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Protection and Use of Digital Information from a Legal Standpoint

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Introduction

The digitalization and networking of information have, on the one hand, invigorated business by means of content such as music and images that are the subject of copyrights and neighboring rights (hereinafter referred to as “copyrights, etc.”) and are major factors in creating conditions under which many citizens can enjoy the fruits of intellectual creative activity but, on the other hand, have also become a main cause of creating circumstances in which the fruits of creative intellectual activity can be easily and extensively infringed.

Premised on this paradoxical situation brought about by technological advances in the digitalization and networking of information, I would like to take up several questions we currently confront and, from a legal standpoint, briefly talk about the circumstances of these questions and my own views about them.

1. Indirect infringement of copyright (contributory infringement; vicarious liability)

(1) Development of judicial precedents in Japan and the United States related to indirect infringement

This year remarkable developments could be seen in judicial precedents in both Japan and the United States with respect to the indirect infringement (provision of tools or instrumentalities) of copyrights and of moral rights.

First, on February 12, 2001 the U.S. Federal Court of Appeals for the Ninth Circuit handed down a decision in the Napster case, ruling not only that the act of mutually exchanging music, free of charge, among users of the Internet does not constitute “fair use” permitted by law and is a direct infringement of the right to make reproductions and so on, but also that the acts of Napster, Inc., by providing a website and facilities for that direct infringement, could be found to result in contributory copyright infringement as well as vicarious copyright infringement (*A&M Records, et al. v. Napster, Inc.*, No. 00-164001, 9th Cir. Feb. 12, 2001).

On the following day, February 13th, the Supreme Court of Japan ruled with respect to the acts of a person who imported and sold memory cards having the sole purpose of altering computer game software that persons who distributed such devices with intended use by others (game players) thereby brought about, through such use by others, the infringement of the right to preserve the integrity of the game software, and thus bore liability for damages based on an unlawful act (tort) (February 13, 2001 Decision of the Third Petit Bench, *Minshu Vol. 55 No. 1* page 87; *Hanji No. 1740* page 78).

Next, on March 2nd, the Supreme Court of Japan ruled with respect to a lessor who leased karaoke equipment for commercial use to food and drink establishments that not only should

the lessor have notified the other parties to the lease agreements (managers of food and drink establishments) that they should enter into copyright license agreements with the copyright holder (i.e., JASRAC), but also that the lessor, before handing over the karaoke equipment, bore a reasonable duty of care to confirm that such other parties to the lease agreements had entered into or had offered to enter into a contract with the copyright holder (March 2, 2001 Decision of the Second Petit Bench, Minshu Vol. 55 No. 2 page 185, Hanji No, 1744 page 108).

(2) Standards for distinguishing between direct and indirect infringement

In deciding whether or not a person can be called a direct infringer of a copyright, the judicial precedents in Japan have taken the position that the decision depends on (i) who has management and control and (ii) who profits from the use of the copyrighted work (March 15, 1988 Decision of the Third Petit Bench of the Supreme Court, Minshu Vol. 42 No. 3 page 199, and many other decisions).

The judicial framework for deciding on the existence of direct infringement pursuant to the above-mentioned two factors can be said to be similar to the framework in the United States for finding vicarious liability; namely, adjudicating the existence of vicarious liability through a determination of (i) who has the “right and ability to control” and (ii) who receives “financial benefit” in connection with the act of direct infringement. However, vicarious liability in the United States is always premised on the existence of a direct infringer, and deals with the question of what kind of framework should be used for holding a person other than a direct infringer liable. It is necessary to take care to distinguish the differences in these basic points from the way of thinking in Japan, under which the direct infringer (the entity that used the copyrighted work) must be normatively caught.

Reflecting these differences, with respect to the factors of “management and control” and “benefit”, the judicial precedents in Japan seem stricter and require something direct.

(3) The duty of care to be borne by the provider of instrumentalities

As noted above, the March 2, 2001 decision of the Second Petit Bench of the Supreme Court concerned the duty of care owed by the provider of tools or instrumentalities for the copyright infringement. There were two important issues in the court’s decision: (i) the nature of the risk that such instrumentalities would bring about the result of a copyright infringement and (ii) the existence or non-existence of a factual basis for trusting the other party who was to receive those tools. The most important factor was point (i) and the Supreme Court observed that without the consent of the copyright holder, the commercial-use karaoke equipment led to a continuous copyright infringement starting from the time it was first used. Next, concerning point (ii), there are the issues of “whether or not it is sufficient to proceed trusting that the recipient of the tools knew of its own legal obligations and would act in accordance with those legal obligations” and “whether or not the provider of the tools must act on the supposition that there would be receivers of the tools who would commit copyright infringement even while knowing of their legal obligations.”

The March 2, 2001 decision of the Second Petit Bench, including the gist of the above factors, should be referenced when considering the general legal liability of the provider of an instrumentality for copyright infringement.

2. Reproduction for private use and the boundaries thereof

Progress in the digitalization of information has resulted in a situation in which doubt arises as to whether or not audio-video recording apparatus designed for use in the home that is equipped with “reproduction for private use” functions can be said to be simply for home use. The arrival of large-quantity digital format audio-video equipment that can record hundreds of hours is near at hand, and the appearance on the market of that kind of equipment will create an opportunity to reconsider the boundaries of the concept of “reproduction for private use”.

When construing and applying the provisions of Article 30 Section 1 of the Copyright Act of Japan, it is necessary to retrospectively examine the legislative purport of that law, keeping in mind the question of whether or not two requisites; namely, (i) (reproduction does not conflict with the normal exploitation of the work) and (ii) reproduction does not unreasonably prejudice the legitimate interests of the author) of the so-called three-step test of Article 9 Section 2 of the Berne Convention have been satisfied.

The decision in the “Star Digio” case (May 16, 2000 Decision of the Tokyo District Court, Hanji No. 1751 page 128) adjudicated that since the Berne Convention does not clearly indicate in a concrete manner what kinds of conditions will satisfy the aforementioned requisites of Article 9 Section 2 of the Convention, in the end it is an issue entrusted to the laws of each member country. However, this judgment regards the above mentioned normative requisites under Article 9 Section 2 of the Convention, in the same light as no requisites at all (matters in the free discretion of the legislation of each member country). This is a mistake.

If as a result of large-volume digital recorders being put on the market sales of music CDs markedly decrease (interference with the normal use of the copyrighted material) and the copyright holder and others incur great damages (undue damage to the lawful profits of the copyright holder), then even if the recording is made at home, a recording made using such equipment should be held as not authorized under Article 9 Section 2 of the Berne Convention and as not constituting a “reproduction for private use” under Article 30 Section 1 of the Copyright Act of Japan.

3. Private alteration and moral rights

As noted above, the February 13, 2001 decision of the Third Petit Bench of the Supreme Court found the provider of memory cards guilty of an intentional wrongful act (tort) with respect to the right to preserve the integrity of the game software, but the text of the decision did not make clear who was the direct infringer of the right to preserve the integrity. (Was it the game player or the supplier of the memory cards?)

If we adopt the above-mentioned manner of thinking employed by judicial precedents up to now to determine if someone is a direct infringer by analyzing which party has “management and control” and “profit”, it is rather difficult to conclude that the direct infringer was the provider of the memory cards.

On the other hand, since under the Copyright Act there is no provision limiting the right to preserve integrity by reason of a private use, there would be no contradiction in applying a literal reading of the text of the law to find that the game player was the unlawful direct infringer. There

are doubts, however, as to whether such a conclusion can be definitely said to be correct.

However, even if the enjoyment of a game by a player is in the private domain, if the use of the memory cards under discussion would necessarily damage the integrity of the copyrighted work, the infringement of the right to preserve integrity committed by the game player has the substantial illegality. Taking that result into consideration, it is proper to construe the person who supplied the memory cards on a commercial basis as having committed an indirect infringement (abetting an unlawful act), so it seems proper to assess the conclusion adopted by the Supreme Court as being the correct one.

4. Legal responsibilities of the Internet service provider (ISP)

In Japan there is still no legislative resolution of the legal liabilities of an ISP. Further, even if for the sake of discussion we use the general term “ISP”, the contents of the services provided by ISPs differ. Since there is no space here for a detailed discussion of those various classifications, I would like to express my opinion about those ISPs that control their own server and have the ability to confirm the content of the transmitted data.

The issue is, what kind of duty of care (duty to act) does the ISP bear with respect to a copyright infringement by its client? As a general formula, it can be thought that, starting from the time when the ISP has come to know of the fact of a copyright infringement by means of receipt from the copyright holder of a warning accompanied by reliable evidence or the like, or from the time when the ISP should be aware of the fact of a copyright infringement from various circumstances, after a reasonable time period required for taking steps has elapsed, even to the extent of deciding to suspend the provision of service under the provider agreement (deleting the relevant information), in the case where the ISP continues to provide service to that client, it is liable for damages to the copyright holder based on an unlawful act (tort).

Moreover, under the theory that the ISP’s act constitutes an indirect infringement (and all the more when it is deemed to be a direct infringement), it can be understood that the copyright holder has the right to petition for an injunction against the ISP.

It should be noted that it appears that the Ministry of Public Management, Home Affairs, Posts and Telecommunications is examining a “Bill concerning the Rationalization of the Distribution of Information on the Internet”. On October 1, 2001 the Nihon Keizai Shimbun reported that the gist of that bill is that in the event that an aggrieved party demands that an ISP delete infringing information, if the sender of the information does not agree that the information is to be deleted it is not necessary for the ISP to delete it; the ISP can simply notify the aggrieved party that it does not consent, and then the aggrieved party must try to resolve the matter with an ordinary civil law action or the like.

However, it seems necessary to introduce a system for taking steps in certain prescribed cases where the copyright holder or the like provides reliable evidence when it demands the deletion of infringing information. In such a case, even if the sender does not agree, the ISP should be responsible for deleting such information, and if the sender is not satisfied with the deletion it can institute a lawsuit against the copyright holder or other such complainant.

In addition, disclosure of information about the sender also is indispensable for the rationalization of the use of copyrighted material and the like on the Internet. One big reason for the spread of illegal use of the Internet is “anonymity”. It is essential to create a system under which

information about the sender will be disclosed when a right holder or the like who has incurred injury demands such disclosure.

5. The business of managing copyright and the neighboring rights, and the content business

(1) The coming into force of the Copyright and the Neighboring Rights Management Business Act

With the advances in digitalization and networking providing an impetus for change, the “Law on Intermediary Business Concerning Copyrights”, which had regulated the copyrights management business in Japan for over sixty years, has been abrogated. As of October 1, 2001 the Copyright and the Neighboring Rights Management Business Act has come into force. The new law was enacted with the purpose of providing a legal basis for facilitating protection of copyright holders and activating use of copyrighted works, in connection with the management business for copyright and neighboring rights.

The main contents of the Copyright and the Neighboring Rights Management Business Act include: (1) expansion of the scope of the subject matter to which the law will be applied, over the entire field of copyrights and neighboring rights; (2) a change from an approval system to a recordation system, for the purpose of easing new entry into the management business; (3) an exclusion from regulation of a form of management that corresponds to the client’s own management system; and (4) along with the abolishment of an approval system for regulating license fees and its replacement by a reporting system, the establishment of a consultation and arbitration system regarding license fee regulation.

(2) Issues related to the existence of a plural number of management businesses in the identical sphere

Owing to the coming into effect of the Copyright, etc. Management Business Act, it is possible that a plural number of management business operators exist in the same field, and it is also possible that a variety of management forms will emerge, such as self-management and non-entrustment management. If that is the case, the situation is such that it may be difficult for users of works, etc. - for example, entities who want to try to get into the music distribution business - to determine which management business operators and copyright holders it would best to make arrangements with for the management of rights. If we take music as an example, several different new management operators have already commenced business in the field of recordings and interactive distribution.

Accordingly, for the user the first necessity is to ascertain the whereabouts of the rights. Article 17 of the new Act imposes on the management business operators the obligation to endeavor to provide users with information on the works, etc. that it is handling. From the standpoint of the smooth management of rights, management business operators should be required to construct a system to respond to inquiries on a network, and it is desirable to establish a system as soon as possible in which it would be possible to go to one place to confirm the location of rights (the J-CIS plan being promoted by the Agency for Cultural Affairs).

Pursuant to the June 1999 revision of the Copyright Act (which became effective on

October 1st of that year) a provision of that Act (Article 113 Section 3) was enacted under which the alteration or the like of rights management information would be deemed to be an act of infringement of copyrights or neighboring rights. As an aid to rights management information, this revision combined more efficient handling of rights and facilitation of the discovery of unlawful use, but in order to truly realize these benefits it will be necessary to standardize the forms of expression and so on among the plural number of management business operators, the self-managers and the managers who are not entrusted with rights.

Further, if we hypothesize as an example the case of a music distribution business on a network, since the copyright holder itself cannot implant the rights management information in the music data, from the standpoint of creating the safest possible environment and promoting smooth distribution, it is necessary for users to devise such measures as implanting the rights management information that they are provided by rights holders. The same goes for the devising of technological protective measures.

(3) Among which countries' management business should rights be handled?

When interactive distribution that crosses national borders is about to commence, the question of among which countries' management operators must rights be handled will become an issue. While there are discussions about the governing law with respect to copyright infringement but also concrete rule-making is progressing with the aim of approving the actual use of such rules among copyright management associations. In copyright management there is a distinction between managing reproduction rights (recording rights) and managing performance rights but, with respect to performance rights, progress is being made in entering into supplementary provisions in mutual management agreements based on standard provisions promulgated by CISAC, the international organization of performance rights management associations.

The basic concept of these standard provisions is that the management business operator located in the "economic residence of the content provider" (i.e., the user) licenses a world-wide distribution with respect to the repertory of the association that has entered into the contract. That is to say, in the case where a Japanese corporation will start to interactively distribute foreign musical compositions to users in Japan as its main customers, even if for the sake of argument that Japanese corporation has placed a server in a foreign country, rights will be dealt with between it and the Japanese management operator that has entered into a mutual management contract with the management association for the relevant foreign musical compositions.

It can be foreseen that arrangements are likely to proceed in the same direction with reproduction rights (recording rights).

(4) Handling of rights with respect to copyright, and the moral rights

What the user receives a license for when it enters into a license agreement for a copyrighted work with a management business operator is for the copyright only; attention must be paid that moral rights are not to be covered by the agreement. Since the ownership and exercise of the moral rights are separate from the copyright and belong solely to the author (Copyright Act Article 59), no person other than the author can deal with (dispose of) those rights.

Among the moral rights that probably will be the major problems for the use of

copyrighted works in networks are the right to the indication of one's name and the right to preserve the integrity of the work. One of the characteristics of digital technology is the ease of alteration. If the user has a plan to "amend the copyrighted workl or edit it or make other alterations", it is necessary to confirm that this will not conflict with the intent of the author.

At present, if we look at the situation for the interactive distribution of music, the greater part of the use fees collected by JASRAC is from the distribution of melodies that signal the receipt of an incoming call on cell phones and the like. Since it is the usual case that due to the purpose of the use of such call-arrival melodies part of the original entire tune will be cut out, there is room for a copyright holder to assert that "an alteration was made contrary to my intent." In the future, the moral rights have the potential to become a big problem, and it will be necessary for persons going into the distribution business to pay sufficient care to this issue.

Conclusion

As explained above, in the midst of advancements in the digitalization and networking of information, even if we look only at copyright and neighboring rights, the actual start of rights management for the purpose of use by businesses and so on will in turn create a situation in which there will be many issues that have not been decided judicially or legislatively.

It is to be hoped that in order to resolve these issues right holders, such as copyright holders, and users will work together earnestly so that all of society can be involved in the chain of intellectual creative activity.

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