CIVIL ACTION NO. 03 5400

IN THE UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF KENTUCKY, LEXINGTON DIVISION

STATIC CONTROL COMPONENTS, INC.,
a North Carolina corporation,

Plaintiff-Appellant,

vs.

LEXMARK INTERNATIONAL, INC.,
a Delaware corporation,

Defendant-Appellee.

BRIEF OF *AMICUS CURIAE* CONSUMERS UNION SUPPORTING STATIC CONTROL COMPONENT, INC.'S APPEAL TO VACATE THE DISTRICT COURT'S GRANT OF PRELIMINARY INJUNCTION

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STATEMENT OF INTEREST OF *AMICUS CURIAE* CONSUMERS UNION

Consumers Union, publisher of *Consumer Reports* magazine, is a non-profit, independent testing and consumer protection organization serving only consumers. Since 1936, Consumers Union has been a comprehensive source for unbiased reporting about goods, services, health, personal finance, and other consumer concerns. The organization is funded solely from the sale of *Consumer Reports* (in print and online) and other services, and from nonrestrictive, noncommercial contributions, grants, and fees. Consumers Union engages regularly in consumer advocacy before the executive, judicial, and legislative branches of government. Consumers Union is committed to securing for consumers the innovation, competitive prices, range of choices, and product interoperability that result from an open marketplace and proper use of the copyright laws.

Static Control Components, Inc. ("SCC") has consented to Consumers Union filing this amicus brief. Consumers Union has also attempted to obtain consent from Lexmark International, Inc. ("Lexmark"), but Lexmark has indicated that it will not consent.

SUMMARY OF ARGUMENT

Lexmark seeks to employ the Digital Millennium Copyright Act ("DMCA") to prevent its competitors in the market for remanufactured toner cartridges from developing products that interoperate with Lexmark's T520/522 and T620/622 ("T series") printers. Consumers Union is concerned that consumers could face long-term, serious harm if Lexmark's claim succeeds. Consumers are likely to face higher prices in this market and may be prevented from buying innovative, competitively priced products from SCC or anyone else. Lexmark admits that its business strategy is to build an installed base of printers that generate singular demand for Lexmark printer supplies. (Complaint at ¶ 12). Without competitors, Lexmark would be able to charge more for the products consumers need, and will

Lexmark would be able to charge more for the products consumers need, and will have little incentive to improve the quality or diversity of its products.

Lexmark seeks to control the market for these remanufactured toner cartridges, through the illegitimate exercise of claimed intellectual property rights, and through misuse of the rights granted by the DMCA's anti-circumvention provisions. Lexmark is attempting to "leverage" the claimed intellectual property rights in its Toner Loading Program in order to control the market for T series printer cartridges. Lexmark's singular purpose in leveraging copyright law and the DMCA to protect its toner cartridge microchips is to lock-out legitimate third-parties from the after-market for Lexmark printer supplies. Contrary to Lexmark's reading, the DMCA provides no liability when no independently valuable creative work exists. The control Lexmark seeks would close the market to competition—injuring consumers for the private benefit of one producer, while in no way promoting the distribution of creative digital content. Copyright and patent law traditionally includes numerous protections and defense, such as the fair use and repair doctrines, to ensure that a copyright or patent holder's limited monopoly does not extend to the point of denying the public competitive and innovative works and goods. Copyright and patent misuse doctrines traditionally protect consumers from such intellectual property claims that exceed proper purposes of promoting and protecting creativity and, instead, engender monopoly. Congress did not intend the DMCA to upset the fundamental balance between a copyright holder's rights and the public's rights to use legally acquired interoperable parts at competitive prices. Success for Lexmark would likely encourage other producers, from car manufacturers to telephone companies, to use the DMCA to exert control over peripheral markets. Lack of competition could afflict consumers in virtually every market for interoperable or replacement consumer goods.

This is not the result Congress intended when considering the DMCA. By passing the anti-circumvention provisions, Congress sought to encourage digital distribution of copyrighted content such as music, movies, and books in order to provide consumers with more choice and to stimulate the on-line market. Congress's inclusion of exemptions to liability for reverse engineering and interoperable product development, as well as legislative history explaining the anti-piracy purpose of the anti-circumvention provisions, weigh heavily against Lexmark's anti-competitive use of the DMCA. Moreover, Congress expressly warned against use of the law by copyright owners seeking to gain control over other markets and stifle legitimate competition.

ARGUMENT

I. CONSUMERS WOULD BE INJURED BY LEXMARK'S USE OF THE DMCA'S ANTI-CIRCUMVENTION PROVISIONS TO SUPPRESS COMPETITION.

Like the consumer harm resulting from antitrust violations and intellectual property misuse, Lexmark's misuse of the DMCA, Pub. L. No. 105-304, 112 Stat. 2860 (Oct. 28, 1998) (codified in scattered sections of 17 U.S.C.), threatens to suppress consumer options, raise prices for a range of products, and diminish the interoperability of common electronic goods and household tools. The toner cartridge remanufacturing industry offers consumers competitive prices and a diverse array of environmentally-sound options for buying, refilling, and recycling remanufactured cartridges. SCC's SmarTek chips allow the remanufacturing industry to make cartridges interoperable with Lexmark's T series printers. If Lexmark succeeds in preventing consumer access to this array of remanufactured cartridges, consumers owning T series printers will be forced to purchase Lexmark cartridges.

If Lexmark prevails, consumers will be denied access to significant savings on Lexmark T series cartridges. For example, Lexmark sells its non-Prebate T se-

ries 520/522 high yield black cartridges, #12A6835, for $373. Reply Comments of the Electronic Frontier Foundation in Support of Classes of Work Proposed by Static Control Components, Inc. before the U.S. Copyright Office. Docket No. RM 2002-4, available at http://www.copyright.gov/1201/2003/reply/337.pdf. Remanufacturers sell the same cartridge for prices ranging from $211.25 to $89.97, for a savings to the consumer of between 43 and 76 percent. [1] The T series 620/622 high yield black cartridges, #12A6865, which are sold by Lexmark for $364, are available from remanufacturers for prices ranging from $211.25 to $169 for a savings between 43 and 55%.[2] If non-Prebate cartridges cannot be successfully remanufactured, consumers also lose the opportunity to sell their used non-Prebate T series cartridges, for up to $20, to remanufacturers. TonerBuyer.com at http://www.tonerbuyer.com/mylist.html (last visited June 25, 2003).

Lexmark argues consumers' options will not be restricted because consumers could still purchase remanufactured non-Prebate Lexmark cartridges from third parties. Lexmark's claim is misleading. Lexmark's non-Prebate cartridges only constitute 10% of its sales, and the remaining 90% of sales contain Prebate shrink-wrap agreements purporting to make it illegal for consumers to refill or buy remanufactured versions of these cartridges. *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 2003 U.S. Dist. LEXIS 3734, 30 (E.D. Ky.). The microchip on Lexmark's Prebate cartridge prevents the consumer's printer from working if the Prebate cartridge has been refilled or remanufactured. Complaint ¶ 34. Lexmark's

[1] Office Supply Outfitters at http://www.officesupplyoutfitters.com/optrat520522.html (last visited June 25, 2003); Inkcart Network at http://www.inkcart.net/cartridges/LexmarkT520.html (last visited June 25, 2003); Pacific Software Express at http://shop.store.yahoo.com/pacificsoftwareexpress/comcar.html (last visited June 25, 2003).

[2] Office Supply Outfitters at http://www.officesupplyoutfitters.com/optrat620622.html (last visited June 25, 2003). Pacific Software Express at http://shop.store.yahoo.com/pacificsoftwareexpress/comcar.html (last visited June 25, 2003); Discount Toners at http://www.discountoners.com/displayprinters.asp?PrinterID=1104 (last visited June 26, 2003).

non-Prebate cartridge microchips contain a deficiency which causes the printer display to inform the consumer the non-Prebate cartridge is empty after the first use. Anti-Circumvention Rulemaking Hearing before the U.S. Copyright Office, May 9, 2003, at 70, available at http://www.copyright.gov/1201/2003/hearings/transcript-may9.pdf (statement of Seth Greenstein on behalf of Static Control Components, Inc.). In order to refill an empty non-Prebate cartridge and fix the printer display, a consumer would need to access and alter or copy Lexmark's Toner Loading Program. Remanufacturers similarly must access, reverse engineer, and use the Toner Loading Program to offer consumers quality interoperable cartridges. If Lexmark succeeds in preventing access to and reverse engineering of its Toner Loading Program, consumers would not have the option to buy refillable remanufactured cartridges. Lexmark only offers consumers remanufactured cartridges that are purportedly non-refillable under the Prebate single-use terms of conditions. Lexmark International, Inc. website at http://www.lexmark.com/US/corporate/remanufactured.html (last visited June 25, 2003).

Consumers Union is concerned that, if Lexmark succeeds in misusing the DMCA to oust SCC and other potential competitors from the market, consumers of aftermarket toner cartridges will face substantial harm. Other printer manufacturers will be encouraged to copyright embedded programs, similar to Lexmark's Toner Loading Program, in their cartridges in order to prevent third-party remanufacturing and refilling. Consumers benefit from options to refill their cartridges and purchase third-party remanufactured cartridges. The Federal government requires federal agencies to prefer the acquisition of reusable, recyclable and remanufactured products and to develop recycling programs that collect toner cartridges for remanufacture. Exec. Order No. 13101 §§ 302(a)(1)(a), 201, 601 (Sept. 16, 1998).

Similarly, in recognition of the wastefulness of single-use products like Lexmark's Prebate cartridges, some state legislatures have taken steps to eliminate or discourage the purchase of single-use products by state government. *See* West's Ann.Cal.Pub.Con.Code § 12156(a); Conn. Gen. Stat. § 4a-67b(d); 74 Okl. St. § 85.53(F); S.D. Codified Laws § 5-23-42; Rev. Code Wash. (ARCW) § 43.19A.070(2); W. Va. Code § 20-11-7(3); Wis. Stat. § 16.72(f). With healthy competition, governmental and individual consumers receive the benefit of choice in cartridges. Consumers are able to pay a price and choose terms of use that are influenced by competition, and can expect the product innovations inspired by a competitive market. Consumers can also leverage buying power to urge companies to offer a fully array of environmental options for the reuse and remanufacture of cartridges.

If Lexmark and other printer manufacturers can leverage copyright law to prevent the remanufacturing of their cartridges by third parties, consumers of a manufacturer's printer will be forced to purchase that same manufacturer's toner cartridges at dictated prices and terms of conditions. Moreover, under the precedent Lexmark seeks, other producers could similarly use the DMCA to leverage control in *their* peripheral markets. Any maker of consumer goods, from Daimler-Chrysler to Kodak, could leverage bits of functional computer code and the DMCA to gain illegitimate market power.

A. Lexmark's Claim Would Increase Prices, Stifle Innovation, and Impede Interoperability Contrary to the Protections of Traditional Intellectual Property Law and Defenses.

Lexmark's DMCA claim is a new twist on an old tale—using legal or economic market power to stifle competition and increase profits at consumers' expense. Legal defenses to copyright and patent infringement, such as the fair use, reverse engineering, and repair doctrines, ensure the public's rights to innovation

and competitive products. Federal antitrust laws punish those who misuse their market power to suppress competition, and the courts censure misusers of intellectual property rights by refusing to enforce their patents and copyrights. In all instances, public policy seeks to provide consumers with fully functioning markets.

The U.S. Court of Appeals for the Federal Circuit rejected the use of patent infringement claims by a print cartridge manufacturer to prevent the refilling of empty cartridges by third parties. *Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfrg. Corp*, 123 F.3d 1445 (Fed. Cir. 1997)**.** Lexmark now seeks to use a copyright infringement claim to limit the remanufacturing of cartridges by third parties. Lexmark's claim should fail for the same public policy reasons that caused the Court to reject Hewlett-Packard's claims. *See infra*. Hewlett-Packard ("HP") claimed that its twelve patents on ink jet cartridges, ink formulation, and ink jet printing technology were infringed by a remanufacturer that removed HP cartridge caps, replaced them with refillable caps and provided consumers the modified HP cartridges packaged with bottles of ink. *Hewlett-Packard*, 123 F.3d at 1449. The court applied a stringent test to determine if impermissible reconstruction had occurred because only true second creation of the cartridge would justify the patent owner's exercise of its monopoly for a second time after sale. *Hewlett-Packard*, 123 F.3d at 1451 (*citing Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 476 (1964).). The court supported the remanufacturers despite HP's intention that its patented product only be used once, because the repair at issue simply enabled consumers to fully enjoy the actual useful life of a purchased product. *Id*. at 1452-3. The court further found no violation of HP's patent on filling the ink reservoir due to the fact the product was sold unconditionally and could only be used through practice of the patent. *Id*. at 1455. Public policy considerations regarding purchasers' rights and patentee's limited monopoly weighed against a finding of

impermissible reconstruction despite the fact that the remanufacture was not a conventional repair. *See Hewlett-Packard*, 123 F.3d at 1452.

In the instance of copyright law, the differentiation between copyrightable expression and non-copyrightable ideas, short words and phrases, scenès a faire, and functions provides the first line of defense against the stifling of market competition and innovation. The fair use, reverse engineering, and other similar defenses likewise protect consumers. To the benefit of public policy, courts have weighed these traditional differentiations and defenses in deciding whether or not various parts of computer programs constitute copyrightable expression. The Ninth Circuit, for example, afforded weak protection to Sega's computer code because it was primarily functional, *Sega Enters. v. Accolade, Inc.*, 977 F.2d 1510, 1527 (9th Cir. 1992), and likely unprotected as a short word or phrase. *Id.* at 1524 n.7. The fair use defense was supported by public policy against the use of copyright law to prevent competitors from entering the market and to prevent consumers from enjoying compatibility of their machines with diverse products. *Id.* at 1523, 1531. The Sixth Circuit also upheld the necessity of applying an abstraction-filtration analysis in order to prevent findings of infringement where no copyrightable elements have actually been copied, either because the element was an idea, dictated by efficiency, or scenès a faire. *Kohus v. Mariol*, 328 F.3d 848, 855-6 (6th Cir. 2002).

Under traditional balances of intellectual property law, consumers benefit from intellectual property grants to producers. *See, e.g., Twentieth Century Music*

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[4] Lexmark's claim also evokes the "leveraging" problem in antitrust law, which is related to the misuse doctrine in patent and copyright. In antitrust cases, courts have held that a producer violates the law by illegitimately "leveraging" power over its customer base in order to induce customers to buy another product they would not otherwise buy. *Jefferson Parish Hospital Dist. No. 2 v. Hyde*, 466 U.S. 2, 14 n.20 (1984). *See also* Mark R. Patterson, *When Is Property Intellectual? The Leveraging Problem*, 73 S. Cal. L. Rev. 1133, 1136 (2000).

Corp. v. Aiken, 422 U.S. 151, 156 (1975) ("The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good."). To maintain this public benefit, intellectual property rights must not be abused—for instance, by using such rights to deny consumers access to interoperable goods. *C.f. Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 160-61 (1989) (describing benefits of interoperability); Pamela Samuelson & Suzanne Scotchmer, *The Law and Economics of Reverse Engineering*, 111 Yale L.J. 1575, 1590 (2002) (noting that protection for interoperabilty "has a salutary effect on price competition and on the dissemination of know-how that can lead to new and improved products"). Firms often attempt to leverage existing rights to control other markets, including markets in interoperable aftermarket products. Courts have accordingly looked disapprovingly at producers' attempts to use intellectual property rights to increase profits at the expense of consumers.

For example, until the Fifth Circuit stopped the practice, a software company with a heavily-invested consumer base tried to force buyers of its software to also buy its hardware components. *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 793 (5th Cir. 1999); *see also qad. inc. v. ALN Assoc., Inc.*, 781 F. Supp. 561, 564-65 (N.D. Ill.), *aff'd in part, dismissed in part*, 974 F.2d 834 (7th Cir. 1992) (refusing to enforce plaintiff's copyright based on misuse in an infringement suit). Another software maker attempted to leverage its trademark rights to prevent competitors from developing interoperable software. *See Sega Enters*, 977 F.2d 1510 (dismissing Sega's copyright and trademark claims as illegitimate intrusions on Accolade's right to create interoperable products). And the Supreme Court found that a salt-tablet machine patentee's requirement that its customers use only its salt was grounds for invalidating the patent. *See Morton Salt Co. v. G.S. Suppinger*

Co., 314 U.S. 488, 491 (1942). These intellectual property "misuse" doctrines evolved out of economic concerns that inappropriate use of intellectual property rights stifles competition and inhibits the very innovation intellectual property laws and free markets were intended to encourage. *See Id.* at 492.

The consumer harm presented by this case is similar to that caused by traditional intellectual property misuse and monopolists' anticompetitive behavior. Lexmark's use of the DMCA's anti-circumvention provisions is the newest effort of a producer to lock out competition. Lexmark, like monopolists and intellectual property misusers before it, is attempting to leverage a claimed intellectual property right to gain control of a peripheral market.[4] Its claim attempts to use the DMCA to assert control over the aftermarket for replacement or interoperable toner cartridges. Lexmark's customers, having invested in Lexmark's printers, cannot cheaply switch to a new printer when they need to buy replacement toner cartridges. If no other producer can compete in the aftermarket for Lexmark printer toner cartridges, then Lexmark can take advantage of its captive customers as Bell did with telephone users, *see United States v. Western Elec. Co.*, 673 F. Supp. 525, 600-01 (D.D.C. 1987), or as software makers have done with buyers of their software. *See Alcatel*, 166 F.3d at 793. The illegitimate market power Lexmark would gain from its claim threatens healthy competition and product interoperability.

Further, while patent and copyright misuses certainly harm consumers, they are at least limited by the eventual expiration of the intellectual property monopolies.[5] The DMCA's anti-circumvention rights, in contrast, never expire. *See* 17 U.S.C. § 1201(a). The potential consumer harm caused by an inappropriate claim

[5] Indeed, the leveraging of a patent monopoly to extend control beyond its expiration date is *per se* misuse. *See Brulotte v. Thys Co.*, 379 U.S. 29, 32 (1964); *Scheiber v. Dolby Labs., Inc.*, 293 F.3d 1014 (7th Cir. 2002) (Posner, J.).

is thus greater than in the patent and copyright contexts, as it can continue in perpetuity.[6] Lexmark's reliance on the DMCA in conjunction with traditional copyright law only serves to further the harm experienced by consumers by manipulating the DMCA to cover embedded software codes in consumer goods which serve the sole function of locking out competitive interoperable products.

B. If Lexmark Prevails, Other Producers Will Likely Attempt Similar Misuse of the DMCA.

This precedent would almost certainly have an adverse effect on other industries. Based on a positive precedent in this case, a producer of almost any consumer good could assert a DMCA claim regardless of the status of the underlying copyrighted content or the consumer harm at stake.[7] Under the reading of the DMCA advanced by Lexmark, automakers, for example, could easily retool tires, wiper blades, and oil filters to include an inexpensive chip running a simple authentication program. If a replacement part does not send a signal authorized by the automaker to the chip, the car could reject it. Such power in the hands of automakers could injure consumers by allowing automakers to charge monopoly prices for anything from oil filters to wiper blades. Additionally, without the threat of competition, automakers would be less likely to spend money on research and development into new innovations. Much as in Lexmark's case, producers would profit at consumers' expense.

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[6] In response to the harms posed by such leveraging of the DMCA's anti-circumvention provisions, at least one commentator has called for the creation of a new anti-circumvention misuse doctrine, similar to copyright or patent misuse, to address this situation. *See* Dan L. Burk, *Anti-Circumvention Misuse*, 50 UCLA L. Rev. (forthcoming July 2003), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=320961 (updated July 31, 2002).

[7] This would not be the only secondary effect of a finding for Lexmark; even the fear of lawsuits may discourage development and introduction of new products. Even if enterprising start-ups are willing to face the risk, investors may be reluctant to fund beneficial new technologies that face possible legal threats. Katie Dean, *Summit: DMCA Blocks Tech Progress*, Wired News, Feb. 20, 2003, *at* http://www.wired.com/news/digiwood/0,1412,57740,00.html,.

The list of potentially affected markets is endless. Other consumer electronics producers could exert similar control over their aftermarkets. Camera makers could ensure that consumers only bought licensed film—at a hefty markup. If the film canister included an inexpensive microchip, simple code in the camera could prevent consumers from using off-brand film. Similarly, computer manufacturers could prevent consumers from buying keyboards, monitors, or other peripherals from third parties.[8] Mobile phone makers could prevent the use of generic replacement batteries, ring tones, or other products. The entire consumer electronics industry could change to protect the major producers at the expense of consumers and smaller competitors.

Until recently the idea of using the copyright laws to stop toner cartridge remanufacturers from offering competing products seemed improbable,[9] but cases such as the recent *Chamberlain* case show that producers of manufactured goods that include small amounts of operational code are testing how far the courts will expand the DMCA's anti-circumvention provisions. *See The Chamberlain Group, Inc. v. Skylink Technologies, Inc, filed in Dist. Ct N.D.Ill., E.D., on September 11, 2002, CV No. 02 C 6378*. Chamberlain, unlike Lexmark, does not even assert direct or indirect copyright infringement to back up its DMCA claim. *Compare Lexmark*, 2003 U.S. Dist. LEXIS at *73, *with* The Chamberlain Group Inc.'s Amended Complaint, ¶¶ 16-25 available at http://www.eff.org/IP/DMCA/20030114_chamerberlain_v_skylink_amd_complaint.pdf. Chamberlain's claim evidences how far manufacturers will stretch the DMCA to corner product aftermarkets. Successful DMCA claims in either case

[8] These products often already contain bits of computer code; a little additional effort could ensure that the processor could reject a non-brand mouse or set of speakers.

[9] Certainly this use was not envisioned by Congress when passing the DMCA. *See infra*, section II.

could injure consumers by sheltering certain producers from competition and encouraging other producers to act similarly.

As *Chamberlain* and *Lexmark* illustrate, most companies have intense economic incentives to protect their markets from competition. These economic incentives will encourage adoption of the technologies and legal strategies outlined above in other markets, should DMCA claims like Lexmark's succeed. Many successful producers earn brand loyalty through good service, better products, and competitive pricing. Unfortunately, history provides ready examples of companies who would rather force brand loyalty on customers than earn it. *See Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d at ; *qad. inc. v. ALN Assoc., Inc.*, 781 F. Supp. at 564-5; *Morton Salt Co. v. G.S. Suppinger Co.*, 314 U.S. at 491; *United States v. Western Elec. Co.*, 673 F. Supp. at 600-01. Should Lexmark succeed in turning the DMCA into a lever to ensure "loyalty," the long-term effects for consumers would be devastating.

II. SCC'S READING OF THE ANTI-CIRCUMVENTION PROVISIONS ACCORDS WITH THE CONGRESSIONAL INTENT BEHIND THE DMCA: TO PROTECT INTEROPERABILITY, COMBAT DIGITAL PIRACY, AND ENCOURAGE DIGITAL DISTRIBUTION OF CREATIVE CONTENT.

A. The Proper Reading of the DMCA's Anti-Circumvention Provisions and the Interoperability Exception Prevent a Finding for Lexmark.

SCC makes clear in its brief that § 1201(a) of the DMCA does not apply to the interaction of SCC's SmarTek chip with Lexmark's printers as Lexmark's technology does not "control access" to a "work" protected by copyright. Static Control Component, Inc.'s Proof Brief of Appellant (public version) ("P.'s Brief"), 20-21. Copyright law expert Professor Jane Ginsburg, in testimony before the U.S. Copyright Office, concurs that the DMCA does not encompass "circumvention of a technological measure that controls access to a work not protected under this ti-

tle. And if we're talking about ball point pen cartridges, printer cartridges, garage door openers and so forth, we're talking about works not protected under this title." Anti-Circumvention Rulemaking Hearing before the U.S. Copyright Office, May 9, 2003, at 39-40, available at http://www.copyright.gov/1201/2003/hearings/transcript-may9.pdf. This statutory conclusion accords with Congress's intent when passing the DMCA. Congress sought to promote "a thriving electronic marketplace for copyrighted works on the Internet." *See* H.R. Rep. No. 105-551 Part 1, 105th Cong. 2d Sess. at 9-10 (May 22, 1998). Section 1201 protects copyright owners against tools designed to circumvent technical protection measures employed to "protect their works from piracy . . . ." *Universal City Studios, Inc. v. Corley*, 273 F.3d 429, 435 (2d Cir. 2001). Nowhere does the statute or the legislative history mention, let alone express a desire to create, anti-circumvention liability where no independently valuable and creative copyrightable work exists and where the singular purpose of the anti-circumvention device is to prevent interoperability of non-copyrightable goods. The result Lexmark seeks is so far removed from the original intent of Congress that a consult to legislative history is critical to avoid absurd results and unanticipated harms. *See United States v. Pub. Utils. Comm'n of Cal.*, 345 U.S. 295, 315-6 (1953) (stating that "the judiciary may properly use the legislative history to reach a conclusion. . . when the literal words would bring about an end completely at variance with the purpose of the statute.").

SCC also notes that, even if § 1201(a) applied here, § 1201(f)'s interoperability exception prevents Lexmark from thwarting distribution of legitimate, interoperable products. *See* P.'s Brief., 31-2. As Professor Ginsburg reads the statute in regard to the creation of interoperable products containing computer code, "under (a)(1) you could make the independent video game. Under (f)(2) you can use

the independent video game. And I believe under (f)(3) you can distribute to the public the independently generated video game that contains components that circumvents the access control on the operating system of the console." Anti-Circumvention Rulemaking Hearing before the U.S. Copyright Office, May 9, 2003, at 42, available at http://www.copyright.gov/1201/2003/hearings/transcript-may9.pdf. This, too, is in harmony with the legislative history of the DMCA. Congress feared that the consumer benefits resulting from a "thriving electronic marketplace" would be offset by harms caused by abuse of § 1201. *See infra*. Congress was specifically concerned that consumer benefits flowing from the development of interoperable products might be jeopardized unless interoperability was specifically protected. *See* 144 Cong. Rec. E 2136 (daily ed. Oct. 13, 1998) (statement of Rep. Bliley). Rep. Tom Bliley, Chairman of the House Commerce Committee, noted that his committee added the interoperability provisions to help consumers:

> [C]onsumers will enjoy additional benefits if devices are able to interact, and share information. Achieving interoperability in the consumer electronics environment will be a critical factor in the growth of electronic commerce. . . . In the Committee's view, manufacturers, consumers, retailers, and professional servicers should not be prevented from correcting an interoperability problem or other adverse effect resulting from a technological measure causing one or more devices in the home or in a business to fail to interoperate with other technologies.

Id. at E 2138.

B. Applying the DMCA to Lock-Out Codes in Aftermarket Consumer Goods Undermines Congress's Goal of Thwarting Piracy and Encouraging Digital Distribution of Creative Content.

From its very inception, the legislation which developed into the DMCA was aimed primarily at stimulating the creation and distribution of creative digital

content. The World Intellectual Property Organization Copyright Treaty, which was the impetus behind the DMCA, sought to protect the "plethora of works [that] will be distributed and performed over the Internet." H.R. Rep. No. 105-551 Part 1 at 10. Commentators have firmly concluded that combating Internet piracy and encouraging digital distribution of creative works were the primary goals behind § 1201. *See, e.g.*, 3 Melville B. Nimmer, et.al., *Nimmer on Copyright* § 12A.04 (2003); Samuelson & Scotchmer, *Reverse Engineering*, *supra* at 1634-1638. Indeed, Congress was "somewhat repetitious on this point." Burk, *supra* note 6 (manuscript at 55). As the Second Circuit noted: "Fearful [of] the ease with which pirates could copy and distribute a copyrightable work in digital form . . . , Congress sought to combat copyright piracy in its earlier stages, before the work was even copied." *Corley*, 273 F.3d at 435. Lexmark claims its purpose in leveraging the DMCA is to protect its Toner Loading Program, which it alleges is independently valuable for its ability to display a cartridge's level of toner, from piracy. There is significant evidence revealing that Lexmark's claim is disingenuous and that Lexmark's true purpose in leveraging the DMCA is to prevent the interoperability of third-party cartridges with Lexmark printers.

The District Court found the cartridge's first authentication sequence to act as an anti-circumvention device to prevent use of unauthorized copies of the Toner Loading Program. *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 2003 U.S. Dist. LEXIS 3734, 12 (E.D. Ky.). The District Court, however, dismissed substantial evidence that once the first authentication sequence is complete, a second authentication sequence occurs that requires an exact copy of the Toner Loading Program to be on the cartridge's microchip in order for the cartridge to interoperate with the printer. *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 2003 U.S. Dist. LEXIS 3734, 13 (E.D. Ky.). Therefore, there is substantial

evidence that the Toner Loading Program is used by Lexmark in the second authentication sequence as part of a lock-out code for interoperable cartridges and not as copyrightable expression. Precedent protecting innovation and competition permits the reverse engineering and copying of lock-out codes "when there is no other method of access to the computer that is known or readily available to rival cartridge manufacturers." *See Sega Enters. v. Accolade, Inc.*, 977 F.2d at 1514. Computer code necessary to achieve interoperability must be analyzed under 17 USC §102(b) and be excluded from copyright protection under the merger doctrine. *Atari Games Corp. v. Nintendo of America, Inc.,* 1993 WL 207548, 1 (N.D.Cal.).

In passing the DMCA, Congress intended to encourage the distribution of digital content, which increases options for consumers.[10] The Senate Judiciary Committee hoped that § 1201 would "facilitate making available quickly and conveniently via the Internet the movies, music, software, and literary works that are the fruit of American creative genius." S. Rep. No. 105-190, 105th Cong. 2d Sess. at 8 (May 11, 1998). Congress wanted to ensure the "continued growth" of the content industry through these new channels, in the hopes that consumers in the United States and elsewhere would profit along with content owners.[11] *Id.* Enforcement of § 1201 for Lexmark's lock-out code would not open up new markets

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[10] It should be noted that many have questioned the efficacy of the DMCA in meeting this goal. Commentators are concerned that, even in the market for movies, music and other creative content, the anti-circumvention provisions do not allow for many of the traditional liberties provided under traditional copyright law. *See, e.g.,* Dan L. Burk & Julie E. Cohen, *Fair Use Infrastructure for Rights Management Systems*, 15 Harv. J.L. & Tech. 41 (2001); David Nimmer, *A Riff on Fair Use in the Digital Millennium Copyright Act*, 148 U. Pa. L. Rev. 673 (2000); Pamela Samuelson, *Why the Anti-Circumvention Regulations Need to Be Revised*, 14 Berkeley Tech. L.J. 519 (1999); Electronic Frontier Foundation, *Unintended Consequences: Four Years Under the DMCA*, Jan. 9, 2003, *at* http://www.eff.org/IP/DMCA/20030103_dmca_consequences.pdf.

[11] The growth of the digital content sector itself was also a goal of the DMCA. Congress pointed out the value of the industry to the American economy and warned of the economic dangers if digital distribution channels stagnated. *See* H.R. Rep. No. 105-551 Part 2, 105th Cong. 2d Sess. at 22 (July 22, 1998); S. Rep. No. 105-190 at 10.

or increase consumer choice; on the contrary, it would likely to shut down competition in the market for remanufactured cartridges and limit the choices of consumers. Lexmark's claim thus strays from Congressional intent in both the characteristics of the copyrighted work at issue *and* in the goals of the application.[12]

Congress not only lacked any desire to extend anti-circumvention protection to software processes in consumer goods like Lexmark's, but it openly expressed fear that the provision might be abused. "[G]iven the unfortunate proclivity of some in our society to file spurious lawsuits," noted House Commerce Committee Chairman Tom Bliley (D-Va.), "I don't want there to be any misunderstanding about the scope of this legislation, especially the very limited scope of the device provisions in Title I . . . ." 144 Cong. Rec. E 2136 (re-introducing the DMCA legislation to the House floor and describing the import of the limiting amendments and additions—all of which were accepted—made by the Commerce Committee). To give legal voice to such concerns, the Commerce Committee delayed the effective date of the anti-circumvention provisions for two years, § 1201(a)(1)(A), provided a means for the Copyright Office to review the bounds of anti-circumvention to help stop misuse, § 1201(a)(1)(B), and most importantly added specific exceptions to § 1201 to allow for the development of interoperable software and other pro-consumer activities such as educational uses and encryption research. § 1201(d)-(g); *see* discussion of § 1201(f), *supra*. These safeguards and exemptions demonstrate Chairman Bliley's concern: the DMCA should not countenance par-

[12] Even if Lexmark's claim could be sustained based on a literal reading of the statute, such an application would be at odds with the clearly expressed intent of Congress. As the *Lexmark* court noted, legislative history is relevant when "literal application of [the] statute will produce a result demonstrably at odds with the intentions of its drafters." *See Lexmark*, 2003 U.S. Dist. LEXIS * 67-68 (citing *Koenig Sporting Goods, Inc.*, 203 F.3d 986, 988 (6th Cir. 2000)) (brackets in original). Though literal application of § 1201 does not include Lexmark's internal software processes, *see* Df.'s Memo., 15, Congress *also* has evinced an intent contrary to Lexmark's reading of the statute. *See United States v. Ritsema*, 31 F.3d 559, 566-67 (7th Cir. 1994); *Holy Trinity Church v. United States*, 143 U.S. 457, 459 (1892).

ties who file suit under § 1201 to block legitimate competition rather than to protect digital content from piracy. *See* 144 Cong. Rec. E 2136.

In sum, Congress passed the anti-circumvention provisions of the DMCA to combat Internet piracy and to encourage the growth of the digital content industry. *Corley*, 273 F.3d at 435. Lawmakers did not intend, and would wince at the thought of, use of the DMCA to stifle innovation and leverage control over peripheral markets. While consumers can benefit from the availability of digital content encouraged by the DMCA, suits such as Lexmark's reveal that misusing the DMCA is a tempting strategy for some producers. Consumers Union is concerned about the potential harm to consumers from such an overbroad application of the DMCA, and respectfully requests that this Court refuse to accept the overreaching misinterpretation of the statute advanced by Lexmark.

CONCLUSION

For the foregoing reasons, *amicus curiae* Consumers Union respectfully requests that the Court vacate the preliminary injunction against SCC.

Dated: June 30, 2003.

Respectfully Submitted,

By: ___________________________
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CORPORATE DISCLOSURE STATEMENT

Pursuant to L.R. 3.2, *amicus curiae* Consumers Union states that it is a not-for-profit 501(c)(3) corporation. It has no parent corporation and issues no stock.

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CERTIFICATE OF COMPLIANCE

I hereby certify that this brief complies with the limitation set forth in Rule 372(a)(7)(B). It contains 5,560 words, including footnotes.

Dated: June 30, 2003.

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