty of determining the provider’s intent under paragraph 7 of section 87(1), the legislative action sets out standards in section 87(2) to examine a technology provider’s objective measures for subjective state. Thus, a person who relies on advertising or other active measures to instigate, solicit, incite, or persuade the public to use the computer program or other

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<sup>206</sup> MGM Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 919 (2005).

<sup>207</sup> See Statement of Marybeth Peters the Register of Copyrights before the Committee on the Judiciary for Intentional Inducement of Copyright Infringements Act of 2004 (July 22, 2004), available at <http://www.copyright.gov/docs/regstat072204.html> (last visited February 22, 2008).

<sup>208</sup> See Press Release, *supra* note 175.

technology for the purpose of infringing on the economic rights of others would meet the required mental state of the new subparagraph.<sup>209</sup> In other words, when undertaking the actions, the provider should be subject to paragraph 7 of section 87(1) because the legislature considers the actions sufficient evidence of intent that the provider allows the public to infringe on economic rights by means of public transmission or reproduction by means of the Internet of the works of another.

The defendant's state of mind is only one of three factors to be considered in determining whether the defendant's assistance or encouragement was sufficient to warrant liability. Insofar as the inducing infringements enactment, the alleged defendant must provide acts and receive financial benefits besides fulfilling the mental state.

#### **5.5.4.2 Comparative Analysis**

Prior to *Grokster*, the bill for inducement liability has given rise to Congress in 2004.<sup>210</sup> Although the theory of inducement liability failed to be codified in the U.S. copyright act, the Supreme Court has heavily relied on this theory for resolving third-parties' inducing liability again since the *Sony* case. The

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<sup>209</sup> Section 87 (2) of Copyright Act of Republic of China addresses "[a] person who undertakes the actions set out in subparagraph 7 above shall be deemed to have "intent" pursuant to that subparagraph when the advertising or other active measures employed by the person instigates, solicits, incites, or persuades the public to use the computer program or other technology provided by that person for the purpose of infringing upon the economic rights of others."

<sup>210</sup> Inducing Infringement of Copyrights Act of 2004, S. 2560, 108<sup>th</sup> Cong.

Court in *Grokster* declined to modify the Sony rule and, thus, both decisions are applicable to circumstances that the defendant intentionally induces others to infringe copyright. It is beneficial for Taiwan to look to the context of inducement liability of both landmark cases in which the new Taiwanese enactment was derived.

First, *Grokster* supports Sony's "substantial noninfringing use" safe harbor, which means the defendant's production and distribution of a product is capable of substantial noninfringing use may not be the sole basis to infer culpable intent to induce infringement — even if the defendant has actual knowledge of infringing uses.<sup>211</sup> The Court in *Sony* employed "striking the cost-benefit trade-off"<sup>212</sup> to determine whether uses are substantial, and then clarified in *Grokster* that commercial value should not be overweighed in the evaluation. Furthermore, the language "capable of"<sup>213</sup> means that present or prospective uses should be considerable to courts for inquiry.

Comparatively, the new enactment of Republic of China's underlying concept of technology neutrality disposes the issue regardless of the difficulty in determining the nature of technologies<sup>214</sup> and pays little attention to the knowledge of the products that are certain to be misused. Rather, the distribution of

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<sup>211</sup> See *Sony*, *supra* note 189.

<sup>212</sup> See *id.*; see also *In re Aimster Copyright Litig.*, 334 F.3d 643, 649 (2003).

<sup>213</sup> See *Sony*, *supra* note 189, at 442.

<sup>214</sup> See *ezPeer*, *supra* note 148.

technology for infringing use can give rise to liability where evidence shows that the distributor intended the product to be used to infringe by the public. In fact, the provision targets those technologies that can be used to publicly transmit or reproduce works over Internet.<sup>215</sup>

Second, to be guilty of inducement, the alleged inducer must intend to carry out the infringements through encouragement or assistance. Viewed in this light, one who distributes a device for promoting infringement of copyright is liable for intentional inducement that requires a showing of clear affirmative statements or actions intended to aid or encourage infringement. For example, the person uses advertisements or tutorials containing an invitation to infringement when distributing the tool. Opinions of the Court indicate that as long as technology distributors do not take affirmative actions that induce user infringements or label the infringing uses, the Sony safe harbor remains applicable to them.<sup>216</sup>

In Taiwanese perspective, the enactment provides advertisements as samples for an affirmative step and gives a general term “other active measures” to embrace all analogous actions. Meanwhile, it recognizes the behaviors falling into instigation, solicitation, incitation, or persuasion as arguably infringing. Taiwanese

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<sup>215</sup> See legislative reasons of the provisions, *supra* note 159.

<sup>216</sup> Pamela Samuelson, 21<sup>st</sup> Century Copyright Law In the Digital Domain: Symposium Article: Three Reactions To MGM v. Grokster, 13 Mich. Telecomm. Tech. L. Rev. 177, 186 (2006).



lawmakers explicitly import *Groskster's* holding to draft third-parties' liability of inducing infringements through this part.

Third, the staple article of the commerce doctrine under U.S. patent law regulates the defendant who knows or should have known that the act constituted infringement for secondary liability.<sup>217</sup> In the copyright sense, an inducer would not be liable if he has no reason to know the act was infringing.

Taiwanese enactment specifically imposes criminal penalty on a person who has the intent to induce or encourage infringement but does not extend to wrongdoing or negligence. Only most severe infringing behavior on copyright would be subject to the law for third-parties' liability. On the other hand, remaining silent on the liability of less severe torts, the legislators must willfully leave it open to general doctrines of civil law. For instance, if the person reasonably believes he is not promoting infringing acts or the results are undesirable to him, the law for inducement liability is not applicable because of his lack of intent.

Finally, in respect to the inaction after conduct inducement or encouragement, the defendant's failure to voluntarily reduce infringement is nothing more than probative evidence showing his intent. It is not sufficient enough to

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<sup>217</sup> The Federal Circuit has embraced this principle in the patent law context. *See Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990).

consolidate inference of a defendant's mental state. Similarly, benefiting financially from infringement cannot be deemed as the only evidence for subjective element of the law.

On the view of comparative law, the enactment of Republic of China expressly addresses the defendant's receipt of economic benefits from the infringement is an objective element that must be reached but not involve the inaction after his promotion. Legislation narrows down the possibility of imposing criminal penalties on such a specific circumstance by means of enhancing the significance of the defendant's profits and disregards subsequent neglect or inaction.

## Chapter 6: Recommendations and Conclusion

### 6.1 Application of 2007 Amendments to BitTorrent

#### 6.1.1 Introduction

Any technology provided is attributed to neutral technology under the 2007 amendments, where Taiwanese legislative does not distinct it into substantial infringing or non-substantial use. The Intellectual Property Office, Ministry of Economic Affairs clarified that software or platforms for communication which illegitimate use could be incident to, such as MSN Messenger, Skype, eBay or web logs, would not be subject to the provisions of indirect liability if the providers are not with the object to infringe copyright. Legislative Yuan of Republic of China assumes those technologies applied in digital transmission are not inherently good or bad in essence; consequently, the law makers concentrate on those who choose to use them.<sup>1</sup>

Furthermore, the Intellectual Property Office explained that the 2007 amendments target those providers whose purpose is to stimulate or facilitate infringing results. The good-faith online service providers would not give rise to the liability of indirect infringement because they use the tools serving for legitimate

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<sup>1</sup> See Press Release, the Intellectual Property Office, Ministry of Economic Affairs, July 14 2007, [http://www.tipo.gov.tw/copyright/copyright\\_news/960711/p2p](http://www.tipo.gov.tw/copyright/copyright_news/960711/p2p) 新聞稿-960614 ( 中文版-掛局網 ) .doc (last visited February 2, 2008).

purpose only.<sup>2</sup> Thus, the elements of a defendant's specific mental state should be fulfilled to convict them of indirect copyright infringement.

As to whether the 2007 amendment of the copyright act of Republic of China is workable, the *infra* analysis would apply the provisions to inventor of BitTorrent and the websites maintaining infringing and non-infringing BitTorrent seeds. All the three prongs of test under paragraph 7 of section 87(1) are required for the indirect liability: providing software or other technologies, having the intent to allow the public to infringe copyright over the Internet, and gaining financial benefits from the infringements.<sup>3</sup>

### **6.1.2 Indirect Liability of BitTorrent Technology**

BitTorrent technology has been widely used for swapping digital content on Internet. The decentralized characteristic of it confuses courts about indirect copyright infringement, particularly where software developers and website operators are likely to involve a high degree of relation to infringing results. The intent to provide for illegitimate use is the central issue in the cases.

#### **6.1.2.1 Liability of BitTorrent Software Developers**

Given there is no intent to foster the unauthorized use of works, the defendant is not liable for distribution of technologies. However, such distribution

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<sup>2</sup> *Id.*

<sup>3</sup> See Copyright Act of Republic of China, art. 87, sec. 1, para. 7.

of the software to the public is likely to prove his illegitimate purpose under copyright act of Republic of China,<sup>4</sup> because a defendant's internal mental state may be inferred from his external conduct; therefore, if the software developer promotes infringing conducts by advertisement or other active measures, he is likely to have the culpable mind of illegitimate facilitation.<sup>5</sup> The judgment should be made on a case-by-case basis for sure.

In BitTorrent case, Bram Cohen, the inventor and developer of BitTorrent technology, "refuses to help private BitTorrent trackers, accusing them of being destructive to sharing."<sup>6</sup> There is no doubt under the copyright act of Republic of China if lacking of the illicit mental state, the technology developer would not be convicted of copyright infringement. In fact, the tool of communication is no longer supervised by the creator after accomplishment. Even though the creator refuses to modify the software to prevent illegitimate use, it is hard to say developing BitTorrent software that presents legitimate and illegitimate usage would lead to infringement. In short, the software developer's simple behavior of developing software would less likely be seen as an infringing act under the premise

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<sup>4</sup> See Zhao Zuo Quan Fa (Copyright Act), Zhonghua Minguo (Republic of China), art. 87, sec. 1, para. 7 [hereinafter Copyright Act of Republic of China].

<sup>5</sup> See Copyright Act of Republic of China, art. 87, sec. 2.

<sup>6</sup> See Bram Cohen: Private Sites to Blame for Ratio Cheating, <http://www.zeropaid.com/news/7728/Bram+Cohen+Refuses+BitTorrent+Ratio+Exploit+Patch> (last visited February 1, 2008).

of illicit intent to facilitate.

#### **6.1.2.2 Liability of BitTorrent Website Operators**

The operators of the websites underlying BitTorrent transmission are confronted with risks of litigation as well as other P2P architectures. The business models of the websites for BitTorrent are split on whether the website is exclusively a file-sharing service or not. It is noted that in addition to subjective element, the activities of the providers of computer programs or technology must fulfill the following objective elements to be deemed as violation: (1) provide software or technology; and (2) receive economic benefits from the above activities.<sup>7</sup>

In this regard, as long as BitTorrent tracker or an equivalent software is promoted for copyright infringement and financial gain is seen, it can be concluded that the website operator is intentional to allow the seeds of protected works to be planted on his cyberspace. Thus, this website operator's action may constitute indirect copyright infringement.

By contrast, if the illegal reproduction or transmission is incident to a website that is not exclusively used to foster infringements by providing technical support, Taiwanese commentators raised the question in the copyright context, noting that the required mental state to allow those infringing conducts to take place

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<sup>7</sup> See Copyright Act of Republic of China, art. 87, sec. 1, para. 7.

on the operator's site must be determined on a case-by-case basis.<sup>8</sup> That's to say, the subjective elements shown by evidence must be proven for imputing criminal sanctions. Particularly, when the websites contain legitimate data for download, the court should consider the probability that the website is used for both infringing and non-infringing purposes.

Furthermore, the major distinctions from ezPeer and Kuro are, first, the BitTorrent website provides neither file storage nor index maintenance; and second, BitTorrent has become widespread software. Most BitTorrent websites are not even necessary to distribute BitTorrent or any P2P file swapping software to Internet users. On this account, the specific objective element, providing programs or technologies to direct infringers, would hardly be fulfilled in their operation model where the site owner introduces cyberspace as a platform for exchange of data. In this situation, the defendant can escape liability because he deliberately manages the cyberspace without technical support.

Another issue is whether the website profits in part from advertisements displayed to Internet users. Two probable consequences must be discussed. One is when contents of advertising are not involved in inducing or encouraging piracy,

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<sup>8</sup> See Chen, Jia-Jun, Zong Woguo Su Song Shiwu Guan Dian Ping P2P Wanglu Keji Liyong Xingtai Zi Zhu Zuo QuanQun Quan Yi Ti (Comments on Copyright Infringements of P2P Networks on the View of Practical Litigation of Taiwan), April 21, 2007, <http://www.taiwanncf.org.tw/index-c.htm> (last visited January 31, 2008).

the website operator's bad intent may not be concluded even though his major revenues originate from the commercials. For example, Internet users release the BitTorrent seed in a website forum. The website operator advertises for legitimate purpose and does not engage in the public discussion. The website operator is reluctant to make money from this site. Many private web logs are nonprofit so that, even if some potential copyright piracy is discovered, the requirement of obtaining economic benefits would become the safe harbor for the web logs' owners instead.<sup>9</sup>

#### **6.1.2.3 The Recent BT Disputes in Taiwan**

Like ezPeer and Kuro, BitTorrent has generated tough challenges to copyright protection. There is unprecedented in copyright regime for imposing liability on this ground. The Taiwanese courts must again seek the resolutions from analogy principles in civil and criminal law before 2007 amendments.

With respect to BitTorrent cases in Taiwan, the courts found different results depending on the factual matters, technologies and business models that the defendants maintained. The BitTorrent case held by the Gao Syong District Court in 2006 rejected the prosecution of copyright offenses by the defendant in consideration of the evidence presented.<sup>10</sup> In this case, the plaintiff claimed that

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<sup>9</sup> *See id.*

<sup>10</sup> *See Republic of China v. Ye, Ya-Sheng*, 95 Su Zi No. 3202 (Gao Syong Difan Fayuan (District Court), December 5, 2006).



the defendant set up a website forum, named “Moninet,” for posting seeds of copyrighted works since September 2001.<sup>11</sup> The defendant actually had knowledge of the illegitimate exchanges but took no actions to prevent. Thus, the plaintiff asserted the defendant should be liable for giving assistance to illegitimate reproduction and public transmission of protected works.

In district court, the judge found no evidence to support the allegation that the principle users infringed copyright by means of linking to BitTorrent seeds. The defendant’s conduct to provide a platform for Internet users would not make him become an accomplice of copyright theft.<sup>12</sup> In the scenario, the issue would move to whether Internet service providers bear the obligation to remove the seeds carrying legitimate or illegitimate contents.<sup>13</sup>

The other case that the website operators provided a site and facilities for illegitimate BitTorrent use and were convicted of crimes settled in May 2007.<sup>14</sup> In

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<sup>11</sup> According to prosecutor’s investigation, the transferred works infringed copyright of nine copyright holders on the film works, such as Walt Disney Co., Ltd. et al, and ten copyright owners on recording works, such as Rock Records Co. *See id.*

<sup>12</sup> The case was finally settled because the plaintiff did not present further evidences for accused crimes.

<sup>13</sup> To effectively regulate unlawful activity, the TIPO attempts to impute Internet service provider obligations to notice or takedown as soon as illegitimate use of copyright works incident to their service, [http://www.tipo.gov.tw/copyright/copyright\\_lawforum.asp](http://www.tipo.gov.tw/copyright/copyright_lawforum.asp) (Chinese version) (last visited January 12, 2008).

<sup>14</sup> *See Republic of China v. Tu, Jia-Cheng & Lin, Kai*, 95 Yi Zi No 2815 (Taipei Difan Fayuan (District Court ), May 18, 2006).

comparison with former case, the court obviously adopted the logic found in Kuro case to infer the defendants' objection on the reason that the defendants attracted people to be members when they clearly could foresee copyright infringements. The alleged defendants were managing a website exclusively for promoting violations of copyright law. This point is a rather significant factor, bringing about diverse consequences under 2007 amendments of copyright act.

It is also noteworthy that the BitTorrent case is not analogous to Grokster in that the users of forum do not have to transmit files via the site and facilities of the website. Both the prosecutor and the judge suggest the principle actor is the Internet user who directly commenced the illegitimate reproduction or public transmission, not the defendant who provided the platform. Those seeds are merely links to connect to peers to where protected works are available. Instead, the website forum would invoke the inducement infringement if it drew people's eyes by advertising this website as a place exclusively for planting BitTorrent seeds.

## **6.2 Examining the Copyright Amendments of for Indirect Infringement**

To conclude the comparative study, it is worth examining the position of the 2007 copyright amendment of Republic of China, securing liabilities equivalent to secondary and inducement infringement of the United States, under the international copyright conventions. The examination would provide an answer

about regulating the person who facilitates or induces the copyright infringement through the relevant information given in chapter four.

### 6.2.1 Indirect Infringement in International Copyright Law

The signatories of the Berne Union have no obligation to extend liability beyond the direct actors because there is no specific indication or direct support offered by the Berne Convention to impute liability on the persons of Napster and Grokster-kind in either civil or criminal senses. Although the Berne Convention remains silent on this point, the language of it seems to imply the right-holders own the authorization to prevent works from use without consent. For instance, article 9 regulates the authors enjoy “the exclusive right of authorizing the reproduction of [their] works.”<sup>15</sup> But whether the term “authorizing” can be the basis of granting authors the rights to prevent those who intentionally supply the means to infringe is not so clear that the protection against indirect infringement is not the minimum standard of copyright protection under Berne.<sup>16</sup>

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<sup>15</sup> For more examples, right of translation, right of performance, right of broadcast, right of recitation, and right of adaptation.

<sup>16</sup> Professor Ginsburg and Ricketson suggest “...nothing is to be found in the Berne convention materials to indicate what is meant by the word ‘authorise’ and whether it would extend to the activities of those who facilitate the carrying out of infringements of the kind in issue in Grokster and KaZaa.” See Jane C Ginsburg and Sam Ricketson, *Inducers and Authorisers: A Comparison of the US Supreme Court’s Grokster Decision and the Australian Federal Court’s KaZaa Ruling*, *Media & Arts Law Review*, Vol. 11, No. 1, 20, 2006, available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=888928](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=888928) (last visited December 24, 2007).

By contrast, article 41 of the TRIPs Agreement addresses the obligation of the member states to “ensure that enforcement procedures as specified in this [p]art are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this [a]greement ...”<sup>17</sup>

Since the context is placed under part III for enforcement of intellectual property rights rather than for substantive liability of copyright, it is arguable that Taiwan, as a member state of WTO, is obligated to expand copyright to prevent facilitation of infringement. Either the Berne or TRIPs Agreement require the contracting parties implement the minimum standard where the obligation is expressed in general language and willfully leave the details of protection to domestic law. As a result, Taiwan may grant substantive copyright protection at higher level than the TRIPs Agreement and Berne Convention.

Looking at the WIPO, article 11 of the WIPO Copyright Treaty establishes a new kind of legal protection for authors<sup>18</sup> and article 18 of the WIPO Performances Phonograms Treaty establishes a new kind of legal protection for performers and producers of phonograms.<sup>19</sup> Contracting parties of the two Internet treaties should adhere to the obligation to provide “adequate and effective legal

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<sup>17</sup> See TRIPs Agreement, art. 41.

<sup>18</sup> WIPO Copyright Treaty, art. 11, December 20, 1996, 36 I.L.M. 65.

<sup>19</sup> WIPO Performances and Phonograms Treaty, art. 18, adopted December 20, 1996, 36 I.L.M. 76.

protection and effective legal remedies against the circumvention of effective technological measures.”<sup>20</sup>

Recognizing the provisos against devices or services that defeat anti-copying technologies, Professor Ginsburg and Ricketson suggest, to some extent, the evolving obligation to prohibit secondary and inducement infringements derives from the coverage of “adequate and effective protection,” even if lacking of explicit indication.<sup>21</sup> Nevertheless, the scope of the obligation is still arguable. To avoid disputes, the viewpoint to require member states implement the protection against intermediaries must not be enforceable unless specified in conventions.

Basically, the copyright act of Republic of China has granted right-holders protection more than the minimum requirements under the TRIPs Agreement and Berne Convention. In addition to the previous conventions, Taiwan does not have to pass the enactment for facilitation of copyright infringement under the WIPO Copyright Treaty or WIPO Performances Phonograms Treaty because she has not become contract parties of them yet. Therefore, the worry of violation of international obligations does not exist for Taiwanese copyright protection.

In 2007, Taiwan became the first country codifying theory of inducement liability in the world. The advanced legislation grants copyright protection beyond

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<sup>20</sup> *Id.*

<sup>21</sup> *See* Ginsburg & Ricketson, *supra* note 16, at 22.

the US copyright law and other foreign legislation. Unfortunately, it is not merely advanced but adventurous as well for Taiwan. Although the copyright legislation shows goodness, it is inevitable that further inquiry is needed on whether the new legislation is suitable or necessary, particularly because Taiwan is a net importer of copyright products. It is doubted that such legislation may simply sink the online service industry of Taiwan when the other countries are reluctant to grant right-holders protection at the same degree.

### **6.2.2 From the Viewpoint of Nature of Copyright**

There is no single controlling theory under copyright protection of Taiwan. Due to the complex legislative background, Taiwan inherited the concept of copyright protection from western countries to become an unique copyright system. It can be found that Taiwanese copyright law recognizes philosophies behind intellectual property including John Locke's labor-based theory for justification of property rights and the view of personhood perspective based on Hegel's personality model so that both author's economic rights and moral rights over the work have been implemented here.

Recently, Taiwan has taken American approach — utilitarian/ economic incentive theories — to create adequate rewards as optimal incentive to stimulate creation. The theory of utilitarian, therefore, is most close to the basic thinking

behind Taiwanese copyright law with the focus on balancing interests to maximize public welfare. Thus, copyright is no more than an instrument to protect public welfare under the fundamental theory that indicates an author's protection is not the ultimate goal of Taiwanese copyright law.

The matter of copyright is really about control, not possession. As a category of intangible rights, it encompasses the power of both monopoly and censorship that affect development of the human culture by virtue of information control.<sup>22</sup> On this account, a conviction of third parties' liability has actually created a neo-copyright whose coverage may be so overbroad that the public's access to information is likely to be rejected. The monopoly given to an author is subject to the harmonization of various interests in what the legislature has specified in the copyright act.

Same as U.S. copyright, Taiwanese copyright is a statutory-granted right. In absence of a specific constitutional basis and interpretation of the Judicial Yuan of Republic of China, the arguments on whether the term "copyright" should be construed as a limited monopoly or one kind of author's property right has not settled down yet. Nevertheless, no matter which side is plausible, it is surely author does not naturally enjoy copyright under Taiwanese copyright law.

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<sup>22</sup> See Lyman Ray Patterson, *Copyright Overextended: A Preliminary Inquiry Into the Need for a Federal Statute of Unfair Competition*, 17 Dayton L. Rev. 385, 387 (1992).

At this point, the U.S. common-law system has consistently expanded copyright protection beyond the statutes.<sup>23</sup> Even if U.S. courts have been eager to hold online service providers liable, Taiwanese legislators must consider the various factors and national policies when enacting new copyright law. The 2007 enactment imitating *Grokster*'s ruling for a facilitator's liability gives rise to the doubts that the public's benefit on copyrighted works has been crowded out.

### **6.2.3 Achieving the Goals of Taiwanese Copyright Law**

Modern copyright protection has been overextended to all commercially valuable products created by human intellect. Although possession of the products of mind does not allow for exclusion of use by others, the excessive protection at the property level is most likely to cause damages to the ultimate goal — spread of culture — and this is what the Taiwanese copyright law finds.

Taiwanese copyright law is subject to three specific purposes that legislators attempt to achieve under article one. Laying out guidelines for the entire copyright act, the provision expresses that granting an author incentives to encourage creation, balancing private and public interests for the optimal social welfare, and ultimately promoting the development of national culture. On this account, the enactment for

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<sup>23</sup> *See id.*, at 389.



indirect liability regulating third-parties' behavior should be tested by the approach of harmonizing different interests for promoting national culture.

The worry of chilling innovation of technology is in the wake of passage of the 2007 amendments. When the entertainment industries applauded the much-anticipated enactment for indirect liability, the Intellectual Property Office of Republic of China advocates the spirit of the amendments have given consideration to innovation of technology and protection of copyright--provided that the defendant has specific intent to infringe on rights, the defendant would not be charged of ordering or inducing direct infringement. There should be ample room for innovative technologies to continue to thrive and no sanctions would be levied against the software or technology itself.<sup>24</sup> Despite the statement, the shadow that the extension of copyright protection is too broad to reach a satisfactory result has not been completely erased.

Whether the doctrine of inducement infringement will chill the development of technology is arguable in the United States. American scholars take different attitude toward Grokster where serious and detrimental consequences on technological innovation could be resulted in. On the one hand, it is argued that "[b]y making it a process that goes through the courts, you've just increased the

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<sup>24</sup> See Press Release, *supra* note 1.

legal uncertainty around innovation substantially and created great opportunities to defeat legitimate competition. You've shifted an enormous amount of power to those who oppose new types of competitive technologies. Even if, in the end, you as the innovator are right, you still spent your money on lawyers instead of on marketing or a new technology."<sup>25</sup> In the opinion, the confusion resulted from Grokster strikes an appropriate balance between copyright holders and technological innovators. The risk is threatening innovation and investment in dual-use technologies with infringing and non-infringing uses. The chilling effects are most likely to disadvantage consumers, imperil the economy, and ultimately cause damages to copyright owners themselves.

On the other hand, to avoid the undesired result, scholar suggests that if high standards for inducement liability can be adopted in "requiring proof of overt acts of inducement, underlying acts of infringement, and a specific intent to induce infringement, as patent law requires and Grokster directs,"<sup>26</sup> the undesirable result — technological innovation is suppressed — would not occur.

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<sup>25</sup> Larry Lessig, among others, has suggested that the Grokster decision will have a chilling effect on innovation. See Rob Hof, *Larry Lessig: Grokster Decision Will Chill Innovation*, Business Week Online, June 28, 2005, [http://www.businessweek.com/the\\_thread/techbeat/archives/2005/06/larry\\_lessig\\_gr.html](http://www.businessweek.com/the_thread/techbeat/archives/2005/06/larry_lessig_gr.html) (last visited November 15, 2007).

<sup>26</sup> See Pamela Samuelson, *21<sup>st</sup> Century Copyright Law in the Digital Domain: Symposium Article: Three Reactions To MGM v. Grokster*, 13 Mich. Telecomm. Tech. L. Rev. 177, 195 (2006).

According to the scholars' views, the discussion of whether the elements of liability for technological providers are established as the opponent suggests, with high standards is necessary for clarification of the problems in application of third parties' liability. By means of confining the subjective and objective elements to certain circumstances specified, Taiwanese legislator considered if a person happens to provide technologies that are widely used for infringing purposes to the public, his conduct should not be concluded as an intentional promotion to infringe. As a result, the risk that innovation and illegitimate use of technology would be prohibited has reduced under the consideration.

Nevertheless, to some extent, the fears surround development of technologies because of the harsh criminal penalties that the 2007 amendments secure. The judgment of a defendant's culpable mental state relies on the values of probative evidence in litigation. The innovators or investors of new technologies must prepare a great amount of money for legal expenditure and compensation, particularly when the new technologies come with a dual-use. In other words, the legal environment would go against the development of technologies when too much protection for right-holders has been granted. The new provisions would probably cause the unbalancing consequences between copyright and innovation by

distorting the original purpose of copyright — granting limited monopoly as incentives for creation.

Conclusively, the 2007 amendments of copyright farming the potentialities of legal burden on technological innovation may not pass the test under article one of the copyright act.

### **6.3 Recommendations**

Subsequent to the earlier analysis, this part of the study provides recommendations for the Taiwanese government. It is certainly helpful to explore public policies and influences of such copyright enactment. Finally, the study suggests an independent enactment is a workable way to regulate the third parties' liability, and the regulations of intentional promotion to infringe copyright should be decriminalized. It is believed that the recommendations can make the copyright protection of Taiwan greatly progress.

#### **6.3.1 A Suitable Enactment**

No matter whether you are proponents of Grokster case, it is time for Taiwan to address copyright remedies for third-parties liability because the uncertainties of law would cause adverse effects to the public welfare without doubt. Although courts may resolve the disputes of indirect infringement with principles of civil code, a call for clarification through legislation is undeniable. Further, Taiwanese

legislative is expected to protect those legitimate devices having both infringing and non-infringing uses. It is necessary to draw a line to distinct what kind of file-sharing entities should be shut down. At this point, an independent enactment is a workable way that Taiwanese government should consider on the reason that the indirect copyright infringement exists independently of other categorizations because of the specific goal of copyright—to promote public benefits.

In comparison with rulings found in *Grokster* case, the Taiwanese government must prudentially circumscribed liability for indirect copyright infringement when holding technologists liable for technologies. Mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability. A defendant's culpable mind interacting with culpable conduct requires actual knowledge of wrongdoing and specific intent to promote infringement.<sup>27</sup>

However, looking to the language under paragraph 7 of section 87(1), “without the consent of or a license from the economic rights holder” is ambiguous as its meaning could encompass both unauthorized and fair uses. Whether the provision overlaps or conflicts, the articles of fair-use are not clear and is suggested it be eliminated.

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<sup>27</sup> See Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. Davis L. Rev. 225, 237-41 (2005).

Moreover, it is not advisable to pass the law for a specific technology or business model. Since it is hard for copyright law to catch up with the birth of new technologies, the enactment with narrow focus would fall behind soon. Therefore, other methods besides Internet transmissions must be considered for such infringing type.

Finally, the element that a defendant must receive benefits is obviously aimed at those providing an online service, instead of comprehensively considering volunteers for file-sharing to hinder illegitimate P2P file-swapping. Receiving benefits is merely one factor to determine whether a defendant has the intent to distribute technologies for infringing use but not controlling one. It is advisable to eliminate the element of the provision.

### **6.3.2 Decriminalization**

Although copyright-based industry applauds the expansion to third-parties' actions, the dispute of whether the scope is too broad to maintain legitimate benefits is arguable. The most advanced legislation imposes criminal penalties on non-infringing persons using equipment with objects to infringe copyright, and empower the competent authority to take compulsory actions to suspend or terminate the use if the defendant is an enterprise.

There are three reasons to decriminalize third-parties' facilitation. At first, referring to Grokster for inducing infringement, the 2007 amendments of Taiwan imposes not only civil liability but also criminal penalties on violators. In other words, Taiwanese government transplanted the theory that constitutes intentional inducement to infringe copyright and codified it as a specific crime with a fixed term of up to two years of imprisonment. The relatively stern criminal punishment of the provisions suppresses the enterprises doing online business in Taiwan. Those legitimate innovators and investors would confront an environment disadvantaging them with higher cost in legal consultation and litigation.

Moreover, article 97bis of the copyright act of Republic of China empowers the Ministry of Economic Affairs to take active actions — terminating the illegitimate business in the hope that the action by competent authority can timely and effectively halt infringing activities and prevent damages being enlarged.

Although the Intellectual Property Office emphasizes the provision allowing the government to issue an order (analogous to injunction in U.S.) requiring suspension of their business or compulsory is aimed at those providers with bad intent, the technology companies and investors are potentially at the legal risk beyond the

reasonable levels — “[facing] the prospect of a corporate death penalty at the hands of unpredictable legal standards.”<sup>28</sup>

In short, enterprises need more room to make reasonable business decisions when predicting revenues in the future, rather than threats of punishment in the present. The legal result imposed by the amendments is disproportionate. This study would propose that, instead of seeking help from criminal penalties, Taiwanese legislative should leave the liability at the civil level.

Second, the courts of Taiwan are inclined to conclude that online service providers’ are convicted of jointfeasers in infringement. Section 87(2) confines the activities to instigating, soliciting, inciting, or persuading the public to violate copyright law and infers conductor’s intent to foster infringement of paragraph 1, section 87(1) from the solicitation and accomplice. The provision completely confuses the criminal definitions among jointfeaser, solicitor and aid. Further, it seems not suitable to create another category of crime for the circumstances where the existing criminal code is applicable. Those inducement or aids definitely can be embraced by the concepts of solicitation and accomplice under criminal code. For this sake, Taiwanese government is not necessary to reduplicate a crime for abuse of peer-to-peer technology.

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<sup>28</sup> See Fred von Lohmann, *Remedying Grokster*, July 25, 2005, <http://www.eff.org/deeplinks/2005/07/remedying-i-grokster-i> (last visited October 1, 2007).



Finally, copyright protection of Taiwan has stepped to the international stage after Taiwan's accession to WTO. It is important to note that Taiwan has obligations to treat the citizens of other contracted states as her citizens and grant protection for foreign digital contents of works, available to Taiwanese over Internet, with minimum standard under the TRIPs Agreement. In short, too much protection for economic rights on foreign works would not be mandatory to Taiwan. According to this, if the regulations of third parties' indirect liability would result in adverse impacts on domestic online service entities, it is not necessary for Taiwan to become the first country extending copyright infringement to third parties' behavior. The study suggests Taiwanese government consider the relative influences by the amendments in various aspects to adhere to the ultimate goal for public interests.

#### **6.4 Conclusion**

Learning lessons from the history of the development of copyright, the race between protection of copyright and innovation of technologies reflects the dilemma in deciding how much protection for authors would not harm the development of technology. The call for legislative action leads to an opportunity for the Taiwanese government to review her copyright policies in the digital age. To assure adequate and effective protection has been secured for protection of copyright, the guidance —balancing protection for right-holders' economic interests and a shield for

technological developers — should be abide by. Even if innovation of technologies often goes beyond lawmakers' prediction, the legislative is responsible for playing a positive role for sure.

The research presented in the dissertation proposes that, although the infringement resulting from the misuse of novel technologies must be prevented, the copyright amendments of 2007 were not proper in imposing strict criminal sanctions on defendants and lacking comprehensive consideration on codifying theory of inducement liability in copyright law. Nevertheless, the amendments showing distribution of technologies with bad intent should be prohibited is not against the trend of international copyright law toward piracy over digital transmission.

Finally, new technologies emerging day by day are not always a threat to copyright; instead, it is likely to flourish the markets of creative works. A “win-win” result is what all parties involved — users (Internet users), technology providers, and rights holders — truly are expecting in the digital age.

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