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Seven Lessons from a Comparison of the Technological Protection Measure Provisions of the FTAA, the DMCA, and recent bilateral Free Trade Agreements

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Introduction

A key part of the United States' intellectual property trade agenda is securing legal protection against circumvention of technological measures added to copyrighted works, based on the provisions in the U.S. Digital Millennium Copyright Act (DMCA).

Anti-circumvention provisions based on those in the DMCA have been included in the IP chapters of the bilateral free trade agreements (FTAs) that the U.S. has recently concluded with Jordan (Article 4(13)), Singapore (Article 16.4(7)), Chile (Article 17.7(5)), CAFTA (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic) (Article 15.5(7)), Australia (Article 17.4(7)), Morocco (Article 15.5(8)) and Bahrain (Article 14.4(7)). In addition, Article 22 of Subsection B.2.c of the third draft of the IP Chapter of the Free Trade Area of the Americas Agreement also requires signatories to provide legal sanctions for circumventing technological measures added to protect copyrighted works.

The DMCA was controversial at the time that it was enacted by the U.S. Congress. The anti-circumvention provisions were arguably enacted to implement the U.S.'s treaty obligations under Article 11 of the 1996 WIPO Copyright Treaty (WCT) and Article 18 of the WIPO Performances and Phonograms Treaty (WPPT). However, many prominent U.S. legal scholars argued that the DMCA provisions went beyond what was necessary to implement the U.S.'s treaty obligations.[i] The U.S.'s chief policy spokesperson and proponent of the DMCA, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, Bruce A. Lehman, admitted during his congressional testimony in the debates leading to the passage of the DMCA, that the U.S. anti-circumvention provisions went beyond the requirements of the WCT and WPPT.[ii]

As the U.S. experience with the DMCA illustrates, overbroad legal entrenchment for technological protection measures can have serious unintended consequences beyond areas governed by copyright law, including on the technology sector and on educational and research activities. See "Unintended Consequences: Five Years Under the DMCA". EFF White Paper, available at http://www.eff.org/IP/DMCA/unintended_consequences.php

While all of the FTA provisions have overbroad bans on circumvention and circumvention "tools", some permit greater flexibility in national implementation than others. For instance, the U.S.-Chile FTA provisions provide more flexibility in drafting civil and criminal penalties in domestic implementation legislation, and are therefore less likely to cause collateral damage to scientific research and educational activities. For countries that are considering implementing legal protection for technological protection measures, here are seven recommendations.

1. Require actual (subjective) knowledge of circumvention.

Actual knowledge of circumvention should be required to impose civil and criminal liability for circumvention of a technological protection measure.

Like Article 16.4 (7) of the U.S. – Singapore FTA, the second formulation of Article 22 of the FTAA includes an objective standard of knowledge for a circumvention offense. It bans the circumvention of a technological protection measure (TPM) without authority, and with knowledge or with ***reasonable grounds to know*** of the act of circumvention. More recent FTAs have gone even further and removed the knowledge requirement altogether. Article 15.5(7) of CAFTA, Article 15.5(8) of the Morocco FTA and Article 14.5(7) of the Bahrain FTA do not

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require knowing circumvention. This would impose liability where a person accidentally circumvented or had no subjective knowledge of having circumvented a TPM.

For instance, U.S. motion picture copyright owners take the view that playback of a non-region 1 DVD on a multiregion DVD player is a violation of the U.S. DMCA, even where the person who inserts the DVD into a multiregion DVD player has no knowledge that they have allegedly circumvented a TPM. An objective knowledge standard would also leave open the possibility that an intermediary, like an ISP or webhosting service, might be held secondarily liable for a circumvention offense.

By comparison, Article 17.7(5) of the U.S.-Chile FTA incorporates an ***actual*** knowledge standard. It bans the act of knowingly circumventing a technological protection measure, so a person can only be held liable for *intentionally* circumventing a TPM.

2. **Incorporate a legislative or administrative review and exemption process that permits exemptions to be granted for both the act of circumvention and the tools necessary to do so.**

Since it is not possible to foresee how the anti-circumvention provisions will impact consumers and important social policies in FTAA countries, any provision adopted should incorporate a review of the impact of the circumvention ban, and a process for granting specific exemptions.

To create meaningful exemptions for the majority of consumers who do not have the technological expertise to create their own technologies and tools, the legislative or administrative process should permit exemptions to be granted for both the acts and tools necessary to facilitate a permitted circumvention.

In addition, the legislative or administrative process should set a burden of proof for exemption proponents that is reasonable and commensurate with their ability to provide the evidence sought, perhaps employing government ministries to propose exemptions on behalf of affected communities. Once the threshold burden is met, the burden of proof should shift to copyright owners to disprove the need for the exemption sought.

Unfortunately, like the U.S. DMCA provisions, the U.S.-Singapore FTA (Article 16.4(7)(f)(iii)), the U.S.-Chile FTA (Article 17.7 (5)(d)(i)), CAFTA FTA (Article 15.5(7)(f)(iii)), U.S.-Australia FTA (Article 17.4.7(e)(viii)) and U.S.-Bahrain FTA (Article 14.4(7)(e)(viii)), provide for legislative or administrative proceedings that do not reach the tools provisions. However, the U.S.-Chile FTA may be interpreted to leave room for other exceptions to the tools provisions,[iii] In addition, the U.S.-Chile FTA provision overcomes one of the major limitations in the equivalent U.S. administrative proceeding by providing that an exemption can be granted in respect of impact on either noninfringing uses of a particular class of works, or on exceptions or copyright limitations of a class of users.

3. **Provide a general, non-infringing purposes or legitimate purposes exception to both the act of circumvention and the tools prohibition.**

The chief impact of the DMCA has been that the balanced set of rights previously embodied in the U.S. copyright statute has been supplanted by “anti-circumvention” law. This means that any copyright exception not expressly recited as an exception to the circumvention ban has no force for technologically protected works. To restore the carefully-crafted balance between copyright owners’ rights and the rights of the public to access information of benefit to society, the anti-circumvention provisions should provide an exception for circumvention for legitimate and non-infringing uses of protected digital works. Unfortunately, none of the bilateral FTAs or the DMCA provides for such an exception. The U.S. Congress is currently considering DMCA

reform legislation that would provide for such an exception.[iv]

4. Limit criminal and monetary liability for scientific research and educational purposes.

Limiting criminal and monetary liability would mitigate some of the chilling effect of the ban on creating circumvention tools needed for scientific research and provide appropriate incentives for educational purposes. Article 17.7(5)(b) of the U.S.-Chile FTA, the provision banning the creation or distribution of certain circumvention tools, provides that "due account" must be given to the scientific or educational purpose of conduct in applying criminal measures in implementation legislation. Similar considerations should inform that application of monetary remedies.

5. Permit flexibility to exclude civil and criminal liability for innocent infringers.

The Chilean FTA provisions permit flexible implementation of criminal sanctions. Criminal liability for the act of circumvention is only required in "appropriate circumstances," and for violation of the tools ban, only where the conduct is willful and for *prohibited* commercial purposes (Art.17.7 (5) (a), (b)). In contrast, section 1201(5)(A) of the U.S. provisions does not remove civil liability for innocent infringers but allows the court to reduce or remit damages where a person was not aware and had no reason to believe that he or she had committed a violation. By comparison, Art. 16.4(7) of the Singapore FTA provides that anyone found to have engaged willfully and for purposes of commercial advantage or private financial gain in either the act of circumvention or any of the tools violations, shall be guilty of a criminal offense. This is of particular concern because the Singapore FTA essentially allows private parties to pay government entities to pursue criminal action against copyright infringers.

6. No criminal or civil liability for non-profit libraries, archives and educational institutions.

Article 17.7(5) of the U.S.-Chile FTA permits an exemption from criminal liability to be granted to nonprofit libraries, archives and educational institutions. It also permits exemption from civil liability, where the circumvention is carried out by those entities in good faith and without knowledge that the conduct is prohibited. By comparison, Article 16.4(7) of the U.S.-Singapore FTA and Article 15.5.7(a) of the CAFTA provide a carve-out only for criminal liability, but not for civil penalties. Section 1204 of the U.S. provisions excludes criminal liability for non-profit libraries, archives, educational institutions and public broadcasting entities, and section 1203(5)(B) allows a court to remit damages for those entities if they were not aware and had no reason to believe their acts constituted a violation.

7. Incorporate a robust "no mandate" provision and an exception for national regulation of anti-competitive uses to facilitate technological innovation.

In order to minimize the possibility of anti-competitive uses of TPMs backed by legal sanctions and attempts by content copyright owners to leverage control over technology which interoperates with their copyrighted works, any circumvention ban should include a "no mandate" provision.

In the debates leading up to enactment of the DMCA, the U.S. technology industry expressed concern that the ban on circumvention devices could be used by overzealous copyright owners to ban both existing technologies that were not designed to respond to TPMs subsequently added to works by copyright owners, or to require technology companies to design technologies to interact with copyright owners' particular TPMs, stifling technological innovation.

To address these concerns, the "no mandate" section in 1201(c)(3) was inserted in to the DMCA. That section provides that nothing in section 1201 shall require that the design of, or design and selection of parts and components for a consumer electronics, telecommunications or computing product, must respond to any particular TPM, so long as the part or component or product is not otherwise banned under the "tools" ban. Section 1201(c)(3) was designed to provide technology companies with a defense to the tools prohibition, in order to foster technological innovation.

Footnote 19 of the U.S.-Chile FTA uses wording substantially identical to the DMCA. However, the "no mandate" provisions in Article 22.2 of the FTAA, and the U.S.-Singapore FTA undercut the protection for technology creators by stating that the no mandate provision is not a defense to the act or tools prohibition.

In addition to a "no mandate" clause, to avoid similar misuses of the U.S. DMCA provisions[v], any circumvention ban should include an anti-monopoly provision stating that copyright owners cannot use technological measures for anti-competitive purposes or to achieve anti-competitive effects.

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[i] Pamela Samuelson, *Intellectual Property and the Digital Economy: Why the Anti-Circumvention Regulations Need to be Revised*, 14 BERKELEY TECHNOLOGY L.J. 519, 521 & 531-32 (1999) (explaining that existing U.S. law satisfied WIPO treaty obligations) (available at http://www.sims.berkeley.edu/~pam/papers.html).

[ii] *See WIPO Copyright Treaties Implementation Act and Online Copyright Liability Limitation Act: Hearing on H.R. 2281 and H.R. 2280 before the House Subcomm. on Courts and Intellectual Prop.*, 105th Cong., 1st sess. (Sept. 16, 1997) at 62 (testimony of Asst. Sec. of Commerce and Commissioner of Patents and Trademarks Bruce A. Lehman).

[iii] See EFF's U.S.-Chile FTA Analysis of Implementation of Exceptions and Limitations and Technological Protection Measure Provisions, available at:
< http://www.eff.org/IP/FTAA/20040830_uschile_fta.pdf>

[iv] The *Digital Media Consumers' Rights Act of 2003*, (108th Cong., H.R. 107), introduced by Representatives Boucher and Doolittle, provides that it is not a violation of the DMCA to circumvent a technological measure for a non-copyright-infringing purpose, and creates an exception for the creation and distribution of tools and technologies to do so. *See:*
< http://www.house.gov/boucher/docs/dmcra108th.pdf>
< http://www.house.gov/boucher/docs/fairusehearing.htm>

[v] DMCA used to stop sale of competitor's printer toner cartridge chips *(Lexmark International, Inc. v. Static Control Components, Inc.*, (E.D. Ky Civil Action No. 02-571 KSF, unreported decision, February 27, 2003)), available at:
http://www.eff.org/Cases/Lexmark_v_Static_Controls
Preliminary injunction vacated on appeal by 6th Circuit Court of Appeals and remanded for trial (Case No. 03-5400, October 26, 2004):
http://www.eff.org/legal/cases/Lexmark_v_Static_Control/20041026_Ruling.pdf
DMCA invoked to ban sale of competitor's universal garage door opener. *(Chamberlain Group, Inc. v. Skylink Technologies, Inc, (*N.D. Ill., Judge Pallmeyer, August 29, 2003), available at:
http://www.eff.org/Cases/Chamberlain_v_Skylink/
Summary judgment in favor of Skylink upheld on appeal by Federal Circuit Court of Appeals (Case No. 04-1118, August 31, 2004) available at:
http://www.eff.org/legal/cases/Chamberlain_v_Skylink/20040831_Skylink_Federal_Circuit_Opinion.pdf

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