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Ruling Brings to Light DMCA's Broad Scope

Critics Fear 'Lexmark' Decision Could Expand Reach of Digital Millennium Copyright Act

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DO THE PROTECTIONS of the Digital Millennium Copyright Act (DMCA) extend to copyrightable material where neither copying nor piracy is a concern? The Eastern District of Kentucky's Feb. 27 preliminary injunction ruling in *Lexmark International v. Static Control Components*¹ suggests that they do.

At issue in *Lexmark* is the legality of defendant Static Control Components' sale of chip components that circumvent Lexmark's printer cartridge authentication technology, designed to prevent the recycling of certain types of Lexmark printer cartridges. Static Control's chips, when installed by its customers on the appropriate replacement cartridges, allow those cartridges to operate on Lexmark printers where they otherwise would not operate. The question raised by *Lexmark* is whether the DMCA should protect copyrightable subject matter even where the copying or piracy of that subject matter is not a concern.

Though originally intended to implement the World Intellectual Property Organization (WIPO) Copyright and Performances and

Phonograms Treaties, the version of the DMCA passed by Congress in 1998 went beyond the requirements of the WIPO treaties and offered protections to the entertainment industry against digital piracy and against certain limited forms of copying that traditionally had been considered "fair use."²

Decisions interpreting the DMCA have been criticized as setting copyright law on the path toward eliminating the fair use doctrine and stifling innovation and competition.

The broad scope of the DMCA has made it a target for criticism since its earliest days.

Decisions interpreting the DMCA have been criticized as setting copyright

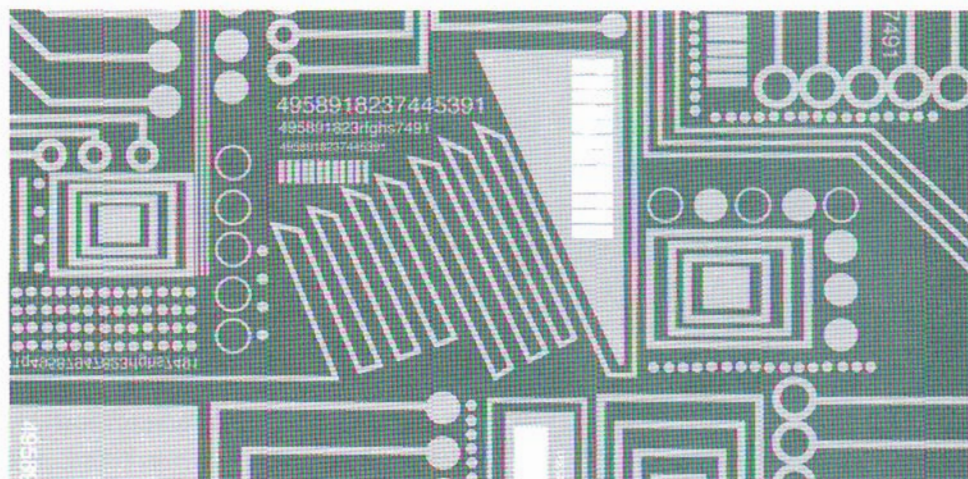
law on the path toward eliminating the fair use doctrine and stifling innovation and competition. Competing against this, of course, is the legitimate interest that copyright owners have in protecting against the circumvention of access and copy controls used in different forms of easily copied and readily distributed media, such as computer software, sound recordings and visual images.

Lexmark introduces a new dimension to this debate. In *Lexmark*, the court applied the DMCA to protect printer and toner cartridge programs that are freely used by certain types of Lexmark toner cartridges but that cannot be used by other types of Lexmark cartridges.

The Parties and the Dispute

Lexmark is a developer, manufacturer and retail seller of printers and related

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supplies and services. Static Control manufactures and sells a variety of components to the toner cartridge manufacturing industry.

Lexmark developed a series of laser printers and compatible toner cartridges called the "T Series" that use copyrighted authentication sequences embedded in computer chips to prevent the printer from printing when it fails to "recognize" certain types of toner cartridges as authorized Lexmark toner cartridges. Lexmark sells two types of toner cartridges for its T Series printers: a regular cartridge sold at a standard price, and a "Prebate" cartridge offered at a discounted price. The regular Lexmark cartridges have no restrictions on refilling or reuse. The Prebate cartridges, on the other hand, contain additional authentication sequences on a computer chip that cause the cartridges to cease operating after they run out of toner, even if they are later refilled with toner. Consumers impliedly agree, via a "shrink-wrap" agreement on the Prebate package, to return the Prebate cartridge only to Lexmark for recycling.

Lexmark employs a two-part authentication sequence for its Prebate cartridges. One part is embedded in a microchip on the toner cartridge, and

the other part is located on a chip on the controller board inside the printer. When in use, the chip on the cartridge executes an "electronic handshake" with the printer so that the printer "recognizes" the cartridge. Once this takes place, the printer and the cartridge operate normally. If the printer fails to recognize the cartridge, however, the printer will generate an error message and will not allow the cartridge to print.

Static Control developed the SMARTEK microchip, which it sold to replacement cartridge manufacturers and cartridge recyclers, for use with Lexmark's Prebate cartridges. The SMARTEK microchip included an identical copy of Lexmark's Toner Loading Program, as well as original programming developed by Static Control that replicated the authentication sequence used between Lexmark Prebate toner cartridges and Lexmark printers. This allowed Static Control's customers to recycle Lexmark Prebate cartridges, effectively circumventing Lexmark's "one-use-only" authentication controls.

Lexmark filed a complaint against Static Control in the Eastern District of Kentucky on Dec. 30, 2002, seeking equitable relief on both copyright infringement and DMCA grounds. The copyright infringement allegation was based on Static Control's manufacture and sale of SMARTEK microchips that contained unauthorized, identical copies of Lexmark's Toner Loading Programs. The DMCA allegations were based on the SMARTEK chips' effective circumvention of the Lexmark authentication technology that controlled the Prebate cartridges' access to Lexmark's Toner Loading Programs and Printer Engine Programs. Simultaneously with the complaint, Lexmark filed a motion for preliminary injunction to prevent Static Control from manufacturing, distributing, selling or marketing the SMARTEK microchips.

Preliminary Injunction Motion

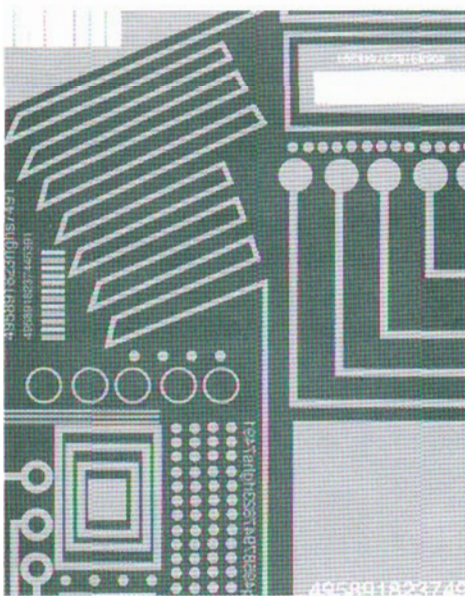
An evidentiary hearing on Lexmark's motion was held on Feb. 7, 2003. The court considered the traditional four preliminary injunction factors in reaching its decision, giving greatest weight to the likelihood of success on the merits. Finding in favor of Lexmark on both its copyright infringement claim and its DMCA claims, the court granted Lexmark's motion for preliminary injunction on Feb. 27, 2003.

The court's analysis of Lexmark's copyright infringement claim relied heavily on expert testimony as well as Static Control's admission that it had copied practically verbatim Lexmark's Toner Loading Programs and had included them on its SMARTEK chip. According to the court, Lexmark's Toner Loading Program copyrights were valid, since an adequate expression of creativity was contained in the program's unique computer programming language and in Lexmark's selection and arrangement of formulas, constants and variables in the program.

More importantly, at least for the purpose of this article, the court also granted Lexmark's motion for preliminary injunction based on its DMCA claims.

To prove a violation under §1201 (a)(2) of the DMCA, it must be shown that an accused product or device:

- Is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;
- Has only a limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or
- Is marketed by that person or another acting in concert with that person, with that person's knowledge, for use in circumventing



a technological measure that effectively controls access to a work protected under this title.³

The court found that Lexmark's authentication sequence program was a "technological measure" that "controls access" to copyrighted material, namely the Toner Loading Program and Printer Engine Program. Without appropriate authentication, the Printer Engine Program would not engage the Toner Loading Program and the printer would not operate. The court found that this met the requirements of the DMCA, and so Static Control's sales of the SMARTEK microchips satisfied each of the three §1201(a)(2) tests.

The court further found that Static Control had acknowledged (i) that it specifically developed (and marketed) the SMARTEK microchips to circumvent the authentication sequence in the Lexmark programs and (ii) that the SMARTEK microchips have no commercial purpose other than to circumvent this authentication sequence.

The court rejected Static Control's defenses, disagreeing with Static Control that the application of the DMCA to its SMARTEK chips would extend the scope of the DMCA beyond what was intended by the drafters. It similarly rejected Static Control's claim that the DMCA should be construed only to apply to protect copyrighted works from digital piracy, noting that, "If the DMCA were only intended to protect copyrighted works from digital piracy, that goal was accomplished through Section 1201(b); [Static Control's] argument would render section 1201(a)(2) mere surplusage."⁴

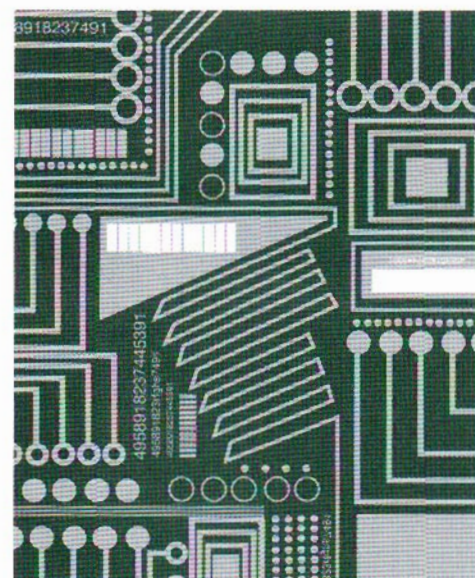
The court supported its position with citations to the few cases that had applied the DMCA, and asserted that the cases "prove that section 1201(a) applies to the very type of computer software that Lexmark seeks to protect, and the very type of access-protection regime Lexmark has employed to protect it."⁵

The court therefore held that Lexmark had satisfied its burden of proving a likelihood of success on the merits of its claims under the DMCA. The court then turned to the other three factors of the preliminary injunction test and found that irreparable harm was presumed if it were to deny a preliminary injunction, and that the injunction was presumed to serve the public interest. Similarly, the court also found the harm Lexmark was likely to suffer if the injunction were not issued outweighed the harm that was likely to be suffered by Static Control and others if it did. The court thus granted the injunction.

Lingering Questions

The court found in Lexmark's favor on its DMCA claims because it determined that Static Control's SMARTEK chip circumvented Lexmark measures designed to control access to two of its programs. This circumvention allowed a printer customer to use recycled Prebate cartridges to access both (i) the unauthorized Static Control copy of Lexmark's copyrighted Toner Control Program, located on the SMARTEK chip, and (ii) Lexmark's copyrighted Printer Engine Program, found on the Lexmark printer. Each of these programs, however, is freely accessible with no restrictions when a printer customer uses a regular recycled cartridge in a Lexmark printer. Arguably, Static Control was punished for unlocking a window to a room with a wide open door.

The court did not discuss whether its ruling would change under a slightly different factual scenario; for example, if Static Control replaced the unauthorized copy of Lexmark's Toner Control Program that it had loaded on its SMARTEK chip with a new, non-infringing "clean room version." This would eliminate the argument that Static Control had improperly circumvented the access control to the Lexmark version of the Toner Control Program. In



this scenario, however, the revised SMARTEK chip would still allow the Prebate cartridge to access and be controlled by the Lexmark Printer Engine Program. It is reasonable to question whether the DMCA should or would protect against this, given that the Printer Engine Program is freely accessed by regular Lexmark cartridges that are unencumbered by the Prebate cartridge chip.

In the aftermath of the ruling, the *Lexmark* court has been harshly criticized for its position on the DMCA claims. Critics charge that, contrary to the court's findings, extending the application of the DMCA to the *Lexmark* facts expands the reach of the DMCA too far. According to these critics, the legislative history of the DMCA contains nothing to indicate that Congress contemplated even the possibility of applying §1201(a) to facts such as those set forth in *Lexmark*, where digital piracy is not an issue.

As support for their allegations, critics point to existing precedent on the DMCA which addressed the circumvention of access and copy controls in the context of such media as electronic books, DVD movies and computer games. In contrast to the *Lexmark* case, these prior DMCA cases, while also controversial, still dealt with some aspect of restricting the ability to use or copy copyrightable material, and so did

not significantly expand the scope of DMCA protections beyond what Congress had originally intended.

Critics also charge that the application of the DMCA to the facts of *Lexmark* stifles competition and protects Lexmark's market share. They argue that Lexmark is using the DMCA to preclude competitors from offering cheaper cartridges, and to retain existing customers by offering them discounts to purchase cartridges that they are unable to reuse.

The overriding concern shared by each of these critics is that the *Lexmark* ruling will encourage companies facing competition from rival parts and supply manufacturers to start adding similar authentication controls to their products, and to then use the DMCA against any of these manufacturers that attempt to compete by circumventing the authentication measures. They warn that if the leaders in various industries use access controls to limit interoperability, innovation as well as competition will be impeded, as smaller competitors will be locked out of the marketplace.

If these predictions come to pass, the impact could be far-reaching. Indeed, it does not require a great deal of imagination to extend *Lexmark* to other scenarios where application of the DMCA would reduce competition. For example, car manufacturers could add access controls to microchips in the car to ensure that the car will function only with manufacturer-approved parts; computer hardware and software companies could add access controls to either hardware or software to preclude functionality unless such hardware or software was from the same manufacturer; consumer electronic products could team with battery manufacturers to

prevent products from being used with unapproved batteries.

It is thus likely that if Lexmark's Toner Loading and Printer Engine programs are found to be protected by the DMCA when Prebate cartridges are used with the printers, even though they are freely accessible when regular cartridges are used, other manufacturers will follow Lexmark's example. Look then for companies to develop new access controls for otherwise unprotectable products and to sue competitors who attempt to circumvent these controls.

If some critics could have their way, Congress would rethink the application of the DMCA, along with what they believe are its fundamental flaws. In fact, however, this is already happening. A bill presently in committee in the House of Representatives, entitled the "Digital Media Consumers' Rights Act," would address some of these issues. Among the amendments contemplated by the bill are the "Fair Use Amendments," which if enacted in their current form, would:

- amend §1201(a)(2)(A) to allow circumvention of access controls if "the person is acting solely in furtherance of scientific research into technological protection measures";
- amend §1201(c)(1) to state that "it is not a violation of this section to circumvent a technological measure in connection with access to, or the use of, a work if such circumvention does not result in an infringement of the copyright in the work"; and
- amend §1201(c)(5) to state that "[i]t shall not be a violation of this title to manufacture, distribute, or make noninfringing use of a hardware or software product capable of

enabling significant noninfringing use of a copyrighted work."⁶

According to the related Congressional Record, some of the intentions of the bill are to correct some fundamental defects in §1201 of the DMCA, including the prohibition of (i) the circumvention of access controls for lawful purposes, and (ii) the manufacture and distribution of technologies that facilitate circumvention for lawful purposes. The bill also seeks to reestablish the doctrine of fair use, which, its proponents contend, has been severely diluted by the enactment and subsequent application of the DMCA.⁷

While it is unclear what effect, if any, this amendment would have on the outcome of *Lexmark*, there is little doubt that the amendment would impose significant limitations on the ability of courts to further expand the scope of the DMCA. If this or a similar amendment to the DMCA does not pass, however, look for continued attempts by creative manufacturers of hard goods to maintain or increase their share of the market for replacement or compatible products by using the DMCA to restrict competition from third parties.

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(1) *Lexmark International v. Static Control Components*, 2003 U.S. Dist. LEXIS 3734 (E.D. Ky., Feb. 27, 2003).

(2) The WIPO Copyright and Performances and Phonograms Treaties Implementation Act of 1998 is title I of the Digital Millennium Copyright Act. Pub. L. No. 105-304, 112 Stat. 2860.

(3) 17 U.S.C. §1201 (1998).

(4) *Lexmark*, 2003 U.S. Dist. LEXIS 3734 at *68.

(5) *Lexmark*, 2003 U.S. Dist. LEXIS 3734 at *70.

(6) H.R. 107, 108th Cong. 1st Sess. (2003)

(7) 149 Cong. Rec. E19-E21 (daily ed. Jan. 8, 2003) (statement of Rep. Boucher).

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