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CRIMINAL COPYRIGHT INFRINGEMENT AND THE COPYRIGHT FELONY ACT

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INTRODUCTION

Title 17 of the United States Code defines criminal copyright infringement as willful infringement for the purpose of commercial advantage or private financial gain.[1] Prosecution of criminal copyright infringement, meaning the piracy[2] and counterfeiting[3] of all forms of copyrighted works, is governed by Title 18 of the United States Code, covering crimes and criminal procedure.[4]

On October 8, 1992, Congress approved the Copyright Felony Act,[5] which harmonizes the sanctions imposed for criminal copyright infringement. This Article examines the nature of copyright protection, the evolution of sanctions for criminal infringement, and the elements of the offense of criminal copyright infringement as defined by the Copyright Felony Act.

A. *Copyright Protection*

Copyright, as a form of intellectual property protection, is rooted in the United States Constitution.[6] Copyright subsists in original works of authorship[7] including the following broad categories: (1) literary works,[8] (2) musical works, (3) dramatic works, (4) choreographic works, (5) picto-

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1. *See* 17 U.S.C. § 506(a) (1988 & Supp. IV 1992).

2. "Piracy" or "bootlegging" are words popularly used to describe the unauthorized duplication of sound recordings, films, tape cartridges, cassettes, software programs on floppy diskettes, video cassettes, and video games. A pirated copy or bootleg is an accurate copy of all or part of the original commercial version, but the package and graphics are usually unrelated in appearance to the original.

3. "Counterfeiting" is one step beyond piracy. A counterfeit reproduces both the underlying work and the packaging, including color art, company labels, corporate logos and trademarks. A counterfeit is often difficult to distinguish from the original. Indeed, identification of counterfeits is often so difficult that unscrupulous retailers and distributors are able to meld the counterfeits into their stock of legitimate products. *See* United States v. Shultz, 482 F.2d 1179 (6th Cir. 1973).

4. 18 U.S.C. §§ 1-6005 (1988 & Supp. IV 1992).

5. Pub. L. No. 102-561, 106 Stat. 4233 (1992).

6. U.S. CONST. art. II, § 8, cl. 8.

7. 17 U.S.C. § 102 (1988 & Supp. IV 1992).

8. *Id.* § 101. " 'Literary works' are works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied." *Id.* Thus, computer software programs are protected as literary works.

rial, graphic and sculptural works,[9] (6) motion pictures[10] and other audiovisual works,[11] and (7) sound recordings.[12]

The Copyright Act imposes three basic requirements for a work of authorship to qualify for copyright protection. First, the work must be original;[13] it cannot be copied from another source.[14] Second, the work must consist of "expression" and not just "ideas."[15] Third, the work must be fixed in a "tangible medium of expression . . . from which [it] can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device."[16] Copyright protection begins as soon as a work of authorship is created;[17] for example, as soon as pen is put to paper and original sentences appear.

Copyright is a valuable form of intellectual property protection because, subject to certain limitations, a copyright owner[18] has the exclusive right to control copying and distribution of his or her work.[19] Anyone

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9. "Pictorial, graphic, and sculptural works" include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned.
Id.

10. " 'Motion pictures' are audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any." *Id.*

11. "Audiovisual works" are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied. *Id.*

12. "Sound recordings" are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied.
Id. Sound recordings were added to the Copyright Act under the Sound Recording Act of 1971, Pub. L. No. 92-140, 85 Stat. 391.

13. *E.g.*, Baker v. Selden, 101 U.S. 99, 102 (1879).

14. *Id.*

15. 17 U.S.C. § 102(b) (1978).

16. *See id.* § 102(a); *see also id.* § 101 ("A work is 'fixed' in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.").

17. 17 U.S.C. § 302(a) (1988 & Supp. IV 1992).

18. Section 202 of the Copyright Act distinguishes between ownership of a copyright and ownership of "any material object in which the work is embodied." 17 U.S.C. § 202 (1988 & Supp. IV 1992). Ownership of the material object, for example, a video tape, does not of itself convey any rights in the copyrighted work embodied in the object, such as a sound recording or motion picture.

19. Section 106 of the Copyright Act provides that the owner of copyright has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;
(2) to prepare derivative works based upon the copyrighted work;
(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.

17 U.S.C. § 106 (1988 & Supp. IV 1992). The exclusive rights to perform and display the copyrighted work publicly are also provided under this section.

who violates any of the exclusive rights of a copyright owner is an infringer of the copyright.[20]

Both civil and criminal remedies are available for copyright infringement. In a civil action an infringer is liable for either the copyright owner's actual damages and any additional profits of the infringer,[21] or for statutory damages, which range from $500 to $20,000 for each nonwillful infringement and up to $100,000 for each willful infringement.[22] A copyright owner who prevails in a civil infringement action is also entitled to court costs and attorneys' fees.[23] As part of a final judgment or decree, the court may also order the destruction or forfeiture of all infringing copies or phonorecords as well as all plates, molds, tapes, film negatives, and other articles used for reproduction.[24]

B. *The Evolution of Criminal Copyright Infringement Sanctions*

Copyright infringement has been a crime since 1897, when criminal infringement provisions were first added to U.S. copyright law.[25] The crime of copyright infringement was initially limited to unlawful performances and representations of copyrighted dramatic and musical compositions.[26] Other acts of copyright infringement, such as unauthorized reproduction or distribution of a copyrighted work, were pursued through civil litigation. Such acts, however, were not considered criminal behavior.

The criminal intent or *mens rea* requirement for criminal copyright infringement was also established under the 1897 law. A conviction under the first criminal infringement provision required a showing that the defendant's conduct was both "willful" and "for profit."[27]

The first attempt at broadening the crime of copyright infringement occurred with the general copyright revision of 1909.[28] The 1909 Copyright Act applied criminal infringement provisions to all types of copyrighted works except sound recordings.[29] Again, the *mens rea* requirement made infringing conduct criminal only if it was done willfully and for profit.[30] The 1909 Copyright Act also imposed criminal liability on any-

20. 17 U.S.C. § 501(a) (1988), *amended by* 17 U.S.C. § 501(a) (Supp. III 1991).

21. "In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue[.]" The burden then shifts to the infringer "to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." 17 U.S.C. § 504(b) (1988 & Supp. IV 1992).

22. *Id.* § 504(c)(1) & (2).

23. *Id.* § 505.

24. *Id.* § 503(b).

25. Act of January 6, 1897, ch. 4, 29 Stat. 481-82.

26. *Id.*

27. *Id.*

28. *See* Copyright Act of 1909, ch. 320, 33 stat. 1075-82.

29. *Id.* § 5. Copyright protection for sound recordings was considered but rejected during the 1909 revision to the Copyright Act. Instead, the only copyright protection was given to the composer of the music, not to the performer or the producer of the recording. Under compulsory licensing provisions, the composer was given only the exclusive right to license the first recording of a musical composition. After the composition was first recorded, anyone else could record the composition so long as a royalty of two cents per copy was paid to the composer. *Id.* §§ 1(e), 25(e).

30. *Id.* § 280.

one who "knowingly and willfully" aided and abetted an infringement.[31] Criminal offenses under the 1909 Copyright Act were punishable as misdemeanors.[32]

By 1971, certain inadequacies in the scope of copyright protection were becoming apparent. For example, the House of Representatives Judiciary Committee estimated the annual volume of record and tape piracy to be in excess of $100 million.[33] The Committee traced the record and tape piracy problem to the exclusion of sound recordings from criminal copyright infringement provisions. Record pirates had to pay the composer only a *de minimis* royalty fee to avoid liability under the federal copyright statute.[34]

In response to demands from the sound recording industry, Congress extended general federal copyright protection to sound recordings with the Sound Recording Act of 1971.[35] This Act makes criminal sanctions available against willful, for-profit infringement of sound recordings.[36]

The 1976 general revision to the Copyright Act[37] continued the offense of criminal copyright infringement, but eliminated the crime of aiding and abetting infringement. The 1976 Copyright Act also altered the *mens rea* requirement for criminal copyright infringement. Instead of proof that the infringement was done willfully and for profit, the offense of criminal infringement now required conduct engaged in "willfully and for purposes of commercial advantage or private commercial gain."[38]

Persons convicted of the misdemeanor offense of criminal infringement under the 1976 Copyright Act faced a maximum fine of $10,000 or imprisonment for not more than one year or both.[39] In the case of sound recordings or motion pictures, the court could increase the fine to $25,000, although the term of imprisonment remained at one year or

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31. *Id.*

32. *Id.* Any offense punishable by death or imprisonment for a term exceeding one year is a felony. Any other offense is a misdemeanor. *See* 18 U.S.C. § 1 (1988 & Supp. IV 1992).

33. *See* H.R. REP. No. 487, 92d Cong., 1st Sess. 2 (1971), *reprinted in* 1971 U.S.C.C.A.N. 1566, 1567.

34. *See* Annotation, *Making, Selling, or Distributing Counterfeit or "Bootleg" Tape Recordings or Phonograph Records as Violation of Federal Law*, 25 A.L.R. FED. 207 n.36 (1975).

35. Act of Oct. 15, 1971, Pub. L. No. 92-140, 85 Stat. 391.

36. *See* Heilman v. Levi, 391 F. Supp. 1106 (E.D. Wis. 1975), *aff'd*, 583 F.2d 373 (7th Cir. 1978), *cert. denied*, 440 U.S. 959 (1979).

37. Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified at 17 U.S.C. §§ 101-801).

38. 17 U.S.C. § 506(a) (1978). The *mens rea* requirement does not mandate evidence that the defendant actually realized commercial advantage or private financial gain, only that the defendant's activity or activities were for the purpose of financial gain or benefit. *See* United States v. Cross, 816 F.2d 297, 301 (7th Cir. 1987) (holding that video store clerk's assertion that she, as a store employee and not the owner, realized no commercial advantage or private financial gain from alleged conspiracy, nevertheless did not preclude liability for criminal infringement).

39. 17 U.S.C. § 506(a) (1978).

less.[40] Repeat offenders faced increased fines of not more than $50,000 or imprisonment for not more than two years, or both.[41]

Upon conviction of criminal copyright infringement, the 1976 Act also provided for the forfeiture, destruction, or other disposition of all infringing copies or phonorecords and all implements, devices, or equipment used in the manufacture of such infringing copies or phonorecords.[42] The Act made forfeiture and destruction mandatory for criminal copyright infringement but discretionary with the court in a civil infringement action.[43]

Beginning in the late 1970s, two trade associations representing the motion picture and sound recording industries, the Motion Picture Association of America, Inc., (MPAA)[44] and the Recording Industry Association of America, Inc., (RIAA),[45] organized an effort to increase the penalties for film and record piracy and counterfeiting. In 1979 MPAA and RIAA reported that even though the motion picture and sound recording industries were spending upwards of $1 million a year to investigate and combat piracy through civil infringement actions. The problem of record and film counterfeiting and piracy remained epidemic.[46]

From the point of view of the motion picture and sound recording industries, civil infringement actions had no deterrent effect on sophisticated criminals engaged in pirating and counterfeiting activities.[47] In addition, the modest penalties prescribed under then existing law tended to discourage criminal enforcement efforts.[48] U.S. Attorneys confronted with a wide range of possible prosecutions clearly preferred the prospect of almost any felony conviction to a misdemeanor conviction for copyright infringement.[49] Most indictments of pirates and counterfeiters focused

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40. Under the 1976 Copyright Act, criminal infringement involving sound recordings would lie for violation of three exclusive rights: reproduction, distribution, and preparation of derivative works. For motion pictures, criminal infringement would lie for infringement of reproduction, distribution or public performance rights. 17 U.S.C. § 106 (1978). Criminal infringement lies in addition to the prohibition on and penalties for trafficking in counterfeit labels for phonorecords, copies of motion pictures, and other audiovisual works. *See* 18 U.S.C. §§ 2318-19 (1988), *amended by* 18 U.S.C. § 2319 (Supp. IV 1992).

41. 18 U.S.C. § 2319(b)(1)(c) (1988), *amended by* 18 U.S.C. § 2319 (Supp. IV 1992).

42. *See* 17 U.S.C. § 506(b).

43. *Compare id.* ("[t]he court in its judgment of conviction shall, in addition to the penalty") *with* 17 U.S.C. § 503(b) ("[t]he court may order the destruction").

44. The Motion Picture Association of America, Inc., is a trade association representing producers and distributors of theatrical and television programs exhibited in the United States and throughout the world. *See Hearings on Reform of Federal Criminal Laws Before the Senate Comm. on the Judiciary*, 96th Cong., 1st Sess. 10694-95 (1979) (Joint statement of the Motion Picture Association of America, Inc., and Recording Industry Association of America, Inc.).

45. The Recording Industry Association of America, Inc., "is a trade association of recording companies whose members create and market approximately 90 percent of the records[, compact discs] and tapes sold in the United States." *Id.* at 10695.

46. *Id.* at 10699. MPAA and RIAA estimated that by 1979 "all forms of record and film counterfeiting and piracy" were draining more than "$650 million annually from legitimate sales and rentals in both industries." *Id.* at 10697.

47. *Id.* at 10699.

48. *Id.*

49. *Id.*

on related felony offenses such as mail fraud, wire fraud, interstate transportation of stolen property, RICO, and even customs violations, rather than the principal criminal offenses committed: copyright infringement and counterfeiting.[50]

Congress responded to the concerns of the motion picture and sound recording industries by restructuring the sanctions for criminal infringement.[51] The offense of criminal infringement was still defined in § 506(a) of Title 17; the penalties, however, were placed in new § 2319 of Title 18.[52] Certain acts of criminal copyright infringement were also defined as felony offenses.[53]

The first felony provisions for criminal copyright infringement involving reproduction or distribution of records, motion pictures, and audiovisual works laid out substantial sanctions.[54] Fines of up to $250,000 and prison terms of up to five years were available based on a complex formula of time periods and numbers of infringing copies or phonorecords reproduced or distributed.[55]

For example, if the defendant was convicted of reproducing or distributing, during any 180-day period, "at least one thousand phonorecords or copies infringing the copyright in one or more sound recordings,"[56] or

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50. *Id. C.f.* United States v. Dowling, 739 F.2d 1445 (9th Cir. 1984), *cert. granted in part*, 469 U.S. 1157, *rev'd*, 473 U.S. 207 (1985) (mail fraud).

51. Act of May 24, 1982, Pub. L. No. 97-180, 97th Cong., 2d Sess., 96 Stat. 91.

52. *See* 18 U.S.C. § 2319 (1982).

53. *Id.*

54. *See id.* § 2319. As originally enacted, § 2319 of Title 18 read:

(a) Whoever violates section 506(a) (relating to criminal offenses) of title 17 shall be punished as provided in subsection (b) of this section and such penalties shall be in addition to any other provisions of title 17 or any other law.

(b) Any person who commits an offense under subsection (a) of this section—

(1) shall be fined not more than $250,000 or imprisoned for not more than 5 years, or both, if the offense—

(A) involves the reproduction or distribution, during any one-hundred-and-eighty-day period, of at least one thousand phonorecords or copies infringing the copyright in one or more sound recordings;

(B) involves the reproduction or distribution during any one-hundred-and-eighty-day period, of at least sixty five copies infringing the copyright in one or more motion pictures or other audiovisual works; or

(C) is a second or subsequent offense under either of subsection (b)(1) or (b)(2) of this section, where a prior offense involved a sound recording, or a motion picture or other audiovisual work;

(2) shall be fined not more than $250,000 or imprisoned for not more than two years, or both, if the offense—

(A) involves the reproduction or distribution, during any one-hundred-and-eighty-day period, of more than one hundred but less than one thousand phonorecords or copies infringing the copyright in one or more sound recordings; or

(B) involves the reproduction or distribution, during any one-hundred-and-eighty-day period, of more than seven but less than sixty five copies infringing the copyright in one or more motion pictures or other audiovisual works; and

(3) shall be fined not more than $25,000 or imprisoned for not more than one year, or both, in any other case.

55. 18 U.S.C. § 2319 (1982). Section 2319 refers to both "copies" and "phonorecords." Both terms were included, "because a motion picture soundtrack that reproduces a sound recording is a 'copy,' and not a 'phonorecord.'" *See* 2 PAUL GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW AND PRACTICE § 11.4.1 & n.32 (1989) [hereinafter GOLDSTEIN].

56. 18 U.S.C. § 2319(b)(1)(A).

"at least sixty-five copies infringing the copyright in one or more motion pictures or other audiovisual works,"[57] or the conviction was a second offense,[58] the court could impose a fine of up to $250,000, order the infringer imprisoned for not more than five years, or do both.[59] A fine of no more than $250,000 and imprisonment for no more than two years, or both, was prescribed for criminal infringement involving "the reproduction or distribution, during any one-hundred-and-eighty-day period, of more than one hundred but less than one thousand phonorecords or copies infringing the copyright in one or more sound recordings," or "more than seven but less than sixty-five copies infringing the copyright in one or more motion pictures or other audiovisual works."[60]

Even after these new felony sanctions were enacted, most criminal copyright infringement remained a misdemeanor offense. For example, if the infringement case involved motion pictures or sound recordings, but fewer than the specified number of copies were illegally reproduced, the offense was a misdemeanor.[61] The same result occurred if the government failed to prove that all of the infringing copies were made or distributed within the specified 180-day period. Criminal infringement involving derivative, performance, or display rights in sound recordings, motion pictures, or other audiovisual works remained misdemeanor offenses.[62] It was also a misdemeanor to duplicate without authorization live performances not already embodied in existing marketed products.[63]

Increased sanctions for certain acts of copyright infringements involving motion pictures, sound recordings, and audiovisual works were followed by increased sanctions for trademark counterfeiting.[64] Increased criminal penalties for trademark counterfeiting were deemed necessary because civil penalties proved grossly ineffective in deterring these infringing operations. Legitimate businesses were losing billions of dollars each year to counterfeiters.[65]

In the wake of legislation increasing the criminal penalties for trademark counterfeiting and infringements involving motion pictures, sound recordings, and audiovisual works, the computer software industry became

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57. *Id.* § 2319(b)(1)(B).
58. *Id.* § 2319(b)(1)(C).
59. *Id.* § 2319(b)(1).
60. *Id.* § 2319(b)(2).
61. *See id.* § 2319(b)(3); *see also* United States v. Cross, 816 F.2d 297, 301 (7th Cir. 1987) (holding that evidence showing rental of only six infringing videocassettes is insufficient for conviction on felony charges requiring proof of unauthorized reproduction of more than seven infringing copies).
62. *C.f.* United States v. Gallant, 570 F. Supp. 303, 314 (S.D.N.Y. 1983), *rev'd by* Dowling v. United States, 473 U.S. 207, 213 n.6 (1985).
63. 18 U.S.C. § 2319(b)(3) (1982).
64. Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, 98 Stat. 2178.
65. S. REP. No. 526, 98th Cong., 2d Sess., 5 (1984), *reprinted in* 1984 U.S.C.C.A.N. 3627, 3631 ("Able to reap huge profits at little expense, and facing neither criminal sanctions nor substantial civil penalties, counterfeiters have built steadily larger illegal enterprises."); Jed S. Rakoff & Ira B. Wolff, *Commercial Counterfeiting and the Proposed Trademark Counterfeiting Act*, 20 AM. CRIM. L. REV. 145, 151 (1982) (estimated U.S. sales lost in 1981 to commercial counterfeiters totaled $16 billion exclusive of subsequent losses in tax revenues); *see also* Montres Rolex S.A. v. Snyder, 718 F.2d 524, 528 (2d Cir. 1983), *cert. denied*, 465 U.S. 1100 (1984).

aware that it had significant piracy problems.[66] When the penalties were increased for motion picture and sound recording piracy in 1982, computer software did not enjoy a fully developed mass market.[67] However, by the late 1980s, an explosion in personal computer usage made the software industry a major source of job growth and U.S. exports.[68]

While the software industry was emerging as the fastest growing sector of the U.S. economy, software piracy was increasing exponentially. Mass-marketed software and video games became attractive targets for piracy, in part, because of their relatively high per-copy retail price and also because of the ease with which an "exact" copy could be duplicated.[69]

As of 1990, the estimated U.S. revenue lost to piracy of mass-marketed software reached $2.4 billion.[70] The displacement of legitimate video game sales due to piracy was an equally staggering $1.0 billion.[71] Industry sources believe that, at a minimum, for each legal or authorized software program or video game in circulation, an estimated one to three unauthorized or illegal copies have been reproduced and distributed.[72]

Unfortunately, even when the piracy was large scale, prosecutions under the Copyright Act were not appealing, because the penalties for most software piracy remained at the misdemeanor level. Prosecutors were pressed to pursue software and video game pirates under state[73] and other federal[74] laws.

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66. *See Criminal Sanctions For Violation of Software Copyright, 1992: Hearings on S. 893 Before the Subcomm. on Intellectual Property and Judicial Administration of the House Comm. on the Judiciary*, 102d Cong., 2d Sess. 26 (statement of Gail Penner on behalf of the Software Publishers Association).

67. *Id.*

68. *Id.* According to statistics maintained by the Software Publishers Association, "the U.S. software industry currently commands a 75% share of the world-wide software market." *Id.* Similarly, video games are currently the single largest category of retail toy sales.

69. *Id.* at 27. Unlike the products produced by other copyright-based industries, mass marketed software is exceptionally easy to reproduce. "Whereas reproduction of a good copy of a book requires a printing plant and bindery, and commercial scale reproduction of copies of video cassettes or audio cassettes requires [reasonably sophisticated equipment,] all that is required to make perfect copies of a computer program within a few seconds is a standard personal computer." *Id.*

70. *Id.* Worldwide, revenue lost by U.S. software publishers due to piracy is even higher, measuring between $10 and $12 billion annually. The estimated loss in Western Europe alone is measured at $4.46 billion each year. *Id.*

71. *See Criminal Sanctions For Violation of Software Copyright, 1992: Hearings on S. 893 Before the Subcomm. on Intellectual Property and Judicial Administration of the House Comm. on the Judiciary*, 102d Cong., 2d Sess. (1991) (statement of James Charne on behalf of the video game industry).

72. These figures are widely quoted by two software industry trade associations, the Software Publishers Association and the Business Software Alliance. *See also* CONG. REC. S7580 (daily ed. June 4, 1992) (statement of Sen. Hatch).

73. *See* State v. Smith, 789 P.2d 1146 (Wash. 1990) (Copyright Act does not preempt prosecution under Washington theft statute); State v. Tanner, 534 So. 2d 535 (La. Ct. App. 1988) (defendant convicted on charges of "offense against intellectual property" under Louisiana law).

74. *See* United States v. Brown, 925 F.2d 1301 (10th Cir. 1991) (indictment charging defendant with violation of National Stolen Property Act, 18 U.S.C. §§ 2314-15, properly dismissed because software program is intangible, purely intellectual property, which does not constitute physical "goods, wares, merchandise, securities or monies" to which Act applies). *Id.*

The software and video game industries became frustrated by this bootstrap approach to prosecution and, following the example set by the motion picture and sound recording industries, turned to Congress. Senators Orrin Hatch (Republican, Utah) and Dennis DeConcini (Democrat, Arizona) initiated Senate Bill 893, to create felony sanctions for willful piracy of copyrighted software.[75]

As originally drafted, Senate Bill 893 applied only to software.[76] Senator Hatch's bill amended § 2319 of Title 18, and provided that the reproduction or distribution of fifty or more infringing copies of computer software over a 180-day period would be punishable with up to a five-year prison term and a $250,000 fine.[77] The reproduction of ten to forty-nine copies within that same period would be punishable by a fine of up to $250,000 and/or two years in prison.[78] Other violations would be punishable by up to a $25,000 fine and/or one year in prison.[79] In floor remarks Senator Hatch called the bill, "a strong tool for prosecutors who seek to limit the growing problem of computer software piracy."[80] Senate Bill 893 was reported favorably by the Senate Committee on the Judiciary on April 7, 1992,[81] and passed the Senate on June 4, 1992.[82] There was no companion House bill.

The Subcommittee on Intellectual Property and Judicial Administration, House Judiciary Committee, held a hearing on Senate Bill 893 on August 12, 1992.[83] Testimony at the hearing was received from representatives of the computer software and video game industries.[84]

After this hearing the Subcommittee chairman, Representative William Hughes (Democrat, New Jersey), proposed an amendment in the na-

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75. *See* CONG. REC. S4862 (daily ed. Apr. 23, 1991) (statement of Sen. Hatch).

76. S. 893, 102d Cong., 1st Sess. (1991) (enacted after amendment).

77. *Id.* Specifically, S. 893, as introduced by Senator Hatch provided for:

(1) A fine of not more than $250,000 or imprisonment for not more than 5 years or both if, during any 180-day period, at least 50 copies infringing the copyright in one or more computer programs are reproduced or distributed;

(2) A fine of not more than $250,000 or imprisonment for not more than 2 years or both if, during any 180-day period, more than 10 but less than 50 copies infringing the copyright in one or more computer programs are reproduced or distributed;

(3) a second or subsequent offender under either (1) or (2) will be punished under (1).

Id.

78. *Id.*

79. *Id.*

80. S. REP. No. 268, 102d Cong., 2d Sess. (1992).

81. *Id.*

82. *See* CONG. REC. S7581 (daily ed. June 4, 1992) (statement of the presiding officer).

83. *See supra* note 71.

84. *Id.* Testifying at the Subcommittee hearing on S. 893 were James Charne, general counsel, Absolute Entertainment, Inc., representing the video game industry; Gail Penner, counsel, Autodesk, Inc., representing the Software Publishers Association; Edward J. Black, vice president and general counsel, Computer & Communications Industry Association; and David Ostfeld, chairman, Institute of Electrical & Electronics Engineers-U.S.A. Mr. Charne and Ms. Penner endorsed S. 893, while Mr. Black and Mr. Ostfeld expressed concern that felony provisions might be misapplied to ordinary business disputes and situations involving reverse engineering.

ture of a substitute to Senate Bill 893.[85] Rather than adopting a piecemeal approach to copyright legislation and simply adding computer programs to audiovisual works, and sound recordings to the list of works whose infringement can give rise to felony penalties under § 2319, Representative Hughes suggested that felony provisions should apply to willful infringement of all types of copyright works.[86] Representative Hughes also suggested altering the "threshold that must be satisfied before felony liability may be imposed."[87] Representative Hughes' amendment, in the nature of a substitute, received the endorsement of the proponents of Senate Bill 893, and upon approval by the House of Representatives and Senate, the proposed substitute became the Copyright Felony Act.[88]

C. *Elements and Nature of the Offense of Criminal Copyright Infringement Under the Copyright Felony Act*

The Copyright Felony Act provides that a felony offense has occurred where an infringer has reproduced or distributed, within a 180-day period, at least ten unauthorized copies or phonorecords of one or more copyrighted works with a collective value of more than $2,500.[89] A five-year prison term and a fine of up to $250,000 can be applied.[90] Where the offense is a second or subsequent offense, the term of imprisonment increases to 10 years.[91]

In order to secure a conviction under the Copyright Felony Act, the government is required first to establish that an act of copyright infringe-

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85. *See Hearing on Criminal Penalties for Copyright Infringement*, 102d Cong., 2d Sess. (Oct. 1992).

86. *See* H.R. REP. No. 997, 102d Cong., 2d Sess. 4 (1992), *reprinted in* 1992 U.S.C.C.A.N. 3569, 3572.

87. *Id.*

88. Section 2319, as amended, of Title 18 of the Copyright Felony Act reads as follows:

(a) Whoever violates section 506(a) (relating to criminal offenses) of title 17 shall be punished as provided in subsection (b) of this section and such penalties shall be in addition to any other provisions of title 17 or any other law.

(b) Any person who commits an offense under subsection (a) of this section—

(1) shall be imprisoned not more than 5 years, or fined in the amount set forth in this title, or both, if the offense consists of the reproduction or distribution, during any 180-day period, of at least 10 copies or phonorecords, of 1 or more copyrighted works, with a retail value of more than $2,500;

(2) shall be imprisoned not more than 10 years, or fined in the amount set forth in this title, or both, if the offense is a second or subsequent offense under paragraph (1); and

(3) shall be imprisoned not more than 1 year, or fined in the amount set forth in this title, or both, in any other case.

(c) As used in this section—

(1) the terms "phonorecord" and "copies" have, respectively, the meanings set forth in section 101 (relating to definitions) of title 17; and

(2) the terms "reproduction" and "distribution" refer to the exclusive rights of a copyright owner under clauses (1); and

(3) respectively of section 106 (relating to exclusive rights in copyrighted works), as limited by sections 107 through 120, of title 17.

18 U.S.C. § 2319.

89. *See* H.R. REP. No. 997, at 3572.

90. 18 U.S.C. § 2319(b) (as amended, 1992).

91. *Id.* § 2319(b)(2).

ment has occurred.[92] The prosecution's obligation to establish the defendant's guilt by "proof beyond a reasonable doubt" is a universally accepted principle of our criminal justice system.[93] In a criminal infringement proceeding the elements to be proved beyond a reasonable doubt are the same as those that must be proved by a preponderance of the evidence in a civil copyright infringement action.[94] Infringement in a criminal proceeding is thus determined by reference to basic copyright law.

1. Establishing a Prima Facie Claim of Criminal Copyright Infringement

To establish a prima facie claim of either civil or criminal copyright infringement, two basic elements must be proved: (a) ownership of a valid copyright in each infringed work; and (b) "copying" by defendants (or violation of another of the exclusive rights provided to a copyright owner by the Copyright Act).[95] Anyone who "violates any of the exclusive rights of the copyright owner," is an infringer of the copyright.[96]

a. *Ownership*

The first factor, ownership, requires no more proof for a criminal prosecution than for a civil case.[97] Ownership is most often shown through certificates of copyright registration for each of the copyright works involved.[98] The Copyright Act specifies that in any judicial proceeding a certificate of copyright registration made before or within five years constitutes prima facie evidence of the validity of the copyright and of the facts stated in the certificate.[99]

Although not a condition of copyright protection, copyright registration is a prerequisite for any civil action for infringement involving works

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92. *See* H.R. REP. No. 997 at 3572 ("First, the Government is required to establish that an act or acts of copyright infringement have occurred.").

93. *See, e.g.*, Jackson v. Virginia, 443 U.S. 307 (1979); *In re* Winship, 397 U.S. 358 (1970).

94. *See* United States v. Larracuente, 952 F.2d 672, 673 (2d Cir. 1992); United States v. Cross, 816 F.2d 297, 303; United States v. O'Reilly, 794 F.2d 613 (11th Cir. 1986).

95. *See Larracuente*, 952 F.2d at 673; S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1085 (9th Cir. 1989).

96. 17 U.S.C. § 501(a); *see also* United States v. Wise, 550 F.2d 1180, 1186 (9th Cir.), *cert. denied*, 434 U.S. 929 (1977) ("[A]ny act which is inconsistent with the exclusive rights of the copyright holder . . . constitutes infringement.").

97. *Larracuente*, 952 F.2d at 673.

98. *See* United States v. Taxe, 540 F.2d 961 (9th Cir.), *cert. denied*, 429 U.S. 1040 (1978) (certificate of copyright registration is available and gives adequate information of coverage of copyright); *see also* Carol Cable Co. v. Grand Auto, Inc., 4 U.S.P.Q.2D (BNA) 1056, 1061 (N.D. Cal. 1987) ("Plaintiff's copyright registration certificate is prima facie evidence of ownership . . . .").

99. Section 410 of Title 17 provides, in pertinent part, that

> [i]n any judicial proceedings the certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. The evidentiary weight to be accorded the certificate of registration made thereafter shall be within the discretion of the court.

17 U.S.C. § 410(c) (1988 & Supp. IV 1992).

of U.S. origin.[100] Copyright registration is also generally accepted as a prerequisite for criminal copyright proceedings.[101] Although the 1976 Copyright Act is silent with respect to a registration requirement in a criminal proceeding, the 1909 Copyright Act made the deposit of copies and registration a condition precedent to the maintenance of any action for infringement, including a criminal proceeding.[102]

However, copyright registration can be challenged even in a criminal case.[103] Where a registration certificate is produced, the burden shifts to the defendant to present evidence of copyright invalidity,[104] a license,[105] or another defense. Failure to present any evidence to contradict the prima facie validity of copyright certificates is fatal for the defendant.[106]

b. *Proof of Infringement*

It is axiomatic that there can be no civil or criminal infringement unless there has been a copying of the copyrighted work or violation of another of the copyright owner's exclusive rights.[107] Copying or violation of the exclusive rights of a copyright owner is proved by showing, first, that the defendant had access to the copyrighted work, and second, that the defendant reproduced or distributed copies[108] substantially similar[109] to the copyrighted work.

i. Access

Direct evidence of access to the copyrighted work is often not available. Access is most frequently established through circumstantial evi-

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100. 17 U.S.C. § 411(a) (1988), *as amended by* 17 U.S.C. § 411(a) (Supp. III 1991).

101. *See* United States v. O'Reilly, 794 F.2d 613, 614 (11th Cir. 1986) (government sufficiently proved what was copyrighted for purposes of action alleging criminal copyright infringement, by introducing copyright registration certificates for allegedly infringed video games).

102. *See* United States v. Backer, 134 F.2d 533, 535 (2d Cir. 1943).

103. Defects in copyright ownership or lack of originality in the underlying work will defeat a civil infringement case as well as a criminal infringement case. *See* GOLDSTEIN, *supra* note 55, § 11.4.1, at 290-91.

104. *See* Runstadler Studios, Inc. v. MCM Ltd. Partnership, 768 F. Supp. 1292 (N.D. Ill. 1991).

105. *See, e.g.*, United States v. Minor, 756 F.2d 731, 734 (9th Cir.), *vacated by*, 477 U.S. 991 (1985); United States v. Whetzel, 589 F.2d 707, 711-712 (D.C. Cir. 1978).

106. *See* United States v. Sherman, 576 F.2d 292, 296 (10th Cir.), *cert. denied*, 439 U.S. 913 (1978); United States v. Taxe, 540 F.2d 961, 966 (9th Cir.), *cert. denied*, 429 U.S. 1040 (1978); United States v. Rose, 149 U.S.P.Q. (BNA) 820, 823 (S.D.N.Y. 1966).

107. *See* 17 U.S.C. § 501(a) (1978).

108. The Copyright Act defines "copies" as:

> material objects . . . in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term "copies" includes the material object, other than a phonorecord, in which the work is first fixed.

Id. § 101.

109. *See* Novelty Textile Mills, Inc. v. Joan Fabrics Corp., 558 F.2d 1090 (2d Cir. 1977); *see generally* 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §§ 13.01[B], 13.12 (1993) [hereinafter NIMMER].

dence.[110] Access can be inferred when there is evidence that the defendant played a role in the creation[111] or manufacture[112] of both the infringed work and the infringing copies. Access can also be presumed from the fact the copyrighted work at issue is readily available on the market,[113] or that the defendant knew the copyrighted work was not readily available on the market.[114] Moreover, access may be shown indirectly by evidence the copyrighted work has been widely disseminated.[115] Access may also be inferred when the copies are identical or there are striking similarities between expressive elements.[116] In all events, the evidence must establish that the defendant encountered the work in question.[117]

ii. Substantial Similarity

The government must also prove copying by establishing that there is a substantial similarity between the copyrighted work and the defendant's version or versions.[118] A finding of substantial similarity between a copyrighted work and an alleged infringing work requires more than evidence of adherence to the general ideas expressed, because ideas in and of themselves cannot be copyrighted.[119] Similarity in expression also is not infringing to the extent the nature of the creation makes the similarity necessary.[120] Accordingly, "indispensable expression of generalized idea[s] may be protected only against virtually identical copying."[121] If the

110. *See* United States v. Cohen, 946 F.2d 430 (6th Cir. 1991) (holding that circumstantial evidence including unauthorized copies and recording equipment is adequate to support conviction for criminal copyright infringement); United States v. Belmont, 715 F.2d 459 (9th Cir. 1983), *cert. denied*, 465 U.S. 1022 (1984), (holding that conviction for criminal infringement can be based on circumstantial evidence of illegitimate origin of defendant's motion picture video tapes, most copied off the air).

111. *See, e.g.*, Gross v. Seligman, 212 F.2d 930 (2d Cir. 1914) (same photographer photographed model in essentially the same pose).

112. *See, e.g.*, Kamar Int'l, Inc. v. Russ Berrie & Co., 657 F.2d 1059 (9th Cir. 1981).

113. *See* Midway Mfg. Co. v. Bandai-America, Inc., 546 F. Supp. 125, 146 (D.N.J. 1982), *cert. denied*, 475 U.S. 1047 (1986); *see also* ABKCO Music, Inc. v. Harrisongs Music, Ltd., 722 F.2d 988, 998 (2d Cir. 1983) (access may be established by wide dissemination). *See generally* NIMMER, *supra* note 109, § 13.02[A], at 13-21 & n.15 (citing cases); GOLDSTEIN, *supra* note 55, § 7.2.1 & n.13 (citing cases).

114. *See* United States v. Minor, 756 F.2d 731, 734 (9th Cir.), *vacated*, 477 U.S. 991 (1985).

115. *See* Atari, Inc. v. Amusement World, Inc., 547 F. Supp. 222, 227 (D. Md. 1981). *But see* Original Appalachian Artworks, Inc. v. McCall Pattern Co., 649 F. Supp. 832 (N.D. Ga. 1986), *aff'd*, 825 F.2d 355 (11th Cir. 1987).

116. *See* Meta-Film Associates, Inc. v. MCA Inc., 586 F. Supp. 1346, 1355 (C.D. Cal. 1984). *See generally* NIMMER, *supra* note 109, § 13.02[B]), at 13-22.

117. *See* United States v. Gallo, 599 F. Supp. 241 (W.D.N.Y. 1984) (holding that an indictment for conspiracy to infringe copyrights survives motion to dismiss where there is probable cause to believe that defendants acquired, possessed, and sold copies of infringing video games).

118. *See* Arnstein v. Porter, 154 F.2d 464, 468 (2d Cir. 1946).

119. 17 U.S.C. § 102(b) states in part: "In no case does copyright protection . . . extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery . . . ."

120. *See* Merritt Forbes & Co. v. Newman Inv. Secs., Inc., 604 F. Supp. 943, 951 (S.D.N.Y. 1985) ("[W]here an underlying idea may only be conveyed in a more or less stereotyped manner, duplication of that form of expression does not constitute infringement, even if there is word for word copying.").

121. *See* Gund, Inc. v. Smile Int'l, Inc., 691 F. Supp. 642 (E.D.N.Y. 1988), *aff'd*, 872 F.2d 1021 (2d Cir. 1989).

copies are not substantially similar in terms of protected expression, there can be no criminal infringement because, "it is not illegal to possess something which [only] comes close to copyright infringement."[122]

Obviously, a comparison should be made between the alleged infringing copies and the version of the work deposited in the Copyright Office.[123] It may be enough, however, for the government to provide evidence that the copyright owner's duplicates are accurate and authentic.[124]

In some cases, particularly those involving counterfeits of sound recordings, motion pictures, or mass-marketed "off-the-shelf" computer software, the copies involved will be exact copies of the whole of a copyrighted work.[125] Unauthorized literal reproduction of the whole, or substantially the whole, of a copyrighted work constitutes an infringement.[126] Even when only a section or part of the original work has been copied, substantial similarity can be shown, because literal copying of even one section will, in most cases, defy coincidence.[127] Common errors can also be used to prove copying by reducing the statistical probability that the defendant's work is original.[128]

Indirect copying can also be a violation of the copyright owner's exclusive rights. For example, paraphrasing, if done to a great extent, is copying and an infringement.[129] A copy made from an infringing copy is also an infringement of the original.[130] It makes no difference that the pirate did not know that the version from which he or she was copying was infringing; the pirate at least knew that he or she did not own what was being copied.[131] Even the fact an infringer acknowledges the source from which the appropriated matter was derived does not relieve him or her of legal liability.[132]

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122. United States v. Gallo, 599 F. Supp. 241, 247 (W.D.N.Y. 1984).

123. *See* United States v. O'Reilly, 794 F.2d 613, 614-15 (11th Cir. 1986); United States v. Shabazz, 724 F.2d 1536, 1539 (11th Cir. 1984).

124. *Shabazz*, 724 F.2d at 1539.

125. *See* M. Kramer Mfg. Co. v. Andrews, 783 F.2d 421, 425 (4th Cir. 1986).

126. *See, e.g.*, United States v. Taxe, 380 F. Supp. 1010, 1013-14 (C.D. Cal. 1974), *aff'd*, 540 F.2d 961 (9th Cir.), *cert. denied*, 429 U.S. 1040 (1977) (holding that infringement for criminal purposes exists when tapes were made by rerecording copyrighted tapes and copying more than trivial parts even though slight changes were made).

127. *See* Ace Novelty Co. v. Superior Toy & Novelty Co., 221 U.S.P.Q. (BNA) 236, 240 (N.D. Ill. 1983); *see also* Rogers v. Koons, 960 F.2d 301, 308 (2d Cir. 1992) (holding that no copier may defend an act of plagiarism by pointing out how much of the copyrighted work he has not pirated).

128. *See* Eckes v. Card Prices Update, 736 F.2d 859, 863-64 (2d Cir. 1984) (holding that common errors, omissions and inconsistencies in baseball card guide support finding of infringement).

129. *See* Ansehl v. Puritan Pharmaceutical Co., 61 F.2d 131, 138 (8th Cir.), *cert. denied*, 287 U.S. 666 (1932).

130. *See* Barry v. Hughes, 103 F.2d 427 (2d Cir.), *cert. denied*, 308 U.S. 604 (1939).

131. American Press Ass'n v. Daily Story Pub. Co., 120 F.2d 766 (7th Cir.), *appeal dismissed*, 193 U.S. 675 (1904).

132. *See* Heilman v. Bell, 583 F.2d 373, 376 (7th Cir. 1978), *cert. denied*, 440 U.S. 959 (1979) (holding that compliance with notice and royalty provision of compulsory license clause of predecessor statute does not shield sound duplicators from liability for criminal infringement).

2. Effect of First Sale Doctrine on Criminal Copyright Infringement Proceeding

Because felony sanctions are available for both unauthorized reproduction and unauthorized distribution of copies of a copyrighted work,[133] the first sale doctrine must be considered in a criminal copyright infringement proceeding involving unauthorized distribution of a copyrighted work.

Unauthorized distribution of a copyrighted work is an infringement. The Copyright Act provides the copyright owner with the exclusive right "to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending,"[134] and "[a]nyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright."[135] The legislative history of the Copyright Act makes it clear that "any unauthorized public distribution of copies . . . that were unlawfully made would be an infringement."[136]

The copyright owner's distribution right is akin to an exclusive right to control the first publication or first public distribution of copies or phonorecords of the work.[137] This concept, known as the "first sale" doctrine, gives the copyright owner the right to sell or publicly distribute particular copies or phonorecords of the copyrighted work. The distribution right ceases once the owner has parted with those particular copies or phonorecords.[138] The Copyright Act states that the owner of a particular, lawfully made copy or phonorecord is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.[139]

The first sale doctrine applies only where the possibility exists that the person possessing the copyrighted work obtained it lawfully.[140] In other words, if you own a lawfully made copy, you have the right to sell or lease that copy to another party. The only exceptions are sound recordings and software, which may not be rented without the authorization of the copy-

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133. 18 U.S.C. § 2319.

134. 17 U.S.C. § 106(3).

135. 17 U.S.C. § 501(a).

136. H.R. REP. No. 1476, 94th Cong., 2d Sess. 62 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5676. Section 109 of the Copyright Act limits the exclusive right of a copyright owner to distribute copies. Section 109(a) provides: "the owner of a particular copy . . . *lawfully* made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy. . . ." 17 U.S.C. § 109(a) (1988 & Supp. IV 1992) (emphasis added). This section, which embodies the first sale doctrine, does not apply to the case of piratical software vendors. The primary reason is that the piratical copy is not "lawfully made under this title." Indeed, the Notes of the Committee on the Judiciary explicitly state that "any resale of an illegally 'pirated' phonorecord would be an infringement . . . ." H.R. REP. No. 1476, at 79, 1976 U.S.C.C.A.N. at 5693.

137. *See* Annotation, G. M. Buechlein, *Burden and Sufficiency of Proof Under First Sale Doctrine in Prosecution for Copyright Infringement*, 94 A.L.R. FED. 101 (1989).

138. 17 U.S.C. § 109 (1988), *amended by* 17 U.S.C. § 109(b)(1)(c) (Supp. III 1991).

139. *Id.*

140. *See* United States v. Powell, 701 F.2d 70, 73 (8th Cir. 1983).

right owner.[141] There can be no lawful distribution of pirated or counterfeit copies of a work, because the copyright holder cannot, by definition, part with legal title through a first sale.[142]

The first sale doctrine is significant in prosecutions for copyright infringement, because the government must show proof that particular items are copies of a work that infringe a copyright and not merely legitimate products of resale.[143] The first sale doctrine is also a defense in criminal copyright infringement cases.[144] When a defendant presents evidence that the copies in question were legally made and that he or she owned them, the burden shifts to the government to demonstrate that the copies were either not legally made or not owned by the defendant.[145] The government may show that the defendant knew that a particular copy of the copyrighted work had not been sold first by the copyright owner through direct evidence[146] or as an inference from circumstantial evidence.[147]

The indictment does not necessarily have to allege specifically that the defendant knew that a first sale of the copyrighted material had not been made or disprove every conceivable scenario in which the defendant would be innocent of infringement.[148] The indictment, however, should fairly inform the defendant of the offense charged: criminal copyright infringement.[149]

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141. 17 U.S.C. § 109(b)(1)(A) (1988), *amended by* 17 U.S.C. § 109(b)(1)(a) (Supp. III 1991) ("[N]either the owner of a particular phonorecord nor any person in possession of a particular copy of a computer program . . . may, for the purposes of direct or indirect commercial advantage, dispose of, or authorize the disposal of, the possession of that phonorecord or computer program . . . by rental, lease or lending . . . ."); *see also* A&M Records, Inc. v. A.L.W., Ltd., 855 F.2d 368 (7th Cir. 1988) (holding that defendants who were shown to have rented records were liable for infringement).

142. *Powell*, 701 F.2d at 73.

143. *See* United States v. Sachs, 801 F.2d 839, 842-43 (6th Cir. 1986) (holding that government has the burden of establishing that defendant's activities are forbidden by the criminal copyright statute); United States v. Wise, 550 F.2d 1180, 1190 (9th Cir.), *cert. denied*, 434 U.S. 929 (1977) (holding that government must prove the absence of a first sale).

144. *See* United States v. Atherton, 561 F.2d 747, 749 (9th Cir. 1977) (conviction reversed because government failed to prove that copies sold by defendant had not been subject to first sale).

145. United States v. Goss, 803 F.2d 638, 644 (11th Cir. 1986).

146. United States v. Drum, 733 F.2d 1503, 1507 (11th Cir.), *cert. denied sub nom.*, Cooper v. United States, 469 U.S. 1061 (1984).

147. *See* United States v. Minor, 756 F.2d 731, 734 (9th Cir. 1985), *vacated*, 477 U.S. 991 (1985) (holding that on evidence in record, a rational jury could find beyond a reasonable doubt that the defendant knew that records charged in the indictment were not the subject of a valid first sale).

148. United States v. Sachs, 801 F.2d 839, 842-43 (6th Cir. 1986) (holding that government's burden is to show that defendant did not distribute a lawfully obtained copy, but government need not disprove every conceivable scenario in which defendant would be innocent of infringement).

149. United States v. Powell, 701 F.2d 70, 72-73 (8th Cir. 1983) (holding that an indictment for criminal infringement is not defective even though government failed to allege that defendants knew that first sale rights did not apply; "[a]n indictment is generally sufficient if it sets forth the words of the statute itself, as long as those words fairly inform the defendant of the elements necessary to constitute the offense charged"); *see* United States v. Steerwell Leisure Corp., 598 F. Supp. 171, 173 (W.D.N.Y. 1984); United States v. Schmidt, 15 F. Supp. 804 (M.D. Pa. 1936) (holding that an indictment charging defendant with inciting, counseling, and procuring an infringement was not ambiguous or uncertain); *see also* United States v.

3. Criminal Intent

Intent to infringe must also be established. In accordance with the language of the Copyright Act, the government must prove that the defendant infringed "willfully and for purpose of commercial advantage or private financial gain."[150]

With regard to civil copyright infringement, proof of willful intent to infringe may result in an increased damage award.[151] Such proof is not required to prevail on the underlying claim of infringement, because copyright is a strict liability tort.[152] For a conviction on charges of criminal copyright infringement, the government must prove a specific criminal intent to infringe.[153] Without the requisite criminal intent or *mens rea*, no criminal violation has occurred, even if the number of unauthorized copies or phonorecords reproduced or distributed is significant.[154]

Although both the Copyright Act and the Copyright Felony Act use the term "willfully" in describing criminal copyright infringement, the term has never been defined by statute. The legislative history of the Copyright Felony Act shows that Congress intended for the courts to assume the task of defining this term.[155]

Not every criminal statute requires evidence of specific intent to violate the law. Indeed, criminal law presumes generally that every person knows the law, and that ignorance of the law or a mistake of law is no defense to criminal prosecution.[156] A requirement of specific intent to violate the law is most often reserved for relatively intricate areas of law, such as criminal tax evasion.[157]

The government does not have to show that a defendant has detailed knowledge of the statute prohibiting the conduct in question to prove that the defendant exhibited specific intent to violate the law.[158] If the government did have to make such a showing, defense lawyers could argue that their clients should be acquitted simply because they were unfamiliar with the intricacies of a substantive area of law such as copyright.

The better view is that specific intent to violate the law is established by proof that the defendant intended to act as he did and that the defendant's actions were knowing or voluntary, not accidental. This approach is

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Blanton, 531 F.2d 442, 444 (10th Cir. 1975), *cert. denied*, 425 U.S. 935 (1976) (affirming conviction even though statute was erroneously cited in indictment; record shows defendant was not misled or prejudiced by error).

150. 17 U.S.C. § 506(a).

151. *See id.* § 504(c)(2) ("In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $100,000.").

152. Buck v. Jewell-LaSalle Realty Co., 283 U.S. 191, 198 (1931).

153. H.R. REP. No. 997, *supra* note 86, at 4-5, *reprinted in* 1992 U.S.C.C.A.N. at 3573.

154. *Id.*

155. *Id.*

156. Cheek v. United States, 111 S. Ct. 604, 609 (1991).

157. *Id.* at 609 ("[The] special treatment of criminal tax offenses [as specific intent crimes] is largely due to the complexity of the tax laws.").

158. *Id.*

consistent with well settled case authority regarding the meaning of willfulness in a wide variety of contexts.[159]

In the context of criminal copyright infringement, courts have interpreted the term "willfully" in two ways. The majority of courts have said that the language of the Copyright Act makes criminal copyright infringement a "specific" intent crime; in other words, a prosecutor must show that the accused specifically intended to violate the copyright law.[160]

The minority view, endorsed by the Second and Ninth Circuits, holds that in the context of a criminal copyright infringement proceeding, "willful" means only intent to copy, not intent to infringe.[161] For example, the Second Circuit found liability where the defendant, although without actual notice from the copyright owner, unlawfully issued instructions to make copies resembling the copyrighted work "as closely as they might without 'copyright trouble,'" indicating the defendant was aware of the legal prohibition against infringement.[162]

The minority view, which requires only evidence of an intent to copy, places a significantly lower burden on prosecutors. It is not surprising that most criminal copyright infringement cases are initiated in the circuits that have adopted this minority view.

Irrespective of the definition applied, a finding of willful infringement in a criminal copyright infringement proceeding can be based on direct[163] or circumstantial[164] evidence. Willfulness is a factual determina-

159. *See, e.g.*, United States v. Yermian, 468 U.S. 63 (1984) (holding that defendant did not have to know that statements were being made to the United States government to be convicted under the False Statements Act); United States v. Murdock, 290 U.S. 389, 394 (1933) (holding that the word "willfully" is "employed to characterize a thing done without ground for believing it is lawful . . . or conduct marked by careless disregard whether or not one has the right so to act") (citations omitted); United States v. Brown, 954 F.2d 1563, 1564 (11th Cir.), *cert. denied*, 113 S. Ct. 284 (1992) (holding that a defendant was not required to know that the structuring of a currency transaction was unlawful to be convicted under Bank Secrecy Act); United States v. Jones, 735 F.2d 785 (4th Cir.), *cert. denied*, 469 U.S. 918 (1984) (holding that willful violation of mining regulations was intentional, knowing or voluntary, as distinguished from accidental, and did not require knowledge of the terms of the safety standard); United States v. Berardelli, 565 F.2d 24 (2d Cir. 1977) (holding that crime of criminal contempt does not require that defendant intend to violate statute making such an act a crime); United States v. Keegan, 331 F.2d 257 (7th Cir.), *cert. denied*, 379 U.S. 828 (1964) (holding that willfulness on bribery charges was sufficiently established by proof of knowing and intentional commission of the acts charged); United States v. Gris, 247 F.2d 860 (2d Cir. 1957) (holding that a willful wiretap violation was sufficiently established by proof that defendant intended to act as he did, rather than proof of intent to violate Federal Communications Act); Cheek v. United States, 111 S. Ct. 604, 610 (1991) (holding in a criminal tax prosecution that a good faith misunderstanding of the law or the good faith belief that one's actions were not illegal negates a charge of willfulness).

160. *See* United States v. Cross, 816 F.2d 297, 303 (7th Cir. 1987) (holding that defendant must have engaged in the infringing conduct with knowledge that his or her activity was prohibited by law). *But see* United States v. Moran, 757 F. Supp. 1046, 1049-51 (D. Neb. 1991) (discussing the willfulness criterion at some length and holding that a person who made and rented unauthorized copies of videotapes did not "willfully" infringe, even though he was aware that original videotapes were protected under Copyright Act).

161. *See* United States v. Taxe, 380 F. Supp. 1010, 1017 (C.D. Cal. 1974), *cert. denied*, 429 U.S. 1040 (1977).

162. United States v. Backer, 134 F.2d at 533, 535 (2d Cir. 1943).

163. *See* Dean v. Burrows, 732 F. Supp. 816, 825-26 (E.D. Tenn. 1989) (infringer fraudulently obtained authorized copy of work, removed copyright notice, then copied and sold

tion that will not be disturbed on appeal unless the determination is clearly erroneous.[165]

The *mens rea* for criminal copyright infringement also requires evidence that the defendant acted "for purposes of commercial advantage or private financial gain."[166] Although actual sale of a counterfeit or pirated copy is the best evidence that the defendant has a commercial purpose or financial objective, a "for-profit" objective can be established by an act as simple as giving an infringing copy to a government witness to test before buying.[167] The government is not required to show that the defendant actually realized a profit from the infringement, and lack of profitability is not grounds for arresting a criminal infringement judgment.[168] The government has to show only that the defendant hoped to make a profit[169] or realize a commercial gain.[170]

Both owners[171] and employees[172] can be found to have infringed for the purpose of commercial advantage or private financial gain. Indeed, the fact the defendant is an employee and not an owner will not preclude liability.[173]

Of course, the Copyright Felony Act cannot be applied to every infringement, even if there is evidence the defendant intended to ignore copyright law or acted for the purpose of commercial advantage or private financial gain. The legislative history of the Copyright Felony Act clearly states that "ordinary business disputes such as those involving reverse engineering of computer programs or contract disputes over the scope of licenses" will not give rise to felony liability.[174]

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work; liability for willful infringement found); *see also* RSO Records, Inc. v. Peri, 596 F. Supp. 849, 859 (S.D.N.Y. 1984) (holding that for purposes of showing willfulness in civil action, defendant's earlier guilty plea to two counts of criminal copyright infringement meant he knew similar conduct was unlawful).

164. *See* United States v. Hernandez, 952 F.2d 1110, 1114 (9th Cir. 1991), *cert. denied*, 113 S. Ct. 334 (1992) (holding that evidence presented was sufficient to support element of knowledge or intent to join conspiracy to infringe where defendant had control over tapes, had key to storage unit where tapes were kept, had shown others how to use tape duplicating machine, and had transported tapes from production site to storage unit); *see also* United States v. Gottesmann, 724 F.2d 1517, 1522 (11th Cir. 1984) (holding that evidence presented was sufficient to show that defendant willfully infringed on copyright where she was present at meetings in which her husband told undercover FBI agents that videotape source was secret and where she provided lists of available movies to agents and claimed that she was a partner in the operation).

165. Chi-Boy Music v. Charlie Club, Inc., 930 F.2d 1224, 1227 (7th Cir. 1991).

166. 17 U.S.C. § 506(a).

167. United States v. Moore, 604 F.2d 1228, 1235 (9th Cir. 1979).

168. United States v. Stolon, 555 F. Supp. 238, 239-40 (E.D.N.Y. 1983).

169. *See, e.g.*, United States v. Rose, 149 U.S.P.Q. (BNA) 820, 825 (S.D.N.Y. 1966) ("If . . . the Government has demonstrated . . . the profit motive of the defendant, then the Government has met its burden . . . .").

170. United States v. Steele, 785 F.2d 743, 749 (9th Cir. 1986).

171. *See* Luft v. Crown Publishers, Inc., 772 F. Supp. 1378, 1379-80 (S.D.N.Y. 1991).

172. U.S. v. Cross, 816 F.2d 297, 301 (7th Cir. 1987).

173. *Id.*

174. *See* H.R. REP. NO. 997, *supra* note 86, at 5 ("In cases where civil liability is unclear—whether because the law is unsettled, or because a legitimate business dispute exists—the Committee does not intend to establish criminal liability."); *see also* United States v. Lar-

4. Threshold of Infringement

To secure a conviction under the Copyright Felony Act, the government must first establish the infringement and then show that at least ten copies or phonorecords, with a retail value of more than $2500, have been copied or distributed without the copyright owner's permission within a 180-day period.[175] These ten copies or phonorecords can represent an infringement of one copyrighted work or an aggregation of different works of authorship.[176] The Copyright Felony Act does not require that all the copyrights affected be in the same class or be held by the same copyright owner. This means that a case for felony conviction can be built by showing that several copyright holders have been adversely affected by one infringer. For example, a defendant's reproduction of five copies of a copyrighted word-processing computer program having a retail value of $300 and the reproduction of five copies of a copyrighted spreadsheet computer program also having a retail value of $300 would satisfy the requirement of reproducing 10 copies having a retail value of at least $2,500, if done within a 180-day period.[177] If less than ten copies have been copied or distributed, or if the copies have a combined value of less than $2,500, the offense is a misdemeanor.[178]

Again, the government must also show evidence that the infringing copies have a retail value of more than $2,500 to secure a felony conviction.[179] "Retail value" was deliberately undefined, but the implication is that it will, in most cases, represent the price at which the work that is being infringed is sold through normal retail channels.[180] Where a "usual" retail value cannot be established, the courts may look to the suggested retail price, the wholesale price, the replacement cost of the item, or financial injury caused to the copyright owner. It may even be appropriate in some cases to use saved acquisition costs to place a value on the infringing copies.[181]

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racuente, 952 F.2d 672, 673-74 (2d Cir. 1992) ("If the accused infringer has been licensed by a licensee of the copyright owner, that is a matter of affirmative defense.").

175. *See* 18 U.S.C. § 2319(b)(1).

176. *See* H.R. REP. No. 997, *supra* note 86, at 6 ("The phrase 'of one or more copyrighted works' is intended to permit aggregation of different works of authorship to meet the required number of copies and retail value.").

177. *Id.*

178. *See* 18 U.S.C. § 2319(b)(3) (1988 & Supp. IV 1992); *see also* United States v. Cross, 816 F.2d 297, 301 (7th Cir. 1987).

179. 18 U.S.C. § 2319(b)(3).

180. *See* United States v. Larracuente, 952 F.2d 672, 674-75 (2d Cir. 1992) (holding that the trial court was correct in applying the "normal retail price, rather than the lower bootleg price paid by those who presumably are aware that the prices they are buying are not legitimate," but noting possible exceptions); United States v. Hernandez, 952 F.2d 1110, 1119 (9th Cir. 1991) (court established probable loss based on market value); *see also* U.S.S.G. § 2B5.3, cmt., *reprinted in*, 18 U.S.C.A. app. (Supp. 1994) (sentencing guidelines for copyright infringement designed to adequately reflect the anticipated gains to the criminals or losses to the victims of the crime). *But see* United States v. Kim, 963 F.2d 65, 68-70 (5th Cir. 1992) (holding that "retail value" is based on the value of the counterfeit merchandise, but that using retail value of genuine merchandise was also relevant to calculation of "retail value").

181. *See, e.g.*, Deltak, Inc. v. Advanced Systems, Inc., 767 F.2d 357, 361-62 (7th Cir. 1985); Quinto v. Legal Times of Washington, Inc., 511 F. Supp. 579, 582 (D.D.C. 1981).

A successful felony prosecution will also require proof that the statutory requirements, both in terms of number of copies and retail value have been met within a 180-day period. This requirement exists to preclude from felony prosecution, "children making copies for friends," as well as "other incidental copying of copyrighted works having a relatively low retail value."[182] The 180-day period is also intended to remove the "possibility that the increased penalties under the bill for computer program infringement can be used as a tool of harassment in business disputes over reverse engineering."[183]

CONCLUSION

The Copyright Felony Act represents a significant improvement in the criminal sanctions that can be imposed against willful copyright infringement. While tangible evidence of the deterrent effect of these increased sanctions will not exist for some time, copyright owners can be expected to press increasingly for criminal prosecution of large-scale pirates.

182. *See* H.R. REP. NO. 997, *supra* note 86, at 6.

183. *Id.* This language was included presumably to alleviate concerns expressed by certain computer industry representatives that increased criminal penalties might be used by certain software vendors as a weapon against competitors in infringement cases where civil liability is unclear—whether because the law is unsettled, or because a legitimate business dispute exists. *See Criminal Sanctions For Violation of Software Copyright, 1992: Hearings on S.893 Before the Subcomm. on Intellectual Property and Judicial Administration of the House Comm. on the Judiciary*, 102d Cong., 2d Sess. 46-70 (1991) (statement of Edward J. Black, Vice President and General Counsel, Computer & Communications Industry Association, and Statement of David Ostfeld, Chairman, Intellectual Property Committee, Institute of Electrical & Electronics Engineers-United States Activities).