

INTERMEDIATE DRAFT**EVALUATING THE EXTENSION OF THE DMCA TO DURABLE GOODS AFTERMARKETS:
*LEXMARK INTERNATIONAL, INC. V. STATIC CONTROL COMPONENTS, INC. &
CHAMBERLAIN GROUP, INC. V. SKYLINK TECHNOLOGIES, INC.***

The advent of the Internet brought with it the specter of digital piracy. Infringers had at their disposal an efficient means for replicating and distributing copyrighted works. Concerned by this prospect, content industries, such as software and movie companies, began protecting their works via encryption and other digital techniques.¹ However, these protective measures were subject to circumvention.² The content industries thus requested that the Government create legal protections for their digital protection measures.³

Congress responded by enacting the Digital Millennium Copyright Act (“DMCA”)⁴ in 1998. Among other things, this legislation prohibits the trafficking in devices that circumvent technological measures that “control[] access to a work protected under” the Copyright Act.⁵ But while this broad language functions as the shield that the content industries desired, unrelated industries have wielded it as a sword.⁶

In two recent cases, manufacturers of durable goods used the DMCA in an attempt to stifle competition in the aftermarket setting. In *Lexmark International, Inc. v. Static Control Components, Inc.*,⁷ a laser printer manufacturer sued a supplier of toner cartridge refurbishing

¹ See Peter S. Menell, *Envisioning Copyright Law's Digital Future*, 46 N.Y.L. SCH. L. REV. 63, 134 (2003).

² See INFORMATION INFRASTRUCTURE TASK FORCE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS, INTELLECTUAL PROPERTY RIGHTS AND THE NATIONAL INFORMATION INFRASTRUCTURE 230 (Sept. 1995), at <http://www.uspto.gov/web/offices/com/doc/ipnii/ipnii.pdf> (“technology can be used to defeat any protection that technology may provide”).

³ See Menell, *supra* note 1 at 133.

⁴ Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified in scattered sections of 5, 17, 28, and 35 U.S.C.).

⁵ 17 U.S.C. § 1201(a)(1)(A) (2002).

⁶ See Dan Burk, *Anticircumvention Misuse*, 50 UCLA L. REV. 1095, 1135-36 (2003).

⁷ 253 F. Supp. 2d 943 (E.D. Ky. 2003).

equipment under the DMCA, seeking to enjoin the manufacture and marketing of a microchip that enabled unauthorized toner cartridges to work in the plaintiff's printers by circumventing an authentication sequence. Similarly, in *Chamberlain Group, Inc. v. Skylink Technologies, Inc.*,⁸ a garage door opener manufacturer invoked the DMCA in an attempt to prevent a competing company from selling replacement transmitters.

This Note explores the legitimacy of these new applications of the DMCA's anticircumvention provisions. Parts I and II outline the legal and economic contexts, respectively, in which these new cases arise. Part III details the *Lexmark* and *Chamberlain* cases, both of which diverge from the archetypal application of the DMCA, yet represent an unsurprising extension of the Act based on the economics of aftermarkets. Part IV evaluates whether the DMCA should be revised in order to prevent this seemingly unintended application. This Note concludes that no such revision is necessary.

I. LEGAL BACKGROUND

It is necessary to first describe the legal landscape in which the *Lexmark* and *Chamberlain* cases lie in order to later demonstrate their apparent incongruity. This section shows that the development of the DMCA's anticircumvention provisions and their subsequent application in the courts deal almost exclusively with the interests of content industries, such as movie studios, book publishers, and recording agencies.

A. Development of the DMCA's Anticircumvention Provisions

In 1993, the Clinton Administration assembled the Information Infrastructure Task Force to contend with the effects of emerging digital technologies on intellectual property.⁹ The task

⁸ 2003 WL 22038638 (N.D. Ill. 2003).

⁹ S. REP. NO. 105-190, at 2 (1998).

force conducted hearings at which content industries played a dominant role.¹⁰ It then issued the White Paper—a report that proposed drastic changes to the Copyright Act.¹¹ One proposed change, which was chiefly inspired by the motion picture industry,¹² would have outlawed copyright infringement-enabling devices.¹³ This proposal was prompted by the fear that digital piracy would dissuade content industries from marketing their products over the Internet.¹⁴ The 104th Congress considered the legislative suggestions set forth in the White Paper, but was unable to agree on their implementation.¹⁵

Shortly after the White Paper failed domestically, its proposals resurfaced in an international setting. At the 1996 diplomatic conference held by the World Intellectual Property Organization (WIPO) in Geneva, the United States proposed an anticircumvention measure similar to that found in the White Paper; if digital piracy in the U.S. was a concern to national lawmakers, it was equally troubling on a worldwide scale due to the global reach of the Internet.¹⁶ U.S. content industries also played a large part at this international stage.¹⁷

¹⁰ *Id.* See also JESSICA LITMAN, DIGITAL COPYRIGHT 90-95 (2001).

¹¹ See Pamela Samuelson, *The Copyright Grab* (Jan. 1996), at http://www.wired.com/wired/archive/4.01/white.paper_pr.html.

¹² See Pamela Samuelson, *The U.S. Digital Agenda at WIPO*, 37 VA. J. INT'L L. 369, 410 (1997).

¹³ See INFORMATION INFRASTRUCTURE TASK FORCE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS, INTELLECTUAL PROPERTY RIGHTS AND THE NATIONAL INFORMATION INFRASTRUCTURE, app. 1 at 6 (Sept. 1995), available at <http://www.uspto.gov/web/offices/com/doc/ipnii/ipnii.pdf>. The proposed legislation reads:

No person shall import, manufacture or distribute any device, product, or component incorporated into a device or product, or offer or perform any service, the primary purpose or effect of which is to avoid, bypass, remove, deactivate, or otherwise circumvent, without the authority of the copyright owner or the law, any process, treatment, mechanism or system which prevents or inhibits the violation of any of the exclusive rights of the copyright owner under section 106.

Id.

¹⁴ *Id.* at 10.

¹⁵ S. REP. NO. 105-190, at 4 (1998).

¹⁶ See Samuelson, *supra* note 12, at 410-14.

¹⁷ See David Nimmer, *Time and Space*, 38 IDEA 501, 508-10 (1998) (stating that a disproportionate number of non-governmental organizations at the WIPO convention were of U.S. origin, and that the “world of copyright is now dancing to an American tune”); see also WIPO, Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, List of Participants, 55-66, <http://www.wipo.org/documents/en/diplconf/distrib/msword/inf2.doc>.

The U.S. measure as proposed failed, but less-imposing provisions were adopted in both the WIPO Copyright and WIPO Performances and Phonograms Treaties.¹⁸ These provisions merely required that participating countries “provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures” used to protect copyrighted works.¹⁹ A fundamental goal of the WIPO treaties was “to maintain a balance between the rights of authors and the larger public interest.”²⁰

Although U.S. copyright law already provided sufficient protection and remedies to satisfy the low standards adopted in the two WIPO treaties, the content industry lobbied for further action.²¹ Congress thus considered legislation for implementing the treaties that included more expansive anticircumvention provisions than those proposed in the White Paper.²² These provisions were eventually enacted as part of the DMCA, and were intended to “create the legal platform for launching the global digital online marketplace for copyrighted works.”²³

B. The DMCA Anticircumvention Provisions: § 1201

Congress crafted the DMCA anticircumvention measures as a set of blanket prohibitions tempered by several narrow exceptions. The primary prohibition set forth in § 1201 is against the act of circumventing “a technological measure that effectively controls access to a work

¹⁸ See Samuelson, *supra* note 12, at 414-15.

¹⁹ WIPO Copyright Treaty, art. 11, adopted Dec. 20, 1996, at <http://www.wipo.int/clea/docs/en/wo/wo033en.htm>; WIPO Performances and Phonograms Treaty, art. 18, adopted Dec. 20, 1996, at <http://www.wipo.int/clea/docs/en/wo/wo034en.htm>.

²⁰ WIPO Copyright Treaty, preamble, adopted Dec. 20, 1996, at <http://www.wipo.int/clea/docs/en/wo/wo033en.htm>; WIPO Performances and Phonograms Treaty, preamble, adopted Dec. 20, 1996, at <http://www.wipo.int/clea/docs/en/wo/wo034en.htm>.

²¹ See, e.g., Pamela Samuelson, *Intellectual Property and the Digital Economy: Why the Anti-Circumvention Regulations Need to Be Revised*, 14 BERKELEY TECH. L.J. 519, 530-34 (1999) (“The U.S. could have asserted that its law already complied with the WIPO treaty’s anti-circumvention norm.... Clinton Administration officials, bowing to the wishes of Hollywood and its allies, opted instead to support an unpredictable, overbroad, and maximalist set of anti-circumvention provisions.”). *But see* 3 NIMMER ON COPYRIGHT § 12A.01 (2002) (stating that the *Sony* standard for legalizing technologies “capable of a commercially significant noninfringing use” gave insufficient protection under the WIPO treaties, thus requiring the U.S. to adopt new legislation).

²² See Samuelson, *supra* note 21, at 531-34; see also Pamela Samuelson & Suzanne Scotchmer, *The Law and Economics of Reverse Engineering*, 111 YALE L.J. 1575, 1634 (2002).

²³ S. REP. NO. 105-190, at 2 (1998).

protected under [the Copyright Act].”²⁴ This prohibition creates a new right in a copyrighted work: the right of access.²⁵ In explaining this right, Congress adopted the analogy of breaking into a locked room to obtain a copy of a book; it is the act of breaking in, rather than the subsequent use of the book, that is prohibited.²⁶ As this right is independent of the rights that inhere in the copyrighted work itself, some have dubbed it “paracopyright.”²⁷

The statute further defines the language of this first prohibition: “to ‘circumvent a technological measure’ means to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure without the authority of the copyright owner.”²⁸ The statute also clarifies what is meant for a technological measure to “effectively control[] access to a work,” again emphasizing the need for the copyright owner’s authority.²⁹ However, the Act is silent on the meaning of “access,” which is the central word of the provision.³⁰

The DMCA further prohibits the trafficking of tools used to circumvent two different classes of technological measures: those that control access to a copyrighted work—namely, those that protect paracopyright—and those that protect “a right of a copyright,” such as the right to reproduce or distribute.³¹ Software that provides access to password-protected computer files exemplifies the first category of prohibited tools; software that defeats the new “copy-protection”

²⁴ 17 U.S.C. § 1201(a)(1)(A) (2000).

²⁵ See Jane C. Ginsburg, *Copyright Legislation for the “Digital Millennium”*, 23 COLUM.-VLA J.L. & ARTS 137, 140-43 (1999).

²⁶ See H.R. REP. NO. 105-551, pt. 1, at 17 (1998).

²⁷ See 3 NIMMER ON COPYRIGHT § 12A.18[B], at 12A-186 (2002).

²⁸ 17 U.S.C. § 1201(a)(2)(A) (2000).

²⁹ *Id.* § 1201(a)(2)(B) (“a technological measure ‘effectively controls access to a work’ if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work.”).

³⁰ See *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 253 F. Supp. 2d 943, 967 (E.D. Ky. 2003); LITMAN, *supra* note 10, at 144; Samuelson & Scotchmer, *supra* note 22, at 1643-44.

³¹ 17 U.S.C. § 1201(a)(2), (b) (2000).

feature on some music CDs exemplifies the second.³² For either category, the Act dictates that “[n]o person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof” that “is primarily designed or produced for the purpose of circumventing,” “has only limited commercially significant purpose or use other than [] circumvent[ing],” or is marketed for circumventing a technological protection measure.³³

Section 1201 contains seven highly specific exceptions to both the access and anti-trafficking prohibitions, and the scope of the exceptions varies between the two forms of prohibition.³⁴ In general, there are limited exceptions for libraries and law enforcement agencies, for reverse engineering, encryption research, and security testing activities, and for the protection of both minors and personal privacy.³⁵ Furthermore, the DMCA instructs the Librarian of Congress to periodically conduct rulemaking proceedings to determine which legitimate activities are adversely affected by the prohibition on access control circumvention set forth in § 1201(a)(1)(A).³⁶

³² See ELECTRONIC FRONTIER FOUNDATION, UNINTENDED CONSEQUENCES: FIVE YEARS UNDER THE DMCA 2 (Sept. 24, 2003), at http://www.eff.org/IP/DRM/DMCA/unintended_consequences.pdf.

³³ 17 U.S.C. § 1201(a)(2), (b) (2000).

³⁴ See Burk, *supra* note 6, at 1104-05.

³⁵ 17 U.S.C. § 1201(d)-(j).

³⁶ *Id.* at § 1201(a)(1)(C)-(E). On October 28, 2003, the Librarian of Congress announced the results of the second rulemaking proceeding. The four additional classes of works that will be subject to exemption from the prohibition in § 1201(a)(1)(A) through October 27, 2006 are:

- (1) Compilations consisting of lists of Internet locations blocked by commercially marketed filtering software applications that are intended to prevent access to domains, websites or portions of websites, but not including lists of Internet locations blocked by software applications that operate exclusively to protect against damage to a computer or computer network or lists of Internet locations blocked by software applications that operate exclusively to prevent receipt of email.
- (2) Computer programs protected by dongles that prevent access due to malfunction or damage and which are obsolete.
- (3) Computer programs and video games distributed in formats that have become obsolete and which require the original media or hardware as a condition of access. A format shall be considered obsolete if the machine or system necessary to render perceptible a work stored in that format is no longer manufactured or is no longer reasonably available in the commercial marketplace.
- (4) Literary works distributed in ebook format when all existing ebook editions of the work (including digital text editions made available by authorized

C. Cases Interpreting § 1201

Few courts have interpreted the anticircumvention provisions of the DMCA since its enactment in 1998. However, all cases brought under § 1201 prior to *Lexmark* involved content industries,³⁷ and were thus the type of case contemplated by Congress when enacting the DMCA. This section briefly outlines these pre-*Lexmark* cases.

*Sony Computer Entertainment America Inc. v. GameMasters*³⁸ is the first published case that interprets § 1201. In this case, the plaintiff company manufactured PlayStation video game consoles designed to operate only when encrypted data on a game CD verified that both the game and console were licensed for the same geographical region.³⁹ The defendant's product allowed PlayStation owners to bypass the authentication process and to play games from other geographical regions.⁴⁰ The court determined that this activity constituted the circumvention of a technological measure designed to control access to copyrighted works, and issued an injunction.⁴¹

In *RealNetworks, Inc. v. Streambox, Inc.*,⁴² the plaintiff offered software to consumers that enabled Internet streaming of audio and video files encoded in a special digital format.⁴³

entities) contain access controls that prevent the enabling of the ebook's read-aloud function and that prevent the enabling of screen readers to render the text into a specialized format.

See Rulemaking on Exemptions from Prohibition on Circumvention of Technological Measures that Control Access to Copyrighted Works, at <http://www.copyright.gov/1201>.

³⁷ However, in *PortionPac Chemical Corp. v. Sanitech Systems, Inc.*, 210 F. Supp. 2d 1302 (M.D. Fla. 2002), the plaintiff, a food sanitation service provider, alleged that the defendant, also a food sanitation provider, had violated the DMCA anticircumvention provisions. The details of this case are sparse, mainly because the court sustained the defendant's motion to dismiss the DMCA claim: "After looking at the sparse case law on the DMCA, and considering the legislative history behind the Act, the Court finds that the *Digital Millennium Copyright Act* does not allow a cause of action for Plaintiff's claim. As the Fourth Circuit pointed out, '[t]he DMCA was enacted ... to preserve copyright enforcement in the Internet.'" *Id.* at 1311-12 (emphasis in original) (citation omitted). This case lends further support to the proposition that the DMCA should not be extended beyond its intended purpose. *See infra*, Part IV.

³⁸ 87 F. Supp. 2d 976 (N.D. Cal. 1999).

³⁹ *Id.* at 980.

⁴⁰ *Id.* at 987.

⁴¹ *Id.* at 987, 989-91.

⁴² 2000 WL 127311 (W.D. Wash. 2000).

Defendants marketed software that bypassed a “secret handshake” authentication sequence required for accessing these files, and further permitted users to make unauthorized copies of the files.⁴⁴ The court determined that the plaintiff was likely to prevail under both of the anti-trafficking provisions of the DMCA, and issued an injunction.⁴⁵

In *Universal Studios, Inc. v. Corley*,⁴⁶ a group of eight motion picture studios sought to enjoin Internet web site owners from posting a computer program known as DeCSS.⁴⁷ This program circumvented CSS, which is the encryption system that protects digital versatile disks (DVDs).⁴⁸ The studios were concerned that DeCSS opened the way for digital pirates to make and distribute unauthorized copies of their movies over the Internet.⁴⁹ The Second Circuit upheld an injunction based on the legal finding that DeCSS violated the anti-trafficking provisions of the DMCA.⁵⁰

*United States v. Elcom Ltd.*⁵¹ represents the first criminal case brought under the DMCA pursuant to § 1204.⁵² ElcomSoft, the defendant company, marketed software used for removing copying and distribution restrictions from digitally formatted books, or “ebooks.”⁵³ The government contended that the marketing of such software violated the anti-trafficking provision

⁴³ *Id.* at *1. “Streaming” refers to the distribution of an audio or video clip in a format that leaves no trace of the clip on the receiving computer, unless the content owner has additionally permitted downloading. *Id.*

⁴⁴ *Id.* at *4.

⁴⁵ *Id.* at *12.

⁴⁶ 273 F.3d 429 (2d Cir. 2001)

⁴⁷ *Id.* at 435-36.

⁴⁸ *Id.* at 436-38. CSS is short for “Content Scramble System.” *Id.* at 436.

⁴⁹ *See id.* at 438.

⁵⁰ *Id.* at 460.

⁵¹ 203 F. Supp. 2d 1111 (N.D. Cal. 2002).

⁵² 17 U.S.C. § 1204(a)(1)-(2) (2000) (“(a) In General. — Any person who violates section 1201 or 1202 willfully and for purposes of commercial advantage or private financial gain — (1) shall be fined not more than \$500,000 or imprisoned for not more than five years, or both, for the first offense; and (2) shall be fined not more than \$1,000,000 or imprisoned for not more than 10 years, or both, for any subsequent offense.”)

⁵³ 203 F. Supp. 2d 1111, 1118-19 (N.D. Cal. 2002).

in § 1201(b) of the DMCA.⁵⁴ Many saw this as a prime example of the type of case for which the DMCA was enacted.⁵⁵ Nonetheless, a jury ultimately acquitted the defendant.⁵⁶

All of these cases have the common feature of protecting content industry products—video games, music files, videos, and books are all goods whose value lies in the copyrighted content they contain. In contrast, the *Lexmark* and *Chamberlain* cases involve durable goods products whose value is independent of any ancillary, copyrighted software they may contain. The background provided in the next section demonstrates why manufacturers are using the DMCA in this latter, and likely unintended context.

II. ECONOMIC BACKGROUND: DURABLE GOODS AFTERMARKETS

Durable goods are products that “yield a flow of services into the future” or that “can be used over and over again,” such as washing machines, automobiles, laser printers, or garage door openers.⁵⁷ The goods or services supplied for a durable good after its initial sale constitute the aftermarket for that product.⁵⁸ Durable goods manufacturers thus focus on the full lifecycle of a product when determining its pricing and profitability, evaluating both the initial and aftermarket sales.⁵⁹

Many durable goods manufacturers depend on the aftermarkets of their products to turn a profit, and are thus highly protective of them.⁶⁰ These manufacturers sell primary products, such

⁵⁴ *Id.* at 1119.

⁵⁵ See Lisa M. Bowman, *ElcomSoft Verdict: Not Guilty*, Dec. 17, 2003, available at <http://news.com.com/2100-1023-978176.html>.

⁵⁶ *Id.* (“Some lawyers speculated that the jury might have been rendering an opinion on the law itself, as well as on the strict legality of ElcomSoft’s activities. ‘The jury has the flexibility to think about (ElcomSoft’s motives) and essentially nullify the law if they think it is overreaching,’ said Jefferson Scher, a partner at Carr & Ferrell. ‘I think there’s a little O.J. factor if they decided that the law shouldn’t be read as strictly as it seems to read.’”)

⁵⁷ See Michael S. Jacobs, *Market Power Through Imperfect Information: The Staggering of Eastman Kodak Co. v. Image Technical Services and a Modest proposal for Limiting Them*, 52 MD. L. REV. 336, 364 (1993).

⁵⁸ See Carl Shapiro, *Aftermarkets and Consumer Welfare: Making Sense of Kodak*, 63 ANTITRUST L.J. 483, 485-86 (1995).

⁵⁹ See CARL SHAPIRO & HAL R. VARIAN, *INFORMATION RULES: A STRATEGIC GUIDE TO THE NETWORK ECONOMY* 118-21 (1999).

⁶⁰ See *id.* at 118-19.

as laser printers, at or below cost in order to attract customers, then inflate the prices of aftermarket goods or services, such as replacement ink cartridges for those printers, in order to make their primary sales profitable.⁶¹ When the aftermarket costs imposed on consumers are less than the “switching costs” required for consumers to transfer to a different primary product, the consumer is “locked-in” to both the original durable good and its aftermarket.⁶² Such lock-in pricing strategies fail if competitors in the aftermarket drive down prices and capture a significant market share.⁶³ Thus, primary goods manufacturers seek to exclude aftermarket rivals, sometimes in violation of antitrust laws.⁶⁴

Where primary goods manufacturers have intellectual property rights in aftermarket products, they may legally exercise their right to exclude in order to curtail aftermarket competition. For example, patentees have the right to prevent others from making, using, or offering to sell their patented products.⁶⁵ Hewlett-Packard, the largest manufacturer of computer printers in the U.S.,⁶⁶ vigorously defends the aftermarket for its printers by exerting this patent right in an effort to prevent third parties from remanufacturing, refurbishing, refilling, and reselling its patented ink cartridges.⁶⁷

III. CASES EXTENDING THE DMCA

⁶¹ See Legal Battle Could Determine Future Price of Printer Cartridges, USA Today, Jan. 29, 2003, at http://www.usatoday.com/tech/news/techpolicy/2003-01-29-printer-battle_x.htm.

⁶² See CARL SHAPIRO & HAL R. VARIAN, INFORMATION RULES: A STRATEGIC GUIDE TO THE NETWORK ECONOMY 103-04 (1999).

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⁶⁴ See, e.g., Eastman Kodak Co. v. Image Technical Servs., Inc., 504 U.S. 451; see also many other articles that I have and accompanying cases.

⁶⁵ 35 U.S.C. § 271 (2000).

⁶⁶ See Declan McCullagh, *Toner Firm Gets Key Support in DMCA Spat*, Oct. 29, 2003, Cnet News, at <http://news.com.com/2100-1028-5099112.html>.

⁶⁷ See *Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445 (Fed. Cir. 1997); several others.

It is unsurprising that Lexmark, the second-largest printer manufacturer in the U.S.,⁶⁸ would attempt to control the aftermarkets for its printers in a similar way—using the new exclusionary rights granted by the DMCA anticircumvention provisions to prevent third party competition in the toner cartridge refurbishing industry. This action also paved the way for other durable goods manufacturers to attempt to extend the DMCA’s reach.

A. Lexmark International, Inc. v. Static Control Components, Inc.

1. Background

The plaintiff company, Lexmark International, Inc. (“Lexmark”), is a major competitor in the laser printer industry. In 1997, Lexmark instituted a new marketing strategy known as the Prebate program whereby consumers could obtain an up-front rebate on laser printer toner cartridges through a shrinkwrap agreement that required consumers to return used cartridges to Lexmark for remanufacturing.⁶⁹ In order to ensure consumer compliance with the terms of this agreement, Lexmark began installing microchips on Prebate cartridges that would cause printers to malfunction when the cartridges were refurbished by someone other than Lexmark.

In early 2001, Lexmark introduced a new line of microchips for Prebate cartridges used in its T520/522 and T620/622 printers. These chips contained copyrighted software known as the Toner Loading Program that monitored the amount of toner remaining in a cartridge. The printers themselves contained copyrighted software known as the Printer Engine Program that controlled various printer operations, such as paper movement and motor control. The

⁶⁸ See Declan McCullough, *Toner Firm Gets Key Support in DMCA Spat*, Oct. 29, 2003, Cnet News.

⁶⁹ The shrinkwrap agreement that Lexmark placed on each Prebate cartridge box read: “RETURN EMPTY CARTRIDGE TO LEXMARK FOR REMANUFACTURING AND RECYCLING. Please read before opening. Opening this package or using the patented cartridge inside confirms your acceptance of the following license/agreement. This all-new cartridge is sold at a special price subject to a restriction that it may be used only once. Following this initial use, you agree to return the empty cartridge to Lexmark for remanufacturing and recycling. If you don’t accept these terms, return the unopened package to your point of purchase. A regular price cartridge without these terms is available.”

functioning of either program first required the successful completion of an authentication sequence between a microchip and printer.

The defendant, Static Control Components, Inc. (“SCC”), manufactures, among other things, component parts for refurbished toner cartridges. By October of 2002, SCC had developed the Smartek microchip for use with remanufactured Prebate cartridges. This microchip mimicked the authentication sequence to allow interoperability between Lexmark printers and Prebate cartridges refurbished by unauthorized parties. Although SCC had independently reverse engineered and determined how to bypass the authentication sequence, it made wholesale copies of the Toner Loading Program on its Smartek chips.⁷⁰

On December 30, 2002, Lexmark brought suit and moved for a preliminary injunction against SCC. Lexmark claimed that SCC’s Smartek chips infringed its copyright in the Toner Loading Programs, and that distribution of the chips violated the § 1201(a)(2) anti-trafficking provision of the DMCA. The court held an evidentiary hearing on February 7, 2003, and issued the requested injunction on February 27, 2003.

2. Analysis

The district court first concluded that Lexmark’s claim to copyright infringement was likely to prevail on the merits. Prior to filing suit, Lexmark had obtained a Certificate of Registration from the Register of Copyrights for its Toner Loading Program. This constituted *prima facie* evidence of copyright validity which SCC was unable to rebut. The finding of validity, coupled with SCC’s admission that it had made wholesale copies of the program on its Smartek chips, led to the court’s ruling of infringement. SCC raised the defense of copyright misuse, contesting Lexmark’s use of copyright to secure an exclusive right in the aftermarket for

⁷⁰ This is according to the District Court’s finding of fact, which is in dispute. See Report on Rulemaking Proceeding.

durable goods that copyright law does not expressly grant. But the court rejected this defense, holding that copyright law *does* provide for such rights under the DMCA.

The court then determined that Lexmark's claims under the DMCA were also likely to prevail on the merits. The court began its interpretation of the Act by stating that the plain meaning of the statutory language is clear and therefore any appeal to legislative history would be inappropriate. After quoting the § 1201(a)(2) anti-trafficking provision and its accompanying definitions provided in § 1201(a)(3)(A)-(B), the court noted that the term "access" is nowhere defined in the statute and thus the customary, dictionary meaning of the term would apply, namely, the "ability to enter, to obtain, or to make use of."

Thus interpreting the statute in a strictly textual manner, the court concluded that the Smartek microchips violated each of the three alternative tests for liability under § 1201(a)(2) with respect to both the Toner Loading and Printer Engine Programs. The court determined that the authentication sequence constituted a "'technological measure' that 'controls access' to a copyrighted work." Indeed, the sequence "controls access" to two different copyrighted works because a proper authentication sequence is necessary for a printer owner to "make use of" both the Toner Loading and Printer Engine Programs. The court emphasized that Lexmark, the copyright owner of the programs, did not authorize the Smartek chips to access the programs. Thus the Smartek chips violated § 1201(a)(2)(1)-(3) because (1) SCC specifically developed the chips to circumvent, (2) the chips had no commercial purpose other than to circumvent, and (3) SCC marketed the chips for their ability to circumvent Lexmark's authentication sequence.

Turning to SCC's defenses, the court again remarked that the clarity of the language of the DMCA prevented any consideration of the congressional intent behind the Act. The court rejected SCC's assertion that the drafters of the DMCA were only concerned with preventing

digital piracy, and thus had not intended such an expansive application of the statute. According to the court, the § 1201(b) ban on tools used to infringe copyrights is sufficient to prevent digital piracy, thus SCC's restricted reading of the DMCA would render the ban on tools used for access in § 1201(a)(2) "mere surplusage." The court further stated that, as drafted, the DMCA is not limited to copyrighted works that have independent market value, such as books, CD's, and motion pictures. Rather, any work entitled to protection under the Copyright Act is privy to the DMCA's anticircumvention provisions.

The court concluded that the reverse engineering exception under § 1201(f) did not apply to the Smartek microchips because they contained verbatim copies of the Toner Loading Program. Section 1201(f) permits the marketing of access-circumventing devices "solely for the purpose of enabling interoperability of an independently created computer program with other programs." Although the Smartek chips contained independently created software that mimicked the authentication sequence, the Toner Loading Program itself was copied, and therefore not "independently created."

B. Chamberlain Group, Inc. v. Skylink Technologies, Inc.

1. Background

The plaintiff, Chamberlain Group, Inc. ("Chamberlain"), is the leading manufacturer of garage door openers (GDOs) in the U.S. GDOs typically consist of a garage-based receiver and a transmitter that emits a signal of a fixed digital code to activate the system. Chamberlain developed a new "Security+" line of GDOs that continually alters the activation code—a system known as "rolling code." According to Chamberlain, this system prevents burglars from recording transmitted signals for later retransmission and unauthorized garage access. In this system, copyrighted software within the transmitter encodes the transmitted signal with both a

fixed identification number and a variable number that changes by a factor of three with each use. Copyrighted software within the receiver determines whether the variable portion of a signal falls within an acceptable forward range of values, or “forward window,” and if so, operates the garage door. If the signal falls within the “rear window” of previously-used values, the garage door will not operate.

Chamberlain included a failsafe measure in its software to ensure that the GDO would operate even if a user inadvertently pressed the transmitter button enough times to advance the rolling code past the upper range of the forward window. This process, called “resynchronization,” requires the user to depress the button a second time after a failed first attempt. The receiver software compares the two values received in sequence, and operates the GDO if the variable values are separated by a factor of three.

The defendant, Skylink Technologies, Inc. (“Skylink”), markets and distributes GDO components. Skylink sold a universal transmitter capable of operating many different GDOs, including Chamberlain’s Security+ line. Rather than using rolling code software in its transmitter, Skylink exploited the resynchronization process to operate Chamberlain’s GDOs. Chamberlain claimed that by circumventing the rolling code technology, thereby gaining access to the copyrighted software in the receivers that operated the GDOs, Skylink’s universal transmitters violated § 1201(a)(2) of the DMCA. The court denied Chamberlain’s motion for summary judgment on its DMCA claim on August 29, 2003, but invited Skylink to file for summary judgment. The court granted Skylink’s motion on November 13, 2003.

2. Analysis

Which opinion should I focus on? Both?

IV. DISCUSSION

Application of the DMCA to durable goods aftermarkets raises concerns for the aftermarket industry as a whole.⁷¹ For example, the Automotive Aftermarket Industry Association fears that the *Lexmark* decision could prompt automobile manufacturers such as Ford to program copyrighted software to lock out unauthorized brake shoes, air filters, or other replacement parts, thereby jeopardizing the multi-billion dollar independent automotive aftermarket industry.⁷² Based on *Chamberlain*, such a marketing strategy may be legally enforceable insofar as the manufacturers employ shrinkwrap agreements that give notice to customers that only authorized replacement parts are permitted. A reexamination of the DMCA itself and the possible availability of the equitable doctrine of misuse in the anticircumvention regime indicate that such fears may be unwarranted.

A. Legislative Intent

Although the *Lexmark* court properly started its analysis of the DMCA anticircumvention provisions with the text of the statute itself, it is evident from the legislative history of the Act that Congress did not intend for the result that was reached, or at the very least did not consider all of the consequences of the language it used.⁷³ Perhaps, then, a form of statutory interpretation other than textualism should be used for the anticircumvention provisions.

Textualism is a limited strategy for statutory interpretation.⁷⁴ Language that appears clear on its face may actually be more nuanced when cast in the light of legislative history. Thus, while the *Lexmark* court repeatedly referred to the statutory language as “unambiguous” and

⁷¹ See James E. Guyette, *Aftermarkets Urged to Challenge ‘Intellectual Property’ Ruling*, Oct. 14, 2003, *Aftermarket Business*.

⁷² See Motion of Automotive Aftermarket Industry Association, *Lexmark International, Inc. v. Static Control Components, Inc.*

⁷³ Burk

⁷⁴ Eskridge & Frickey

“clear,” many copyright scholars who closely followed the protracted development and adoption of the provisions find the exact opposite to be true. For example, Pamela Samuelson stated that “the anti-device provisions of the DMCA are *highly ambiguous* and overbroad,”⁷⁵ and David Nimmer suggested that the DMCA “require[s] its vast apparatus of historical material simply in order to be comprehensible.” Such statements seem to justify an appeal to the legislative history to determine whether Congress intended the DMCA to apply to durable goods aftermarket.

The legislative history strongly indicates that Congress’ purpose in enacting the anticircumvention provisions was to proscribe digital piracy while preserving legitimate competition. The first evidence of this fact is that Congress stated that its intent in adopting the provisions to bring U.S. law into compliance with the WIPO Treaties. Thus the policies that explicitly shaped the treaties also implicitly molded the DMCA. The main objective of the technological devices articles in the two treaties was to prevent digital piracy while preserving the rights of the public at large.

Congress also explicitly stated its objectives in enacting the provisions. The objective behind the DMCA is “to make digital networks safe places to disseminate and exploit copyrighted materials.” In the hundreds of pages of legislative history, this objective is repeatedly mentioned; the purpose of the DMCA is to prevent digital piracy of copyrighted materials.⁷⁶ Consistent with this purpose, the anti-tracking provisions were “drafted carefully to target ‘black boxes’ and to ensure that legitimate multipurpose devices can continue to be made

⁷⁵ Samuelson, DMCA needs to be revised, emphasis added. See also David Nimmer: “without the context that legislative history furnishes, the already impenetrable language of the Digital Millennium Copyright Act would become utterly unfathomable.” Burk, footnote, wondered if Congress knew what they were doing.

⁷⁶ “Due to the ease with which digital works can be copied and distributed worldwide virtually instantaneously, copyright owners will hesitate to make their works readily available on the Internet without reasonable assurance that they will be protected against massive piracy.”

or sold.... This provision is designed to protect copyright owners, and simultaneously allow the development of technology.”

Because Congress only intended to target piracy, it would have been desirable for Congress to merely ban circumvention and then let the courts carve out exceptions. This is how the fair use doctrine developed; it was initially a common law doctrine that was later codified as § 107 of the Copyright Act. However, by adopting specific exceptions to the anticircumvention provisions, Congress created a presumption that any action not listed in the seven statutory exceptions is a violation of § 1201. Pamela Samuelson suggested that Congress should have included a general purpose “or other legitimate reasons” exception because the seven exceptions built into the statute do not exhaust the legitimate reasons to bypass access controls.⁷⁷ The highly specific nature of the exceptions makes it hard to interpret the list as merely illustrative, rather than exhaustive.

Despite the problems associated with statutory interpretation, courts should come to a different conclusion than did the *Lexmark* court if applying the statutory principles purposivism or intentionalism...

B. Statutory and Librarian of Congress Exceptions

Congress anticipated that certain acts of circumvention not enumerated in the statute would be permissible, and thus provided for rulemaking proceedings. However, any exception adopted by the Librarian of Congress would be insufficient to protect activities such as SCC’s or Skylink’s since the exceptions only apply to § 1201(a)(1). Even if a certain use is exempt from liability under § 1201(a)(1), a manufacturer would still be precluded from trafficking in a device that falls under the exemption.

⁷⁷ Litman also has presumption idea, Burk says that it is a foolish thing to give blanket prohibition and then carve out exceptions because Congress not likely to think of all legitimate circumventions.

Despite this fact, SCC proposed three new exemptions during the last round of rulemaking proceedings. The most general of these exemptions was for “[c]omputer programs embedded in a machine or product and that control the operation of a machine or product connected thereto, but that do not otherwise control the performance, display or reproduction of copyrighted works that have an independent economic significance.” This exemption touches on the most apparent difference between the works Congress intended to protect under the DMCA and the durable goods in *Lexmark* and *Chamberlain*, namely, that the copyrighted programs used in durable goods are not independently marketable. As the *Lexmark* court noted, the statutory language does not make a distinction based on independent marketability, and thus a literal application of the statute applies to all copyrighted works.

The Copyright Office concluded that no exception was necessary for these forms of copyrighted works. Interoperability of aftermarket goods with primary goods can be achieved through § 1201(f), so long as aftermarket manufacturers do not engage in copyright infringement. Furthermore, § 1201(f) permits the distribution of the aftermarket devices. SCC saw the Copyright Office’s opinion as a victory. Thus the DMCA already contains a provision that limits an expansive application.

C. Misuse

Both *Lexmark* and *Chamberlain* courts focused on the license agreements, or lack thereof, between manufacturers and consumers. One lawyer noted that the *Chamberlain* case may have been decided differently if a shrinkwrap agreement had accompanied the Security+ GDOs. While courts have settled the issue of whether such shrinkwrap agreements are lawful in

the context of copyright law generally,⁷⁸ this same issue is unsettled in the context of the new anticircumvention provisions.

As seen in *Lexmark*, the copyright misuse defense is unlikely to prevail in DMCA cases. It is for this reason a legal scholar has proposed that the equitable misuse defense be extended to the anticircumvention provisions. Misuse applies where the ends to which a right, such as paracopyright, is put exceeds the reasonable grant of the right. Based on the prior evaluation of the legislative intent behind the DMCA, it is apparent that the anticircumvention measures were intended to protect independently marketable copyrighted works. Extending the anti-circumvention measures into the realm of durable goods, where the copyrighted software is only ancillary to a product's desirability, can be classified as a misuse. Therefore, creating contracts that restrict the types of toner cartridges or GDO transmitters a consumer may use may be improper leveraging of the paracopyright right.

IV. Conclusion

Congress adopted the DMCA anticircumvention provisions with the intent of defending copyright industries from digital piracy. Initial cases brought under the DMCA fit into this rubric well. Recognizing in the provisions the potential to exclude competition in the aftermarket, primary goods manufacturers took the DMCA on the offensive. Such application of the DMCA should not be allowed. If courts appeal to legislative history, such activity should be circumscribed. Furthermore, the statute itself and the equitable doctrine of misuse serve to curtail such uses of the DMCA.

⁷⁸ See ProCD