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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

UNITED STATES OF AMERICA, Plaintiff, v. ELCOM LTD., a/k/a ELCOMSOFT CO. LTD., Defendant.	No. CR 01-20138 RMW **UNITED STATES' OPPOSITION TO DEFENDANT'S MOTIONS TO DISMISS THE INDICTMENT ON CONSTITUTIONAL GROUNDS** Date: April 1, 2002 Time: 9:00 am Court: Hon. Ronald M. Whyte

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INTRODUCTION

The United States of America opposes defendant Elcomsoft's motions to dismiss the indictment on Constitutional grounds. Congress acted pursuant to its authority under the Commerce Clause to enact sections 1201(b) and 1204 of Title 17, United States Code, as part of the Digital Millennium Copyright Act ("DMCA"), to (1) address what Congress perceived as new challenges to copyright law arising from the advent of electronic commerce, and (2) to implement the World Intellectual Property Organization Copyright Treaty. Sections 1201(b) and 1204 do not target speech or expressive conduct and cannot be subjected to a facial First Amendment challenge. Likewise, Elcomsoft cannot succeed in an as-applied First Amendment challenge because it was not engaged in protected expression, and even if the Court concludes incidental protected expression was involved, sections 1201(b) and 1204 are narrowly tailored to address Congress' compelling concerns regarding electronic commerce. Finally, Elcomsoft's procedural due process challenge must also fail given that sections 1201(b) and 1204 clearly define proscribed conduct. For these reasons, the Court should deny Elcomsoft's motions to dismiss the indictment.

FACTS

I. Elcomsoft's Advanced eBook Processor

On or about June 20, 2001, defendant Elcomsoft began offering a software program, the Advanced eBook Processor ("AEBPR"), for sale on its Internet website, www.elcomsoft.com. Declaration of Alexander Katalov in Support of Motion to Dismiss Indictment for Violations of Due Process ¶ 3 (filed January 25, 2002) ("Katalov Declaration"). Elcomsoft advertised the AEBPR program as a product for decrypting electronic books ("ebooks") formatted for the Adobe Acrobat eBook Reader, a software product distributed by Adobe Systems, Incorporated ("Adobe"). Affidavit of Special Agent Daniel O'Connell in Support of Complaint ¶ 6 (filed July 11, 2001) ("Complaint Affidavit"). Elcomsoft stated on its website that the AEBPR program would decrypt any ebook formatted in the Adobe Acrobat format and produce an electronic file

without any restrictions such as limitations on editing, copying, or printing the ebook. *Id.*

II. Adobe's Acrobat eBook Reader

Adobe's Acrobat eBook Reader is a product targeted at publishers or distributors of electronic books who wish to distribute electronic books in a manner that permits them to control the distribution of the ebook, typically to those who pay for a copy of the ebook. Declaration of Thomas Diaz ¶ 5 (filed concurrently with this opposition); *see also Random House, Inc. v. Rosetta Books*, 150 F. Supp.2d 613, 615 (S.D.N.Y. 2001) (describing use of Adobe Acrobat eBook Reader). As a result, Adobe's ebook products add additional security attributes to ebooks not found in electronic documents distributed in Adobe's Portable Document ("PDF") format. *Id.* In contrast to "naked" PDF files, an Adobe ebook file is intended to remain on the computer used to purchase or download the ebook file. A user of the Acrobat eBook Reader may read an ebook and make other uses of the ebook on the computer to which the ebook was downloaded, but the user may not e-mail or copy the ebook to another computer. *Id.*

Adobe distributes the Adobe Acrobat eBook Reader for free to consumers, who can obtain it from Adobe's website as well as from ebook publishers and distributors, and Adobe licenses the Adobe Content Server, a product that allows for the creation of ebooks as well as their distribution. *Id.* ¶ 6. Ebook retailers such as Barnes&Noble.com and Amazon.com use the Adobe Content Server to manage sales and distribution of ebooks. *Id.*

A publisher of ebooks can use the Adobe Content Server to package a PDF file that would otherwise be able to be copied (a so-called "naked" PDF file) so that it cannot be copied or further distributed. *Id.* ¶ 8. The Adobe Content Server permits the publisher to choose from a number of privileges to grant to, or withhold from, the consumer or reader of the ebook, including the following:

a. The publisher can choose whether the consumer will be able to copy the ebook.

b. The publisher can choose whether the ebook will be able to be printed to

paper. The publisher can decide whether to allow full printing of the ebook, to deny all printing of the ebook, or to limit the number of pages printed during a specified period of time.

c. The publisher can choose whether to enable a lending function that permits the purchaser or consumer to lend the ebook to another individual on the same network of computers as the original purchaser. Just as in the physical world, when the original purchaser lends the ebook to another individual, the original purchaser is unable to use the ebook. The lender of the ebook can set a time limit for the expiration of the loaned ebook.

d. The publisher can choose whether to permit an ebook to be read audibly by a speech synthesizer program. Certain publishers of ebooks who use Adobe Content Server do not enable the speech synthesis function on certain ebooks because the publishers independently sell or license the audio rights to the ebook to other entities, such as a publisher of books on tapes. *Id.* ¶ 8.

When a consumer purchases an ebook formatted for the Adobe Acrobat eBook Reader from an Internet website, the ebook is downloaded to the consumer's computer from the ebook distributor's Adobe Content Server. *Id.* ¶ 9. The copy of the ebook provided to the consumer is accompanied by an electronic voucher that is recognized by the Adobe Acrobat eBook Reader so that the consumer is able to read the book on the computer to which the ebook was downloaded. The Adobe Acrobat eBook Reader reads the voucher to "know" that the copy of the ebook purchased by the consumer may only be read on the computer to which it is downloaded (unless the book is borrowed using the lending function described above). *Id.*

III. eBook End User Licenses

Ebooks purchased for use with the Adobe Acrobat eBook Reader may be distributed subject to an End User License ("EULA").[1] *See* Declaration of Special Agent Daniel O'Connell

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[1]Ironically, like the ebooks for which it provided circumvention technology, Elcomsoft distributed the AEBPR program subject to a EULA. Declaration of Special Agent Kevin McGee ¶ 6 (filed Feb. 8, 2002). In its license Elcomsoft invoked protections under United States copyright law, as well as protections under the Defense Acquisition Regulations of the United

¶¶ 3-6 (filed with this opposition) ("O'Connell Decl."). At least three of the purchasers of Elcomsoft's AEBPR program who sought to use it to circumvent protections on an ebook they had purchased had purchased the ebook subject to an EULA. *Id.* One such EULA included the following terms:

> 1. You may install and view the eBook on one computer, which may be a desktop computer or a portable laptop computer. You may not install the eBook for use over a network. If you want to have the eBook available on several computers in a network, a license to download the eBook will need to be purchased for each such computer (volume discounts are available; call [#]). The eBook may not be leased or loaned to a third party.
>
> 2. You may occasionally print a few pages of the eBook's text for your personal use only (each printed page bears a diagonal watermark saying, "Copyright Law Prohibits Copying or Distributing"). Personal use means printing a few pages to set aside for your later reading. You may not copy or distribute any eBook content to others without the written permission of [publisher] (depending upon the nature of the request, a license fee may be charged). To request permission, send an e-mail to permissions@[publisher].com. Include the following information: (a) the material you wish to use (specifying the page number(s)); and (b) a description of the planned use (including quantity). Please allow several days for a reply.
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> 4. Your purchase of the eBook license for a designated subscription period is non-refundable, except as described herein. If the eBook is not successfully downloaded due to a malfunction with [distributor's] computer systems, the Internet network system or the purchaser's computer, [publisher] agrees to re-deliver the eBook at no extra cost. Each party will be given a reasonable period of time to repair their malfunctioning computer equipment,

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States. *Id.*

but if no delivery is made within 21 days, then the purchaser will be given a full refund.

* * *

7. Your use of the eBook constitutes your agreement to the above terms and conditions.

Id. ¶ 4, Exhibit A. Contrary to assertions in Elcomsoft's motions, at least one publisher of ebooks, as a matter of policy, allows circumvention of the protections on its publications with the publisher's approval in order to allow blind or dyslexic customers to make the publications into audible books. *Id.* ¶ 5. One of the ebooks to which a purchaser of the AEBPR intended to apply the program was distributed by this publisher. *Id.*

IV. Elcomsoft's Refusal to Comply with DMCA

On or about June 25, 2001, Adobe sent Elcomsoft cease and desist e-mails and demanding that Elcomsoft stop distributing the AEBPR program. Complaint Affidavit ¶¶ 10, 14. Elcomsoft did not comply with Adobe's request, and in the following days, after having its website blocked by its United States based Internet service provider, Elcomsoft indicated that it did not intend to comply with Adobe's requests under the DMCA. Complaint Affidavit ¶ 14.

On August 28, 2001, a Grand Jury in the Northern District of California indicted Elcom Ltd., a/k/a Elcomsoft Co. Ltd, for conspiracy and violations of the Digital Millennium Copyright Act. *See* 17 U.S.C. §§ 1201(b), 1204. Specifically, the grand jury charged Elcomsoft with conspiring to traffic for gain in technology designed to circumvent technology that protects a right of a copyright owner in violation of Title 18, United States Code, Section 371; with trafficking for gain in technology primarily designed to circumvent technology that protects a right of a copyright owner in violation of Title 17, United States Code, Sections 1201(b)(1)(A) and 1204; and with trafficking in technology marketed for use in circumventing technology that protects a right of a copyright owner in violation of Title 17, United States Code, Sections 1201(b)(1)(C) and 1204.

STATEMENT OF ISSUES

1. Whether Congress properly enacted sections 1201(b) and 1204 pursuant to the Commerce Clause.

2. Whether Elcomsoft's trafficking in the AEBPR program constitutes expression protected by the First Amendment.

3. If some portion of Elcomsoft's conduct was sufficiently expressive to deserve protection under the First Amendment, whether sections 1201(b) and 1204 further Congress' goal of promoting and protecting electronic commerce with only incidental restrictions on First Amendment freedoms.

4. Whether sections 1201(b) and 1204 sufficiently define proscribed conduct to provide procedural due process to Elcomsoft.

POINTS AND AUTHORITIES

I. Background of the DMCA

A. Congress' Review of Copyright Law in the Digital Age

The Internet and the widespread digitization of various products and services have presented enormous opportunities for international communication, means of conducting trade, and new forms of creative expression. *See, e.g.*, Jennifer L. Schenker, *The Trillion Dollar Secret Beneath the Hype, the Internet Is Fostering a Silent Revolution Through Online Exchanges that Allow Fast and Efficient Trading Among Corporate IT Systems,* Time Magazine, Feb. 28, 2000 *available at* 2000 WL 543326; *The Rise of the Infomediary: The Internet Is Producing a String of Racy New Business Models*, The Economist, June 26, 1999, *available at* 1999 WL 7363618. With its valuable potential for global product distribution at far lower transaction costs, electronic commerce has also created new business challenges, particularly for vendors of intellectual property. *See Intellectual Property: The Property of the Mind – Digital Technology and the Development of the Internet Are Making it Easy to Copy or Alter All Sorts of Information and Art, from Music to Computer Software. Can Copyright Still Be Protected?* The Economist,

July 27, 1996, *available at* 1996 WL 11247237. Until fairly recently, artists and authors had only to contend with the bootleg distribution of their works in hard-copy form, but now they face the reality of uncontrollable, worldwide on-line infringement. Embracing the digital medium as their own, infringers of copyrighted works are now able to immediately distribute counterfeit copies of copyrighted works worldwide. As a result, infringers can threaten to usurp much, if not all, of the Internet market for a particular copyrighted work.

Just as Congress previously updated copyright laws to address the impact of changing technology,[2] Congress sought during the 1990s to update copyright law to address the advent of electronic commerce and the Internet. The statute that is the focus of this case, the DMCA, is one of several statutes Congress enacted to address the impact of the Internet and digital technology upon copyright law. 17 U.S.C. § 1201 *et seq*; *see also* No Electronic Theft Act, 18 U.S.C. § 2319(c) (criminalizing reproduction and distribution of copyrighted works without requirement of private financial gain). Congress enacted the DMCA after many years of Congressional hearings seeking to address the challenges to copyright law presented by the rise of electronic commerce. *See Universal Studios v. Corley*, 273 F.3d 429, 440 (2nd Cir. 2001).

Congress recognized the challenges digital technologies presented to the uses of copyrighted works as early as 1974 when it created the National Commission on New Technological Uses of Copyrighted Works ("CONTU") to study and make recommendations about, *inter alia*, computer uses of copyrighted works. *See Apple Computer, Inc. v. Formula Int'l Inc.*, 725 F.2d 521, 523 (9th Cir. 1984). Out of the work of CONTU grew an understanding

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[2]Since the founding of the republic, Congress has updated copyright law to address new technologies. *See, e.g.*, Record Rental Amendment of 1984, Pub. L. No. 98-450, 98 Stat. 1727 (codified at 17 U.S.C. § 109 (1984)); Sound Recording Act of 1971, 85 Stat. 391 (responding to piracy problems created by the development of the audio tape recorder); *Sony Corp. of America v. Universal Studios, Inc.*, 464 U.S. 417, 430 n.11 (1984) (citing *Eastern Microwave, Inc. v. Doubleday Sports, Inc.*, 691 F.2d 125, 129 (2nd Cir. 1982)) (describing the enactment of 17 U.S.C. §§ 111(d)(2)(B), 111(d)(5) to address the development of technology that made it possible to transmit television programming by cable or microwave)).

of the challenges of evaluating and protecting copyright rights in the digital age.

In 1993, President Clinton formed the Information Infrastructure Task Force ("IITF") to update U.S. copyright law regarding digital transmissions and to implement the President's vision for the National Information Infrastructure ("NII"). S. Rep. 105-190, at 2 (1998). The IITF established the Working Group on Intellectual Property Rights "to investigate the effects of emerging digital technology on intellectual property rights and make recommendations on any appropriate changes to U.S. intellectual property law and policy." *Id.* The Working Group issued a report in 1995 known as the White Paper which made various recommendations to ensure copyright law remained current in light of new technologies. *Id.* Among the activities conducted by the Working Group in preparing the White Paper was holding several hearings that included testimony from industries, libraries, educators, and beneficiaries of the public domain. *Id.* at 2-3.

In 1995, Senators Hatch and Leahy introduced the National Information Infrastructure Copyright Protection Act of 1995 to implement the recommendations of the White Paper. *Id.* at 3. Congress held various hearings regarding the NII Copyright Protection Act of 1995 from late 1995 through 1997 that included testimony from a number of copyright industries as well as experts from the World Intellectual Property Organization, the Commissioner of Patents and Trademarks, and the Librarian of Congress. *Id.* at 3-4.

Concurrent with Congress' efforts to update U.S. copyright laws, the governing body of the Berne Union[3] called upon the World Intellectual Property Organization ("WIPO") to form a committee to consider a supplementary agreement to the Berne Convention. This resulted in formal proposals to update the Berne Convention to address issues arising from the spread of digital technology. In December 1996, the WIPO held a diplomatic conference culminating in the adoption of the WIPO Copyright Treaty and the WIPO Performances and Phonograms

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[3]The Berne Union is the international organization responsible for the Berne Convention, ratified by the United States in 1989. *See* 17 U.S.C. § 101 (defining "Berne Convention work").

Treaty. *Id.* at 4-6.

As a result of these joint domestic and international efforts, Congress enacted the DMCA in 1998 to implement the WIPO Copyright Treaty *and* to define "whether consumers and businesses may engage in certain conduct, or use certain devices, in the course of transacting electronic commerce" and to address "all issues relating to interstate and foreign commerce, including commerce transacted over all electronic mediums, such as the Internet, and regulation of interests and foreign communications." H.R. Rep. 105-551 (II), at 22 (1998).

Because of Congress' focus on electronic commerce, the central elements of the DMCA statute are the provisions relating to circumvention of technologies designed to control access to, and designed to protect the rights of owners of, copyrighted works sold in electronic form. *See* 17 U.S.C. §§ 1201(a), 1201(b). Congress specifically sought to encourage and protect the nascent market for electronic commerce, and more particularly, electronic commerce in copyrighted works. *See* H.R. Rep. 105-551(II), at 23 (1998). Congress wished to support "a thriving electronic marketplace" that would provide "new and powerful ways for the creators of intellectual property to make their works available to legitimate consumers in the digital environment." *Id.*

B. The Statutory Framework

The DMCA contains three prohibitions related to circumvention. First, it prohibits the act of "circumvent[ing] a technological measure that effectively controls *access* to a work protected [by the Copyright Act.]" 17 U.S.C. § 1201(a)(1)(A) (emphasis added). A second provision forbids *trafficking* in technology or products designed to circumvent a technological measure that controls *access* to a copyrighted work. *Id.* at § 1201(a)(2) (emphasis added). The third provision, the focus of this case, prohibits *trafficking* in technology primarily designed or marketed to circumvent measures that *protect a copyright owner's rights* under the Copyright Act. *See* 17 U.S.C. § 1201(b) (emphasis added).

Whereas the focus of § 1201(a)(2) is technology that blocks access to the copyrighted

work – such as a device that permits access to an article on an Internet website only by those who pay a fee or have a password – the focus of § 1201(b) is technology that protects the copyright itself – such as a device on the same website that prevents the viewer from copying the article once it is accessed. *See* S. Rep. 105-190, 11-12 (1998).

The DMCA provides several exceptions to these prohibitions. The statute permits an individual to circumvent an access control on a copyrighted work, or, in limited circumstances, to share circumvention technology: (1) in order for a school or library to determine whether to purchase a copyrighted product; (2) for law enforcement purposes; (3) to achieve interoperability of computer programs; (4) to engage in encryption research; (5) as necessary to limit the Internet access of minors; (6) as necessary to protect personally identifying information; or (7) to engage in security testing of a computer system. *See* 17 U.S.C. §§ 1201(d)-(j).

In addition, the DMCA provides that its prohibition on the *act* of access circumvention, § 1201(a)(1)(A) (not the focus of this case), would not apply to users of certain types of works if, upon the recommendation of the Register of Copyrights, the Librarian of Congress concludes that the ability of those users "to make noninfringing uses of that particular class of work" is "likely to be . adversely affected" by the prohibition. 17 U.S.C. § 1201(a)(1)(B). The statute makes clear, however, that any exceptions to § 1201(a)(1)(A) adopted by the Library of Congress are *not* defenses to violations of the anti-trafficking provisions contained in § 1201(a)(2) and § 1201(b). *See* 17 U.S.C. § 1201(a)(1)(E).

The DMCA provides criminal penalties for those violations of each prohibition related to circumvention when the violations are made willfully and for financial gain. *See* 17 U.S.C. § 1204. These additional elements of willfulness and private financial gain are central to the case before the Court, and are virtually ignored in the many briefs filed by defendant Elcomsoft and amici curiae.

II. Congress Properly Enacted Sections 1201(b) and 1204 of the DMCA Pursuant to the Commerce Clause

The Framers entrusted to Congress the authority "[t]o make all laws which shall be necessary and proper for carrying into Execution" the powers vested by the Constitution in the government of the United States. U.S. Const. Art. I, § 8, cl. 18.

Elcomsoft argues that enactment of Sections 1201(b) and 1204 of the DMCA was not a valid exercise of an enumerated power by Congress under the Intellectual Property Clause[4] of the Constitution.[5] In advancing that argument, Elcomsoft begins from the flawed premise that Congress enacted the DMCA pursuant to its authority under the Intellectual Property Clause.[6] The legislative history of the DMCA reflects that Congress expressly based its exercise of authority over circumvention technology on the Commerce Clause rather than the Intellectual Property Clause.[7] *See* H.R. Rep. 105-551 (II), at 35 (1998) ("Constitutional Authority Statement: Pursuant to clause 2(1)(4) of Rule XI of the Rules of the House of Representatives, the Committee finds that the Constitutional authority for this legislation is provided in Article I, Section 8, clause 3, which grants Congress the power to regulate commerce with foreign nations, among the several States and with the Indian tribes."); 144 Cong. Rec. E2136-02, 2137.

Coming out of the House-Senate conference that finalized drafting of sections 1201(b)

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[4]Article I, Section 8, Clause 8 of the Constitution, which grants to Congress the power to "promote the Progress of Science and useful Arts" is referred to herein alternatively as the Intellectual Property Clause or the Copyright Clause.

[5]Elcomsoft Memorandum of Points and Authorities in Support of Motion to Dismiss Based on First Amendment at 17-18.

[6]Likewise, amici law professors inaccurately state that "[n]either the text nor the legislative history of the DMCA indicates which power Congress relied on." Memorandum of Points and Authorities of Amicus Curie (sic) at 1. *See* H.R. Rep. 105-551 (II), at 35 (1998); 144 Cong. Rec. E2136-02 (1998).

[7]Amici law professors at least recognize that Congress may have acted pursuant to the Commerce Clause in enacting the DMCA. Memorandum of Points and Authorities of Amicus Curie (sic) at 13.

and 1204 of the DMCA, and speaking before the House voted on the bill, Congressman Tom Bliley, Chairman of the House Committee on Commerce, declared that "given that the Conference Report contains several new provisions, I want to supplement the legislative history for this legislation to clarify the Conferees' intent, as well as make clear the constitutional bases for our action." After first commenting that the Committee on Commerce acted under both the Copyright Clause and the Commerce Clause with regard to the DMCA, and then acknowledging a concern that the bill could be seen as a "paracopyright" measure extending beyond the regulatory sphere of intellectual property law (and beyond the scope of Congress' authority to act under the Intellectual Property Clause), the Chairman specifically recognized that "[i]n this respect, then, the constitutional basis for legislating is the commerce clause, not the 'copyright' clause." *Id.* *See also* H.R. Rep. 105-551 (II), at 22 (1998) (noting that the bill "is about much more than intellectual property. It defines whether consumers and businesses may engage in certain conduct, or use certain devices, in the course of transacting electronic commerce. Indeed, many of these rules may determine the extent to which electronic commerce realizes its potential.")

A. Congress May Regulate Electronic Commerce

Article I, Section 8, Clause 3 of the Constitution delegates to Congress the power "[t]o regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes." "The commerce power 'is the power to regulate; that is, to prescribe the rule by which commerce is to be governed. This power, like all others vested in Congress, is complete in itself, may be exercised to its utmost extent, and acknowledges no limitations, other than are prescribed by the Constitution.'" *United States v. Lopez*, 514 U.S. 549, 553 (1995) (citing *Gibbons v. Ogden*, 9 Wheat. 1, 196 (1824)). As defined by the Supreme Court, the term "commerce" as referenced in the Constitution is "commercial intercourse" which "is regulated by prescribing rules for carrying on that intercourse." *Id.* at 189-190. Specifically, such regulation may be directed at protecting channels of interstate commerce, instrumentalities of interstate commerce

or things in interstate commerce. *Lopez*, 514 U.S. at 558 (citations omitted).

In creating sections 1201(b) and 1204 of the DMCA, Congress acted under the Commerce Clause to directly regulate specific things moving in commerce (circumvention technology) and to indirectly protect channels of interstate commerce (electronic commerce). The legislative history reflects that the statute developed out of "a wide-ranging review of all the issues affecting the growth of electronic commerce" and a concern about inappropriate distribution of products harmful to the market for digital content. H.R. Rep 105-551(II), at 22; 144 Cong. Rec. E2136-02, 2137. Moreover, the facts alleged in the indictment in this case reflect such an intent put into practice: charges against a company for marketing and sales over the Internet (electronic commerce) of a software program (circumvention technology).

Even more than the civil provisions, the criminal provisions of the DMCA charged in this case fall squarely under the commerce power of Congress. Because sections 1201(b) and 1204 require the government to prove trafficking "for gain," an element entirely lacking in the civil provisions of the law, there can be no question that the statute impacts "commercial intercourse."[8] *United States v. Moghadam*, 175 F.3d 1269 (11th Cir. 1999) (recognizing that because the anti-bootlegging statute, 18 U.S.C. § 2319A(a), contains a "financial gain" element, it necessarily is intertwined with commerce).

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[8]The economic gain element is one of the two significant distinctions between the civil and criminal provisions of the DMCA. Amici law professors ignored this element in their brief filed before the Second Circuit in the *Corley* case and in this case. The failure to appreciate the distinction has led to much unfounded concern in the academic community that well-intentioned scholars could be prosecuted criminally for sharing encryption research. *See* Robert Lemos, *Security Experts Protest Copyright Act*, ZDNet News, Sept. 6, 2001, *available at* 2001 WL 4733227. Unfortunately, this misperception has been fed by certain individuals and organizations pursuing a political agenda. *See* Benny Evangelista, *Judge's Rulings Boost Strength of Digital Copyright Law*, San Francisco Chronicle, Nov. 29, 2001, at B-3 ("But EFF attorney Robin Gross said the computer scientists still do not believe they are immune from lawsuits. 'The judge's denial is very problematic because it puts the scientists in a position now where they have to face the threat of prosecution in order to be able to challenge the constitutionality of this law,' Gross said.").

B. Congress May Act Pursuant to the Commerce Clause to Protect Rights Granted Under the Intellectual Property Clause

Congress may act pursuant to the Commerce Clause to pass legislation that protects and creates rights in intellectual property even where that legislation would not be permitted under the Intellectual Property Clause. *The Trade-Mark Cases*, 100 U.S. 82, 99 (1879). The Supreme Court has long recognized that while each of the powers of Congress is alternative to all of the others, "what cannot be done under one of them may very well be doable under another." *Moghadam*, 175 F.3d at 1276. For example, despite the fact that the public accommodation provisions of the Civil Rights Act of 1964 may have reached beyond the authority of the Fourteenth Amendment, the Supreme Court in *Heart of Atlanta Motel, Inc. v. United States*, 379 U.S. 241 (1964), upheld the legislation as a valid act predicated upon the Commerce Clause. *See also South Dakota v. Dole*, 483 U.S. 203, 207 (1987) (holding that Congress could act pursuant to Spending Clause to impose restrictions that would be beyond its power to enact directly).

The Commerce Clause may be used as a basis to legislate within a context contemplated by another section of the Constitution, but the power of the Congress to legislate pursuant to the Commerce Clause is not without limitation. See *Lopez*, 514 U.S. at 553-59 (discussing historical limits of Commerce Clause authority). While the Supreme Court in the vast majority of negative Commerce Clause cases has devoted its efforts to limiting congressional attempts to regulate intrastate business activity, the Court has also recognized that Congress may not use the Commerce Clause as a justification to override an otherwise existing Constitutional restraint. *Railway Labor Executives Ass'n v. Gibbons*, 455 U.S. 457 (1982) (striking down act by Congress under Commerce Clause that violated Bankruptcy Clause's uniformity requirement).

In *Moghadam*, 175 F.3d at 1277, the Eleventh Circuit addressed the very question brought before this court by amici law professors: "whether Congress can use its Commerce Clause power to avoid the limitations that might prevent it from passing the same legislation under the Copyright Clause." Contrasting the *Trade-Mark Cases* and *Heart of Atlanta Motel* cases (authorizing Commerce Clause to accomplish what may not be permissible under the

Copyright Clause) with the *Railway Labor Executives' Ass'n* case (prohibiting use of Commerce Clause to eradicate a limitation placed upon Congress by another grant of power), and recognizing that "modern trademark law is built entirely on the Commerce Clause," the court concluded that "the Copyright Clause does not envision that Congress is positively forbidden from extending copyright-like protection under other Constitutional clauses, such as the Commerce Clause." The Eleventh Circuit found most persuasive both that "[t]he grant itself is stated in positive terms, and does not imply any negative pregnant" that would suggest "a ceiling on Congress' ability to legislate pursuant to other grants" and that "[e]xtending quasi-copyright protection also furthers the purpose of the Copyright Clause to promote the progress of the useful arts." *Id.* at 1280.

As reflected in the legislative history of the DMCA, Congress recognized that while the purpose of the DMCA was to protect intellectual property rights, the means of doing so involved a dramatic shift from the regulation of the use of information to the regulation of the devices by which information is delivered. 144 Cong. Rec. E2136-2. For this reason, the legislators viewed the legislation as "paracopyright" legislation that could be enacted under the Commerce Clause. *Id.* at 2137. Such a step by Congress to protect the market for digital content as an action under the Commerce Clause cannot be said to override Constitutional restraints of the Intellectual Property Clause, because Congress' fundamental motivation was to protect rights granted under the Intellectual Property Clause in the digital world. Congress recognized that traditional intellectual property laws regulating the use of information border on unenforceable in the digital world; only regulation of the devices by which information is delivered will successfully save constitutionally guaranteed intellectual property rights. *See* S. Rep. 105-190, at 8 ("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.")

III. Sections 1201(b) and 1204 Do Not Violate the First Amendment

A. Elcomsoft May Not Make a Facial First Amendment Challenge to the DMCA

A party may only make a facial challenge[9] to a statute under the First Amendment when the statute proscribes "spoken words" or conduct that is "patently 'expressive or communicative'" or integral to, or commonly associated with expression. *Roulette v. City of Seattle*, 97 F.3d 300, 303 (9th Cir. 1996) (quoting *Broadrick v. Oklahoma*, 413 U.S. 601, 612-13 (1973)). Statutes are only susceptible to such challenges "'when the legislation allegedly vests government officials with unbridled discretion' and 'when there is a lack of adequate procedural safeguards necessary to ensure against undue suppression of protected speech.'" *4805 Convoy Inc. v. City of San Diego*, 183 F.3d 1108, 1111 (9th Cir. 1999) (quoting *Baby Tam & Co., Inc. v. City of Las Vegas*, 154 F.3d 1097, 1100 (9th Cir. 1998)). "[A] facial freedom of speech attack must fail, unless at a minimum, the challenged statute 'is directed narrowly and specifically at expression or conduct associated with expression.'" *Roulette*, 97 F.3d at 305. Hence, Elcomsoft can only make such a challenge if the court finds that "*every* application of the statute create[s] an impermissible risk of suppression of ideas." *New York State Club Ass'n, Inc. v. City of New York*, 487 U.S. 1, 11 (1988) (citing *City Council of Los Angeles v. Taxpayers for Vincent*, 466 U.S. 789, 798, n.15 (1984)) (emphasis added).

In this case, the statute in question is not directed specifically at expression or conduct associated with expression, and the statute has numerous permissible applications. *See* 17 U.S.C. §§ 1201(b), 1204. Sections 1201(b) and 1204 are statutes of general application focused upon trafficking in technology for private financial gain; they are not focused upon speech. *See Anderson v. Nidorf*, 26 F.3d 100, 103-04 (9th Cir. 1994) (holding that California antipiracy statute

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[9]It is not entirely clear whether defendant Elcomsoft's challenge to the DMCA under the First Amendment is a facial or as-applied challenge. *Compare* Memorandum of Points and Authorities in Support of Motion to Dismiss Based on First Amendment at 9-12 *with* Memorandum of Points and Authorities in Support of Motion to Dismiss Based on First Amendment at 15, line 16. Regardless, both types of challenge fail for the reasons stated in this opposition.

not subject to facial challenge, in part because the statute focused upon infringement for commercial advantage or private financial gain). The statute targets many forms of technology, such as hardware, that do not constitute "spoken words" or "expressive or communicative conduct" and the statute, therefore, is not susceptible to a facial challenge.[10] *See Broadrick v. Oklahoma*, 413 U.S. 601, 612-13 (1973).

Not only is the statute not targeted at speech or expressive conduct, the statute explicitly provides for adequate procedural safeguards to ensure that First Amendment concerns are addressed. *See 4805 Convoy Inc. v. City of San Diego*, 183 F.3d 1108, 1111 (citing absence of procedural safeguards as an element in facial challenge analysis). For example, these safeguards include directing the Librarian of Congress to ensure that noninfringing uses of copyrighted works are not prevented. 17 U.S.C. § 1201(a)(1)(B).

Further, the overbreadth doctrine proffered by Elcomsoft as a facial challenge to the DMCA does not apply.[11] First, the statute does not pose "a realistic danger that the statute itself will significantly compromise recognized First Amendment protections of third parties not before the Court."[12] *New York State Club Ass'n*, 487 U.S. at 11; *Anderson v. Nidorf*, 26 F.3d at 103-04. Second, the overbreadth doctrine does not apply to commercial speech. *Village of Hoffman Estates v. Flipside, Hoffman Estates, Inc.*, 455 U.S. 489, 497 (1982) (*Flipside*). Hence, to the extent that sections 1201(b) and 1204 reach any type of speech – a position the government does not concede – sections 1201(b) and 1204 are targeted exclusively at commercial conduct, namely

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[10] Although the technology targeted by the DMCA can include computer software which, according to Elcomsoft, implicates expression, sections 1201(b) and 1204 do not, on their face, target computer software. Indeed, the statute is aimed at many types of technology, including hardware devices such as so-called "black boxes." *See* S. Rep. 105-190, at 27 (1998).

[11] *See* Memorandum of Points and Authorities in Support of Motion to Dismiss Based on First Amendment at 9-10 n.6.

[12] Elcomsoft's claim regarding fair use by third parties is not sufficient for an overbreadth claim as fair use is not a true Constitutional or First Amendment doctrine. *See infra* section III.C.3.a.

the willful offering, importing, and trafficking of technology for private financial gain. 17 U.S.C. §§ 1201(b), 1204.

Since defendant Elcomsoft may not make a facial challenge, this opposition brief now turns to the reasons Elcomsoft cannot successfully sustain an as-applied First Amendment challenge to sections 1201(b) and 1204. *See Roulette*, 97 F.3d at 302 (indicating that facial First Amendment challenges should be distinguished from as-applied challenges).

B. Defendant's Sale of Circumvention Technology Is Not Speech.

1. Defendant Elcomsoft Was Selling a Product.

The first step in any First Amendment analysis is to determine whether any form of speech is implicated. Elcomsoft asks the Court to find that it was engaged in speech on the basis that the AEBPR program itself constitutes speech.[13] Sections 1201(b) and 1204 and the indictment in this case, however, do not target the mere existence of the AEBPR program. Instead, sections 1201(b) and 1204 prohibit *trafficking in or selling* the AEBPR for private financial gain. In this respect, this case is different than *Universal Studios v. Corley*, 273 F.3d 429 (2nd Cir. 2001), which involved the posting on a website of source code and object code to a computer program that decrypted digital versatile disks or "DVDs."[14] *Corley* did not involve commercial trafficking in the circumvention technology.

The question that confronts this Court, therefore, is not whether the AEBPR is protected speech but whether Elcomsoft's act of *selling and trafficking* in the AEBPR constitutes expressive conduct. Just because the technology in this case happens to be computer software that may or may not be considered speech, the government "does not lose its power to regulate

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[13]Memorandum of Points and Authorities in Support of Motion to Dismiss Based on First Amendment at 3-6.

[14]Although *Corley* provides substantial support for this Court denying Elcomsoft's motions, *Corley* is also different in at least one other respect: the technology at issue circumvented *access* controls in violation of 17 U.S.C. § 1201(a)(2) rather than the copyright protections at issue in this case. *Compare* 17 U.S.C. § 1201(a)(2) *with* 17 U.S.C. § 1201(b).

commercial activity deemed harmful to the public whenever speech is a component of that activity." *Ohralik v. Ohio State Bar Assn.*, 436 U.S. 447, 456 (1978). "'[I]t has never been deemed an abridgement of freedom of speech or press to make a course of conduct illegal merely because the conduct was in part initiated, evidenced, or carried out by means of language, either spoken, written or printed. *Id.* (quoting *Giboney v. Empire Storage & Ice Co.*, 336 U.S. 490, 502 (1949).

That Elcomsoft's act of selling the AEBPR program does not constitute expressive conduct is apparent from the factual context in which its sales occurred. *See Spence v. Washington*, 418 U.S. 405 (1974) (holding that whether a nonverbal act constitutes speech depends upon the nature of the activity, the factual context in which it occurs, whether an intent to convey a particularized message was present, and whether the message would be understood). Elcomsoft's initial statements regarding the AEBPR program demonstrate Elcomsoft engaged in the conduct of trafficking merely to sell copies of the AEBPR program, not to engage in any form of commentary or protest. *See* O'Connell Decl. ¶ 7, Exhibit D. The act of trafficking in the AEBPR program had no expressive purpose and was solely aimed at generating profits.

2. **The AEBPR in Object Code Form Is Not Speech**.

As part of their evolutionary approach to new computer technologies and the First Amendment,[15] courts have struggled with the question of whether computer code constitutes expression. *See Corley*, 273 F.3d at 429; *Junger v. Daley*, 209 F.3d 481 (6th Cir. 2000). A consensus appears to be emerging, however, that source code (as opposed to object code)[16] can

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[15]In evaluating First Amendment law in the digital age, courts have appropriately taken an "'evolutionary' approach to the task of tailoring familiar constitutional rules to novel technological circumstances, favoring 'narrow' holdings that would permit the law to mature on a 'case-by-case'basis." *Corley*, 273 F.3d at 445 (citing *Name.Space, Inc. v. Network Solutions, Inc.* 202 F.3d 573, 584 n.11 (2nd Cir. 2000)).

[16]Computer programs are written in specialized alphanumeric languages, or "source code." In order to operate a computer, source code must be translated into computer readable form, or "object code." Object code uses 0s and 1s in combinations which represent the

be a protected form of expression. *See Corley*, 273 F.3d at 445-49; *Junger v. Daley*, 209 F.3d 481 (6th Cir. 2000) (noting that "issue of whether or not the First Amendment protects encryption source code is a difficult one because source code has both an expressive feature and a functional feature" but concluding that source code is protected).

In contrast to source code, no consensus has arisen with regard to whether object code constitutes First Amendment protected expression. *Compare Corley*, 273 F.3d at 445-46 (suggesting object code may be protected) *with Bernstein v. United States Dept. of State*, 922 F. Supp. 1426, 1436 (N.D. Cal. 1996) (holding that source code constitutes speech but not reaching object code question), *and Karn v. United States Dept. of State*, 925 F. Supp. 1, 9 n.19 (D.D.C.1996) (assuming that source code is protected speech when joined with commentary, but stating that source code alone is "merely a means of commanding a computer to perform a function," thus indicating the object code would be less deserving of protection); *see also Name.Space, Inc. v. Network Solutions, Inc.*, 202 F.3d 573, 586 (2nd Cir. 2000) (holding that functional Internet top level domain names not protected expression); Orin S. Kerr, *Are We Overprotecting Code? Thoughts on First-Generation Internet Law*, 57 Wash. & Lee L. Rev. 1287 (2000); Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 Duke L.J. 147, 236-37 (1998) ("most executable software is best treated as a virtual machine rather than as protected expression").

Computer programs are "essentially utilitarian" works. *Computer Assoc. Int'l v. Altai, Inc.* 982 F.2d 693, 704 (2nd Cir. 1992). A computer program is in its most functional form when it is in object code, a form that generally only has meaning to the computer executing its instructions. *See Sony Computer Entertainment Inc. v. Connectix Corp.*, 203 F.3d 596, 600 n.2 (9th Cir. 2000). The AEBPR product which Elcomsoft distributed as a completed product in

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alphanumeric characters of the source code. *See, e.g., Sony Computer Entertainment Inc. v. Connectix Corp.*, 203 F.3d 596, 600 n.2 (9th Cir. 2000); *Sega Enters. v. Accolade*, 977 F.2d 1510, 1515 n.2 (9th Cir. 1993); *Johnson Controls Inc. v. Phoenix Control Systems, Inc.*, 866 F.2d 1173, 1175 n.2 (9th Cir. 1989).

object code form possessed only functional characteristics; it was not used to convey information or to assert values to its users. Similarly, the AEBPR program does not "speak" to its users in any expressive manner when it is used.

The Court should be reluctant to extend First Amendment protection to the act of trafficking in a functional product or good that merely acts as a machine. *See* Lemley & Volokh, 48 Duke L.J. at 236-37; *see also Advent Systems Ltd. v. Unisys Corp.*, 925 F.2d 670, 675 (3rd Cir. 1991) (holding that software is a good for purposes of Pennsylvania Uniform Commercial Code).

C. Even if Elcomsoft Was Engaged in Expressive Conduct, Its Challenge to Sections 1201(b) and 1204 Fails Under First Amendment Principles.

Even if the Court concludes that Elcomsoft's conduct in trafficking in the AEBPR was sufficiently expressive to deserve protection under the First Amendment, sections 1201(b) and 1204 nevertheless meet First Amendment requirements. "When 'speech' and 'nonspeech' elements are combined in a single course of conduct, a sufficiently important government interest in regulating the nonspeech element can justify incidental limitations on First Amendment freedoms." *United States v. O'Brien*, 391 U.S. 367 (1968); *Junger v. Daley* 209 F.3d 481, 485 (6th Cir. 2000) (subjecting regulations governing export of encryption software to *O'Brien* test). *See also Corley*, 273 F.3d at 429 (holding that First Amendment analysis requires computer code be treated as combining nonspeech and speech elements). A statute that is content neutral will satisfy the First Amendment "if it furthers an important or substantial government interest; if the governmental interest is unrelated to the suppression of free expression; and if the incidental restriction on alleged First Amendment freedoms is no greater than essential to the furtherance of that interest." *Turner Broadcasting Sys. Inc. v. FCC*, 512 U.S. 622, 662 (1994) (quoting *O'Brien*, 391 U.S. at 377). Further, the Constitution accords a lesser protection to commercial speech than to other constitutionally protected expression.[17] *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of New York*, 447 U.S. 557, 562-63 (1980).

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[17] The government may also ban commercial speech related to illegal activity. *Pittsburgh Press Co. v. Human Relations Comm'n*, 413 U.S. 376, 388 (1973).

1. **Sections 1201(b) and 1204 are Content Neutral.**

The principal inquiry in determining content neutrality "is whether the government has adopted a regulation because of agreement or disagreement with the message it conveys." *Turner Broadcasting Sys.*, 512 U.S. at 642 (quoting *Ward v. Rock Against Racism*, 491 U.S. 781, 791 (1999)). "The government's purpose is the controlling consideration." *Ward*, 491 U.S. at 791

In evaluating the DMCA for content neutrality, the Court should follow the Second Circuit's reasoning in *Corley*, in which the Second Circuit determined that the DMCA targeted only the nonspeech, functional components of computer software. *Corley*, 273 F.3d at 454. The Second Circuit stated the following regarding the DMCA and DeCSS, the DVD decryption software at issue in that case:

> Neither the DMCA nor the posting provision is concerned with whatever capacity DeCSS might have for conveying information to a human being . . . The DMCA and the posting prohibition are applied to DeCSS solely because of its capacity to instruct a computer to decrypt CSS. That functional capability is not speech within the meaning of the First Amendment.

Id. See also Universal City Studios, Inc. v. Remierdes, 111 F. Supp. 2d 294, 329 (S.D.N.Y. 2000) ("The reason that Congress enacted the anti-trafficking provision of the DMCA had nothing to do with suppressing particular ideas of computer programmers and everything to do with functionality.").

The *Corley* analysis applies equally to sections 1201(b) and 1204 which, in this case, only target the nonspeech functional elements of the AEBPR program. The DMCA applies to the AEBPR program because of the capacity of AEBPR to instruct a computer to circumvent Adobe's Acrobat eBook Reader. The statute does not reach the AEBPR because of any capacity the AEBPR may have to communicate ideas or information to a human being. *See Corley* 273 F.3d at 454; *see also Reimerdes*, 111 F. Supp.2d at 304-05 ("In an era in which . . . computer code also is capable of inflicting other harm, society must be able to regulate the use and

dissemination of code in appropriate circumstances. The Constitution, after all, is a framework for building a just and democratic society. It is not a suicide pact.").

2. Sections 1201(b) and 1204 Further an Important Government Interest

The Government's interest in preventing unauthorized copying of copyrighted works is unquestionably substantial. *See Corley*, 273 F.3d at 454; *Anderson v. Nidorf*, 26 F.3d 100, 103-04 (9th Cir. 1994). Congress has repeatedly found that copyright and, more broadly, intellectual property piracy are endemic. *Reimerdes*, 111 F. Supp.2d at 335 n.230.[18] As described above, Congress enacted the DMCA specifically because it wished to protect American copyrighted works and "facilitate making available quickly and conveniently via the Internet the movies, music, software, and literary works that are the fruit of American genius." S. Rep. 105-190, at 8. The magnitude of these interests should not be underestimated since "the Framers intended copyright itself to be the engine of free expression." *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 558 (1985).

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[18]The *Reimerdes* court cited H.R. Rep. 106-216 (1999) which states that "[n]otwithstanding [penalties for copyright infringement] copyright piracy of intellectual property flourishes, assisted in large part by today's world of advanced technologies. For example, industry groups estimate that counterfeiting and piracy of computer software cost the affected copyright holders more than $11 billion last year (others believe the figure is closer to $20 billion). In some countries, software piracy rates are as high as 97% of all sales. The U.S. rate is far lower (25%), but the dollar losses ($2.9 billion) are the highest worldwide. The effect of this volume of theft is substantial: lost U.S. jobs, lost wages, lower tax revenue, and higher prices for honest purchasers of copyrighted software. Unfortunately, the potential for this problem to worsen is great."

3. Sections 1201(b) and 1204 Are Sufficiently Tailored to Satisfy Constitutional Requirements.

Sections 1201(b) and 1204 are sufficiently tailored for First Amendment purposes. The Supreme Court has emphasized that a content-neutral regulation "need not be the least speech-restrictive means of advancing the Government's interest." *Turner Broadcasting*, 512 U.S. at 662. *See also Corley*, 273 F.3d at 455. Rather, a statute is sufficiently tailored "so long as . . . [it] promotes a substantial government interest that would be achieved less effectively absent the regulation." *Turner Broadcasting*, 512 U.S. at 662 (citations omitted). The Second Circuit in *Corley* concluded that the DMCA prohibitions against trafficking in circumvention technology satisfy the "sufficiently tailored" standard. *Corley*, 273 F.3d at 454-55.

The numerous exceptions to the DMCA also demonstrate, in part, the close tailoring of the DMCA. Congress carefully balanced, *inter alia*, the needs of law enforcement and other government agencies, computer programmers, encryption researchers, and computer security specialists against the serious problems created by circumvention technology. *See* 17 U.S.C. §§ 1201(e) - 1201(g), 1201(j). That defendant Elcomsoft's conduct did not fall within the exceptions does not suggest, let alone prove, the DMCA sweeps too broadly. *See FEC v. Nat'l Right to Work Committee*, 459 U.S. 197, 208 (1982) ("statutory prohibitions and exceptions" regarding political contributions by corporations and unions held "sufficiently tailored to avoid undue restriction on the associational interests asserted" by political organization).

D. A Fair Use Defense is Not Applicable in this Case

1. Elcomsoft Does Not Have Standing To Assert a Fair Use Defense on Behalf of Third Parties

Elcomsoft does not have standing to assert a fair use defense on behalf of third parties. "[A] person to whom a statute constitutionally may be applied may not challenge that statute on the ground that it conceivably may be applied unconstitutionally to others in situations not before the Court." *Broadrick v. Oklahoma*, 413 U.S. 601, 610 (1973). *See also United States v. Edwards*, 13 F.3d 291, 295-96 (9th Cir. 1993), *overruled on other grounds*. Elcomsoft does not

claim to be making fair use of copyrighted materials; rather, it advances a hypothetical fair use argument on behalf of users of the AEBPR program.

2. This Case Does Not Present an Infringement Claim.

Not only does Elcomsoft not have standing to assert fair use in this context, but in addition, the fair use argument is immaterial to Elcomsoft's defense. As this Court has previously observed, fair use is an affirmative defense to a claim of copyright infringement. *See Religious Technology Center v. Netcom On-line Communication Services, Inc.*, 923 F. Supp. 1231, 1242-43 (N.D. Cal. 1995); *see also Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590 (1994) (stating that fair use is an affirmative defense to an infringement claim); *Harper & Row, Publishers., Inc. v. Nation Enterprises*, 417 U.S. 539 (1985) (same).

Fair use is not a defense to a 1201(b) charge. In *Corley*, the Second Circuit noted that while "the DMCA targets the circumvention of digital walls guarding copyrighted material (and trafficking in circumvention tools), [it] does not concern itself with the use of those materials after circumvention has occurred." 273 F.3d at 443. Therefore the "alleged importance of [the circumventing device] to certain fair uses of encrypted copyrighted material [i]s immaterial to . . statutory liability" under Section 1201(b). *Id.* at 442. *See also* Melville Nimmer & David Nimmer, Nimmer on Copyright §§ 12A.06[B][3], 12A.18[C] (2001). Because Elcomsoft has been charged under sections 1201(b) and 1204, which bar trafficking in a circumvention technology and do not concern copyright infringement, Elcomsoft wastes its breath arguing a fair use defense to a fictional charge.

3. Although the Court Need Not Reach the Issue, Sections 1201(b) and 1204 are Consistent with Fair Use.

a. Fair use is not a static doctrine.

Fair use is a judicially created doctrine that "limits the exclusive right of a copyright holder by permitting others to make limited use of portions of the copyrighted work, for appropriate purposes, free of liability for copyright infringement." *Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp. 2d 294, 321 (S.D.N.Y 2000). *See generally Campbell v. Acuff-Rose*

Music, Inc., 510 U.S. 569 (1994). Although some regard fair use as having Constitutional underpinnings, no court has held that fair use is a Constitutional doctrine. *See Corley*, 273 F.3d at 458 ("[T]he Supreme Court has never held that fair use is constitutionally required."). Until enactment of the 1976 Copyright Act, fair use existed only at common law. Congress intended the new Section 107 definition of fair use to maintain the status quo. 17 U.S.C. § 107; H.R. Rep. 94-1476, at 66 (1976). While it provides guidelines, the statute refrains from establishing bright-line rules on what constitutes fair use, reflecting the notion that "the courts must be free to adopt the doctrine to particular situations on a case-by-case basis." H.R. Rep. No. 94-1476, at 65-66 (1976). *See also Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994) (noting that the statute does not create bright-line rules). Congress explicitly crafted the statute to avoid "freez[ing] the doctrine in the statute, especially during a period of rapid technological change." H.R. Rep. 94-1476, at 65-66 (1976). Congress sought to establish a doctrine that, though codified, was nevertheless flexible enough to respond to changing needs of society.

b. Copyright owners do not have an affirmative obligation to provide means for fair use of works.

While the fair use doctrine immunizes certain uses of protected works from infringement claims, no element of the doctrine guarantees users the means for exploiting the fair use. Therefore, fair use allows a researcher to quote lines from a copyrighted work, but it does not guarantee the researcher the ability to cut-and-paste the text from a digital copy, even though that might be more efficient that typing out the lines by hand. As Judge Newman emphatically stated in *Corley*,

> We know of no authority for the proposition that fair use, as protected by the Copyright Act, much less the Constitution, guarantees copying by the optimum method or in the identical format of the original.... Fair use has never been held to be a guarantee of access to copyrighted material in order to copy it by the fair user's preferred technique or in the format of the original.

273 F.3d 429, 459 (2nd Cir. 2001). Applying this notion to the circumvention of DVD access controls, Judge Newman concluded that "[t]he fact that the resulting copy will not be as perfect

or as manipulable as a digital copy obtained by having direct access to the DVD movie in its digital form, provides no basis for a claim of unconstitutional limitation of fair use." *Id.* at 459.

Digital technology facilitates access to copyrighted works, but it does not follow that our right to exploit fair use should be necessarily expanded. Fair use says only that you may freely make a certain use of a protected work. The doctrine does not promise the ability to exercise that fair use right by the most expedient method available. A law that proscribes circumvention of a protective device does not constrain the freedom to make legitimate, fair use of a copyrighted work. *See Corley*, 273 F.3d at 458-59.

c. **The DMCA explicitly accounts for fair use.**

The DMCA reflects ample concern for the preservation of a robust concept of fair use. The legislative history of the Act is rife with discussion of how best to ensure its preservation. *See* H.R. Rep. 105-551 (II), at 35-37 (1998). The statute makes numerous explicit allowances for traditional fair uses of protected works. Specifically, the statute permits nonprofit libraries, archives, and educational institutions to circumvent technological measures in order to decide whether to purchase a copy of a work. It creates an exception to the circumvention ban for activities such as encryption research, security testing, reverse engineering, shielding children from inappropriate online content, and protecting privacy interests. *See* 17 U.S.C. §§ 1201(e) - 1201(g), 1201(j).

Even beyond the enacted exemptions, Congress instituted a "fail-safe" mechanism to assure that if any significant constraints on fair use did in fact arise from the legislation, they would be addressed and additional, warranted exemptions implemented. Section 1201(a)(1) provides for a triennial rulemaking review by the Library of Congress to assess on the basis of evidence collected over the three-year period "whether the prevalence of these technological protections, with respect to particular categories of copyrighted materials, is diminishing the ability of individuals to use these works in ways that are otherwise lawful." H.R. Rep 105-551 (II), at 37 (1998). Given the protean nature of the technologies that prompted this legislation,

Congress wisely did not attempt to address within the scope of the statutory provisions every perceived potential effect on users' access.

d. The AEBPR program is not a fair use device.

The claims of Elcomsoft and amici that purchasers of ebooks require the AEBPR program to engage in fair uses are misleading and wrong.[19]

First, the activities identified by Elcomsoft do not fall within fair use. For example, making a backup copy of a literary work such as an ebook is *not* the fair use backup right granted in 17 U.S.C. § 117. Section 117 applies only to computer software, not to all digital works such as ebooks.[20] *See* 17 U.S.C. § 117. In addition, comparing traditional books with ebooks demonstrates the fallacy of the backup-copy claim; sellers of traditional books do not provide back-up copies for bound books that are lost or damaged. Similarly, Elcomsoft's argument that copyright protection measures that prevent a computer from reading an ebook aloud improperly forbid a fair use is not correct. A copyright owner's exclusive rights have always been divisible, and the copyright owner may apportion rights to different publishers as she wishes. *See Bagdadi v. Nazar*, 84 F.3d 1194, 1197 (9th Cir. 1996); *Ladd v. Law & Technology Press*, 762 F.2d 809, 813 n.4 (9th Cir. 1985). A copyright owner may legitimately assign print and electronic rights to different licensees, and a distributor with print rights but not electronic book rights may not

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[19]*See* Memorandum of Points and Authorities in Support of Motion to Dismiss Based on First Amendment at 14-16.

[20]The backup right in section 117 is construed narrowly. *See Micro-SPARC, Inc. v. Amtype Corp.*, 592 F. Supp. 33 (D. Mass. 1984); *Atari, Inc. v. JS&A Group*, 597 F. Supp. 5 (N.D. Ill.1983) (holding that a copy of a program embodied in a ROM is not subject to the privilege of archival reproduction). This narrow construction is appropriate given that the need for backup copies of computer software arose at a time when software was largely transferred on floppy disks, which were particularly susceptible to damage from scratching, bending, or demagnetizing. Today, CDs and DVDs are far more reliable media, and the backup need articulated in section 117 is essentially obviated – or at least the risk of damage is no greater than the risk that any book or videocassette will be inadvertently damaged, and the dangers to which a printed book is exposed have not been deemed to warrant an archival copy privilege.

distribute electronic books.[21] *See Greenberg v. Nat'l Geographic Soc.*, 244 F.3d 1267, 1274 (11th Cir. 2001) (holding that subsequent electronic publication of photographs previously printed in magazines constituted a derivative work and was not a fair use); *Random House, Inc. v. Rosetta Books*, 150 F. Supp.2d 613 (S.D.N.Y. 2001) (finding that claim for copyright infringement for licensing of electronic books unlikely to succeed under license for printed books). Likewise, purchasing a copy of a printed book does not entitle a consumer to also receive an audio copy. The Court should not be misled by the fact that in a digital medium, varying formats such as sound and text, which in other contexts are necessarily separate, can exist as components of a single product. The nature of the divisible rights, however, should not change.[22]

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[21]Divisibility is especially relevant in the digital realm, where licensing particular rights, rather than selling a copy of the work, is common. The Court will want to consider that users of Adobe's Acrobat eBook Reader and ebooks in general may be licensees – both the reader software and the electronic books themselves may be subject to a license. While some courts have questioned the scope of these licenses, the practice of contracting in copyright rights is clearly legitimate. *See S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir. 1989) (stating that licensee infringes copyright owner's copyright by exceeding scope of the license); *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1053 (Fed. Cir. 2001) (indicating that seller can restrict terms of sale through shrinkwrap license); *Lipscher v. LRP Publications, Inc.*, 266 F.3d 1305, 1318-19 (11th Cir. 2001) (holding that breach of contract claim is not preempted by Copyright Act); *ProCD v. Zeidenberg*, 86 F.3d 1447, 1450-53 (7th Cir. 1996) (upholding validity of shrinkwrap license under UCC); *Adobe Systems Inc. v. One Stop Micro, Inc.*, 84 F. Supp.2d 1086 (N.D. Cal. 2000) (holding that EULA constitutes valid license). *But see Softman Products Co., LLC v. Adobe Systems, Inc.*, 171 F. Supp.2d 1075 (C.D. Cal. 2001).

[22]Indeed, caution is warranted in the digital fair use arena because a heavy-handed requirement that publishers distribute multiple types of rights with a single product could unintentionally suppress new products that would address the needs of consumers (such as audible books). *See Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 566 n.9 (1985) ("Economists who have addressed the issue believe the fair use exception should come into play only in those situations in which the market fails or the price the copyright holder would ask is near zero . . . In the economists' view, permitting 'fair use' to displace normal copyright channels disrupts the copyright market without a commensurate public benefit.") (citing T. Brennan, *Harper & Row v. The Nation, Copyrightability and Fair Use, Dept. of Justice Economic Policy Office Discussion Paper* 13-17 (1984); Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 Colum. L. Rev. 1600, 1615 (1982)). *See also* Diaz Decl. ¶ 8.d.

Second, militating against potential fair use purposes of the AEBPR is the fact that the AEBPR produces not an exact copy (or backup) of the original ebook but a work that is better classified as a derivative work. *See* 17 U.S.C. § 101 (defining derivative work). Making an adaptation or derivative work from a protected work is a right that attaches exclusively to the copyright owner; it is not deemed a fair use of the work. Absent permission from the copyright owner, a person who creates an adaptation or a derivative work engages in copyright infringement. *See Sony Computer Ent. Am., Inc. v. Gamemasters*, 87 F. Supp. 2d 976, 990 (N.D. Cal. 1999) (finding use of derivative work for commercial purposes without permission of copyright owner is barred by copyright act); *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 593 (1994). The AEBPR program does not simply bypass ebook copyright protections; it removes them. The result is not a duplicate copy of the copyright-protected ebook, but instead a copy of the work in plain-vanilla Adobe PDF format. This naked PDF file, without any restrictions on copying, transferring, and printing, is not the same work as an ebook file with numerous protections in place.

Finally, a legitimate user of an ebook may avail herself of substantial fair uses without running afoul of the DMCA, such as writing a review of the content, quoting portions of the text, reading it aloud, "lending" it to a colleague, and even taking screen shots of pages. *See* 17 U.S.C. § 107; *Sony Computer Entertainment America, Inc. v. Bleem*, 214 F.3d 1022, 1026-30 (9th Cir. 2000) (determining that use of screen shots of video games constituted fair use).

IV. Sections 1201(b) and 1204 of the DMCA Comport with Due Process

The Fifth Amendment to the Constitution provides that "No person ... shall be ... deprived of life, liberty, or property, without due process of law." It is a basic principle of such due process that criminal laws may not be vague in their prohibitions. *Grayned v. City of Rockford*, 408 U.S. 104, 108 (1972). A law must clearly define what is prohibited because: (1) a vague law may obfuscate rather than provide fair warning to those seeking to steer clear of unlawful

conduct;[23] and (2) a vague law may encourage arbitrary or discriminatory enforcement by government personnel.[24] *Id.* The more important aspect of the vagueness doctrine "is not actual notice, but the other principal element of the doctrine–the requirement that a legislature establish minimal guidelines to govern law enforcement." *Kolender v. Lawson*, 461 U.S. 352, 358 (1983) (citing *Smith v. Goguen*, 415 U.S. 566, 574 (1974)).

A. Sections 1201(b) and Section 1204 Are Not Unconstitutionally Vague as Applied to Elcomsoft

In this case, Elcomsoft has been charged with conspiring to violate and violating two separate laws. The indictment alleges that the company willfully trafficked in a device designed to circumvent copyright protection in violation of Sections 1201(b)(1)(A) and 1204 of Title 17, and willfully trafficked in a device marketed for use in circumventing copyright protection in violation of Sections 1201(b)(1)(C) and 1204 of Title 17. Much of the two laws that Elcomsoft has been charged with violating are the same: (1) both share the same introductory language from Section 1201(b) that "no person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that–"; and (2) both share the same requirement from Section 1204 that the person must violate Section 1201 "willfully and for purposes of commercial advantage or private financial gain." The only distinction between the two laws is that for purposes of 1201(b)(1)(A), the device being trafficked in must be "primarily designed or produced for the purpose of circumventing protection afforded by a technological measure that effectively protects a right of a copyright

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[23]"Although only constructive rather than actual notice is required, individuals must be given a reasonable opportunity to discern whether their conduct is proscribed so they can choose whether or not to comply with the law." *Forbes v. Napolitano*, 236 F.3d 1009, 1011 (9th Cir. 2000) (citing *Giaccio v. Pennsylvania*, 382 U.S. 399, 402-03 (1966)).

[24]There is also a concern that a vague law may cause persons to avoid constitutionally protected speech in their efforts to steer clear of unlawful conduct, but such concerns are addressed under the overbreadth doctrine, which in any event is not applicable to commercial speech. *Village of Hoffman Estates v. Flipside*, 455 U.S. 489, 496 (1982). *See infra* section III.A.

owner," and for purposes of 1201(b)(1)(C), the device being trafficked in must be "marketed [by the defendant] for use in circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner."

The Court should begin its analysis of these sections of law with the presumption that Sections 1201(b) and 1204 are constitutional. *Forbes*, 236 F.3d at 1012 (applying presumption of constitutionality at outset of due process analysis of criminal law challenged for vagueness). The Court should then extrapolate the allowable meaning of the statute from the words of the law itself. *Grayned*, 408 U.S. at 110. The Court should not, however, expect or require "mathematical certainty from our language" or "meticulous specificity" in the drafting of the statute. *Id.*

From the plain language, both sections of law contain the following elements that the government must prove:

1 the defendant trafficked in a technology, product, or device;

2. the defendant acted willfully; and

3. the defendant acted for purposes of commercial advantage or private financial gain.

For purposes of 1201(b)(1)(A), the fourth element that the government must prove is:

4. the device being trafficked in was "primarily designed or produced for the purpose of circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner."

And, for purposes of 1201(b)(1)(C), the fourth element that the government must prove is:

4. the device being trafficked in was "marketed [by the defendant] for use in circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner."

These statutory provisions regulating trafficking in devices "designed" or "marketed" for a particular purpose are very similar to the statutory provisions analyzed by the Supreme Court in *Village of Hoffman Estates v. Flipside*, 455 U.S. 489 (1982), and the Court's analysis in this case

should follow the reasoning adopted by the Supreme Court in that case. In *Flipside*, the owners of a retail store claimed that a village criminal ordinance making it unlawful to distribute items "designed or marketed for use" with unlawful drugs without a license was unconstitutionally vague in its application to the plaintiff's sale of lawful materials such as "pipes, water pipes, pins, an herb sifter, mirrors, vials, rolling papers, and tobacco snuff." The plaintiffs claimed that the statute was too vague because it did not identify with sufficient particularity the type of merchandise that the village was attempting to regulate under the umbrella phrase "designed or marketed for use." *Id.* at 500.

The Supreme Court concluded that the language "designed or marketed for use" was not vague in its application to the retailer primarily because the phrase "designed for use" would, to a business person of ordinary intelligence, refer to "the design of the manufacturer, not the intent of the retailer or customer," and the alternative "marketed for use" standard contained a scienter requirement and clearly encompassed "a retailer's intentional display and marketing of merchandise." *Id.* at 502. *See also Posters 'N' Things, Ltd. v. United States*, 511 U.S. 513 (1994) ("primarily intended ... for use" drug law not unconstitutionally vague); *Richmond Boro Gun Club v. City of New York*, 97 F.3d 681, 685-86 (2nd Cir. 1996) ("designed" for use gun law not unconstitutionally vague).

In this case, the same standards exist: the phrase "designed for use" present in the fourth element of section 1201(b)(1)(A), should be read on its face to refer to "the design of the manufacturer, not the intent of the retailer or customer." *See id.* Likewise, with regard to the phrase "marketed for use" present in the fourth element of section 1201(b)(1)(C), this Court should find that the scienter requirement and the express language of the statute make clear that the provision is applicable to the defendant's intentional "marketing of merchandise." *See id.*

B. Elcomsoft's Due Process Arguments Fail

Elcomsoft's arguments that Sections 1201(b) and 1204 are unconstitutionally vague as applied in this case are flawed for the following reasons:

1 Elcomsoft's primary argument is that the statute impermissibly

encompasses Elcomsoft's conduct[25] regardless of whether the company's purpose in making and selling the AEBPR was "to allow *unlawful* distribution of copyrighted works" or to "allow *a lawful owner* to have more freedom to read the book how and/or where the owner wanted."[26] That argument misses the point of a procedural due process vagueness challenge; the analysis of a law regulating distribution of devices does not focus on whether the underlying conduct for which the devices are used is unlawful or lawful, but whether the statute clearly defines prohibited conduct. *See id.* at 497 n.9 (citing *Exxon Corp. v. Governor of Maryland*, 437 U.S. 117, 124-25 (1978) (noting that an objection to a law that would "inhibit innocent uses of items found to be covered" by the law would be a substantive due process challenge rather than a procedural due process challenge, and concluding in any event that such a claim would have no merit because "[r]egulation of items that have some lawful as well as unlawful uses is not an irrational means of discouraging" the unlawful uses)).

2. Elcomsoft also argues that the absence of a scienter provision in 1201(b) and 1204 as applied to Elcomsoft weighs in favor of a finding of vagueness.[27] Aside from the fact that a scienter element is not essential in overcoming vagueness, the suggestion that the statute does not contain any scienter requirement is incorrect. Section 1204 requires the government to prove that Elcomsoft acted "willfully," which in this circuit, requires the

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[25]A constitutional due process vagueness challenge may be made to the facial application of a statute or to the application of the statute to the facts of the particular case. *Flipside*, 455 U.S. at 494. While a bit unclear from the text of the argument, the Table of Contents in Elcomsoft's Motion to Dismiss Indictment for Violation of Due Process (Section III - "AS APPLIED TO ELCOMSOFT") clarifies that the company's motion is only an as applied challenge. In any event, because a party "who engages in some conduct that is clearly proscribed cannot complain of the vagueness of the law as applied to the conduct of others," the government will respond only to the argument that Sections 1201(b) and 1204 violate due process as applied to Elcomsoft. *Id.* at 495; *Melugin v. Hames*, 38 F.3d 1478,1486 (9th Cir. 1994).

[26]Elcomsoft Motion to Dismiss Indictment for Violation of Due Process at 4, 16 (emphasis in original).

[27]Elcomsoft Motion to Dismiss Indictment for Violation of Due Process at 18.

government to prove that the company acted "voluntarily and intentionally, and not through ignorance, mistake or accident." *United States v. Morales*, 108 F.3d 1031, 1036 (9th Cir. 1997) (*citing Manual of Model Criminal Jury Instructions for the Ninth Circuit*, Section 5.05 (1995)). *See also Posters 'N' Things, Ltd. v. United States*, 511 U.S. at 519 (discussing objective scienter element rooted in language "primarily intended ... for use"). The presence of this scienter element eliminates the concern that a statute will trap those who act in good faith. *Colautti v. Franklin*, 439 U.S. 379, 395 (1979); *Screws v. United States*, 325 U.S. 91, 102 (1945) (plurality opinion) (holding that "requirement that act must be willful or purposeful ... does relieve [a criminal] statute of the objection that it punishes without warning an offense of which the accused was unaware."); *Boyce Motor Lines v. United States*, 342 U.S. 337, 342 (1952) (upholding criminal law against vagueness challenge because "statute only punishes those who knowingly violate the Regulation.").

CONCLUSION

For the foregoing reasons, the government respectfully requests the Court deny defendant Elcomsoft's motions to dismiss the indictment.

DATED: March 4, 2002

Respectfully submitted,

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CERTIFICATE OF SERVICE
U.S. v. ELCOM LTD., a/k/a ELCOMSOFT
CR-01-20138 (RMW)

I, Lauri Gomez, declare that I am a citizen of the United States, over the age of 18 years and not a party to the within action.

I hereby certify that a copy of the foregoing:

1. **UNITED STATES' OPPOSITION TO DEFENDANT'S MOTIONS TO DISMISS THE INDICTMENT BASED ON FIRST AMENDMENT AND VIOLATION OF DUE PROCESS.**

was served today___ by hand; _X__ by facsimile;___ by Federal Express_X__ by first class mail by placing a true copy of each such document(s) in a sealed envelope with postage thereon fully paid, either in a U.S. Mail mailbox or in the designated area for outgoing U.S. Mail in accordance with the normal practice of the United States Attorney's Office; by placing in the Public Defender's pickup box located in the U.S. District Courthouse and addressed to the following Counsel of Record:

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I declare under penalty of perjury that the foregoing is true and correct, and that this certificate was executed at San Jose, California.

DATED: March 4, 2002

Lauri Gomez
Legal Secretary