3-1-2008

Digital Rights Management (DRM) in Online Music Stores: DRM-Encumbered Music Downloads' Inevitable Demise as a Result of the Negative Effects of Heavy-Handed Copyright Law

Ali Matin

Recommended Citation
Available at: http://digitalcommons.lmu.edu/elr/vol28/iss3/3
DIGITAL RIGHTS MANAGEMENT (DRM) IN ONLINE MUSIC STORES: DRM-ENCUMBERED MUSIC DOWNoads' INEVITABLE DEMISE AS A RESULT OF THE NEGATIVE EFFECTS OF HEAVY-HANDED COPYRIGHT LAW

I. INTRODUCTION

Music consumption will never be the same again. Album sales are plummeting as more people switch to purchasing music online.\(^1\) A digitally downloaded album or song is a significantly different product from a compact disc (CD) bought at a record store. The downloaded song often comes equipped with Digital Rights Management (DRM) technology, which is a form of encryption that limits the song’s playback ability.\(^2\) Music publishers claim DRM technology is necessary to combat the increase in piracy from both peer-to-peer (P2P) file sharing programs and advances in technology, such as increased broadband Internet access.\(^3\) Until recently, the majority of songs purchased from any legal Internet music provider contained DRM protection.\(^4\) In 2008, Amazon MP3 became the first online music store to offer music downloads from all four major music labels, as well as several independent labels, unencumbered by DRM technology.\(^5\)

---


2. See BBCNews.com, Q&A: What is DRM?, http://news.bbc.co.uk/2/hi/technology/6337781.stm (Mar. 14, 2007) (stating that DRM allows music copyright owners to set and enforce the terms by which listeners can use their music files, such as limiting listeners’ ability to copy the music and restricting its use to a set number of computers and portable music players).


5. See Eric Benderoff, Amazon Takes a Stab at iTunes Market: Site Offers Cheaper Music
The music industry’s recent acceptance of online music sales without the accompanying DRM technology highlights a larger legal problem. Namely, Congress and the music industry’s attempts to control music consumption by regulating the use of DRM in online music has had unintended, detrimental consequences to both consumers and the music industry. Over-regulation has forced the music industry to offer music without DRM protection to compensate for the negative effects of DRM legislation.

In enacting the 1998 Digital Millennium Copyright Act (DMCA), Congress criminalized attempts to circumvent DRM technologies placed in music by copyright holders. The DMCA grants copyright holders an unprecedented level of control over how their products are used and accessed. Regrettably, the DMCA has disturbed existing copyright law that allowed courts to weigh the interests of protecting intellectual property against the interests of encouraging competition and protecting consumer choice.

The DMCA’s legal protection of DRM technology has not been very successful in the area of digital music downloads. The music industry has been unable to stop piracy on the Internet. Moreover, the DMCA’s protection of DRM technology has led music retailers to use the law not to prevent piracy, but to prevent interoperability between downloaded music files and portable music players. In effect, the combination of the DMCA and DRM created statutorily sanctioned anti-competitive behavior,

---


7. See id. § 1201(a)(1)(A).


9. See id.


which hurts both record label copyright holders and music consumers.\textsuperscript{12}

Part I of this comment introduces the main issues created by DRM technology and the enactment of the DMCA. Part II frames the historical tension between copyright law and restrictive technologies, such as DRM, and discusses the current problems created by the enactment of the DMCA. Part III explains how the anti-circumvention provision of the DMCA forces courts to focus on the narrow issue of DRM circumvention at the expense of the more important issues of copyright infringement and piracy. Part IV describes how the DMCA’s legal protection of DRM enables companies to misuse DRM in anti-competitive ways. Finally, Part V explains that DRM has little practical effect on preventing piracy because it punishes legitimate consumers.

The DMCA is a heavy-handed copyright law that was enacted to help the music industry regulate music consumption on the Internet.\textsuperscript{13} The law has hurt both consumers and the music industry. The negative effects of the DMCA have left the music industry with little choice but to offer music unencumbered by DRM protections.\textsuperscript{14} However, the outlook for the music industry is not completely bleak. Sales of this unrestricted music may actually benefit both music consumers and the music industry.

II. HISTORY OF COPYRIGHT LAW, DRM, AND THE DMCA

The purpose of copyright law is to “promote the creation and publication of free expression” by creating an economic incentive to generate and distribute one’s creation.\textsuperscript{15} The Copyright Clause of the Constitution gives Congress the power to legislate copyright terms “[t]o promote the Progress of Science... by securing for limited Times to Authors... the exclusive Right to their respective Writings.”\textsuperscript{16} While the Copyright Clause makes the content producer’s expression of ideas copyrightable, the ideas themselves are not.\textsuperscript{17} The Supreme Court refers to this as the “idea/expression dichotomy.”\textsuperscript{18} Copyright law recognizes five exclusive rights for the copyright holder: (1) the right to reproduce, (2) adapt, (3) publish, (4) perform, and (5) display the protected work.\textsuperscript{19}

\textsuperscript{12} See Digital Music, supra note 11.
\textsuperscript{14} See, e.g., Benderoff, supra note 5.
\textsuperscript{16} U.S. Const. art. I, § 8, cl. 8.
\textsuperscript{17} See Eldred, 537 U.S. at 219.
\textsuperscript{18} Id.
Digital Rights Management (DRM) technology offers control over the protected work in both a legally and practically different manner than traditional copyright protection. For instance, DRM technology allows copyright holders to control the way consumers use their work once it is in a digital format. While copyright law is limited by such rules as "term duration" (allowing copyright protection for only a certain amount of time), "fair use" (allowing copyright protection to be circumvented in special circumstances), and the "first sale doctrine" (allowing owners of copyrighted material to sell that material without permission from the copyright holder), DRM protection is not necessarily subject to the same limitations. Consequently, copyright holders use DRM technology primarily to restrict the use or access of the copyrighted work, while copyright law protects the underlying work from an unauthorized violation of the copyright holder’s exclusive rights to reproduce, adapt, publish, perform, and display the protected work.

Regardless of this important distinction, as of 1998, DRM technology enjoys statutory protection that is legally enforceable under the Digital Millennium Copyright Act (DMCA). Copyright law was amended by the DMCA to grant copyright holders legal protection for use of DRM and similar access control technology for copyrighted works. Section 1201 of the DMCA makes it illegal to "avoid, bypass, remove, deactivate, or impair" DRM technology embedded in copyrighted works.

Congress passed the DMCA for two reasons. The first reason was to respond to pressures from the entertainment industries, which feared that advances in technology would increase online piracy. The second was...
the United States' obligations under the 1996 World Intellectual Property Organization treaties, which mandated statutory protection for copyright holders' use of DRM.29

Essentially, advances in technology concerned the music industry because it made illegal copying of music files faster and easier than ever.30 This fear of new technology was not a recent development.31 In fact, the industry's lobbying for the enactment of the DMCA was not the first time the music industry had pressured Congress to pass new legislation restricting access to technology.32

A. The Digital Audio Tape Machine: DRM's Beginnings and the Introduction of the Audio Home Recording Act

After Sony and Phillips first introduced the compact disc as a medium for music file storage in 1982, music became widely available in digital format.33 Four years later, Digital Audio Tape (DAT) machines were created.34 Unlike traditional cassettes, which only allowed copies of progressively inferior quality, DAT machines allowed users to make a "perfect" copy of a compact disc without any loss in quality.35 At that time, the music industry feared that high quality audio copies would result in piracy on a grand scale.36 The threat of legal action by the music industry prevented the DAT machine from entering the consumer market until seven years after its creation.37 The delay prevented the DAT machine from gaining a foothold in the market.38

Congress' legislative reaction to the introduction of the DAT machine is noteworthy because of the pressure it received from the music industry. After much lobbying from the music industry,39 Congress passed the

and storage capacity, and growing access to the Internet at broadband speeds formed a 'perfect storm.'

29. See S. REP. No. 105-190, at 8 (1998); see also Armstrong, supra note 13, at 60.
30. See Armstrong, supra note 13, at 60 n.41.
32. See id.
34. See Aldrich, supra note 31, at 13-15.
35. See id.
37. See Aldrich, supra note 31, at 14.
38. See id.
Audio Home Recording Act (AHRA) in 1992, which required all DAT machines and other audio recorders to be equipped with Serial Copy Management System (SCMS). The SCMS technology allowed only first generation copies of digital recordings, meaning copies could only be made from an original recording.

In 1998, years after Congress passed the AHRA to address DAT's, the music industry invoked the statute for the first time when it sued Rio, the manufacturer of one of the first portable MP3 players. The trade group that represents the United States recording industry, known as the Recording Industry Association of America (RIAA), sued Rio for not complying with the SCMS requirement of the AHRA. The court found that computers and MP3 players were not digital audio recording devices and were therefore not required to comply with the SCMS provision of the AHRA. Thus, the music industry needed another way to prevent the perceived threats of emerging technologies. The 1998 Digital Millennium Copyright Act followed.

B. From the AHRA to the DMCA

In many ways, the AHRA was a precursor to the DMCA because it mandated the use of SCMS to prevent piracy, and SCMS technology is similar to the DRM technologies used today. In fact, SCMS was the first example of access restricting technology in the music industry. Section 1002(a)–(c) of the AHRA prohibits circumvention of SCMS and is arguably a precursor to the anti-circumvention provision of the DMCA. However, the DMCA’s anti-circumvention provision is more expansive than the AHRA’s provision because it directly prohibits the user’s attempts at circumvention, rather than mandating the circumvention protections to

41. See id.
45. See Recording Indus. Ass’n of Am. v. Diamond Multimedia Sys., Inc., 180 F.3d 1072, 1075 (9th Cir. 1999).
46. See id. at 1081.
47. See Aldrich, supra note 31, at 14.
companies that produce the devices. 50

Through the use of the AHRA, the music industry successfully suppressed new technology such as the DAT machine. 51 Perhaps this success led the music and movie industries to believe they could control how music is transferred and consumed on the Internet through the DMCA. However, the Internet is not as easily categorized and dismissed as was the DAT machine. Steve Jobs, the Chief Executive Officer of Apple, said, “[there] is this amazingly efficient distribution system for stolen property called the Internet—and no one’s gonna shut down the Internet.” 52 Unlike the DAT machine, the Internet cannot easily be set aside or become obsolete. Consequently, restrictive copyright legislation will not significantly affect Internet piracy of digital music. Therefore, the DMCA’s restrictive legal protection of DRM through its anti-circumvention provision will lead to both the music consumer’s and the music industry’s rejection of DRM protected music.

III. SECTION 1201 OF THE DMCA FORCES COURTS TO FOCUS ON THE NARROW ISSUE OF DRM CIRCUMVENTION AT THE EXPENSE OF THE MORE IMPORTANT ISSUES OF COPYRIGHT INFRINGEMENT AND PIRACY

Congress initially passed the 1998 Digital Millennium Copyright Act (DMCA) with the intent to protect copyright holders’ digital works from Internet piracy. 53 Congress was concerned that the Internet provided an easy, quick, and inexpensive way for digital works to be transferred between large groups of people. 54 However, the DMCA’s anti-circumvention provision leaves courts with little flexibility in balancing the rights of copyright holders against consumer choice and technological innovation. Section 1201 of the DMCA directs courts to focus on whether a Digital Rights Management (DRM) scheme is being circumvented, but seems to ignore the arguably more important issue of whether DRM protection is actually preventing piracy. 55 As a consequence, digital content providers can misuse DRM as a legally enforceable means of

50. See id.
54. See id.
55. See id. at 28.
restricting competition by preventing interoperability between downloaded music and a competing company's digital music players.

Instead of creating new legislation that focuses on the use of DRM technology to battle emerging technological threats, Congress should have allowed the courts to use preexisting copyright precedent to find a more nuanced approach to dealing with piracy. This approach would focus on such issues as whether a listener's intention was to steal the music, rather than on the narrow issue of whether a DRM protection scheme has been violated.

As evidenced by the music industry's recent shift to once again selling music unburdened by DRM protections, the DMCA is simply unnecessary legislation in the music industry's fight to protect itself against new and potentially threatening technologies. Existing legislation, namely the Copyright Act of 1976, the last major modification made to copyright law, already provided courts with a basic framework of copyright law and the freedom to address issues raised by new technologies in common-sense ways within that framework. When faced with factual scenarios involving new and potentially copyright-infringing technologies, the courts have crafted balanced decisions by taking into consideration the rights of both the copyright holder and the consumer. Perhaps the most well-known example of the courts' ability to nimbly balance these competing interests is Sony Corp. of America v. Universal City Studios, Inc.

A. The Court's Past Response to New Technology: Sony Corp. of America v. Universal City Studios, Inc.

In Sony, the plaintiffs, who were copyright owners of television programs, sued Sony, a manufacturer of home videocassette recorders (VCRs), alleging that Sony's devices could be used for copyright infringement, and Sony was therefore liable for any infringement committed by the purchasers of Sony's VCRs. The Supreme Court ruled in favor of Sony, holding Sony could not be held liable for contributory copyright infringement because VCRs had substantial non-infringing uses. Moreover, the Court found that personal use of VCRs to record

56. See Benderoff, supra note 5; Hansell, supra note 5; FOXNews.com, supra note 5.
59. Id.
60. See id. at 417.
61. See id. at 456.
broadcast television programs for later viewing constituted fair use, which
was a complete defense to a claim of copyright infringement. The Court
argued that the law must "strike a balance between a copyright holder's
legitimate demand for effective—not merely symbolic—protection of the
statutory monopoly, and the rights of others freely to engage in
substantially unrelated areas of commerce." Accordingly, even if a
device can be used for copyright infringement, courts will not hold
the device's manufacturers liable for copyright infringement if that device has
substantial non-infringing uses.

Justice Blackmun noted in his dissent that, "in the absence of a
congressional solution, courts cannot avoid difficult problems by refusing
to apply the law. We must 'take the Copyright Act. . . as we find it'. . ." At the time of the Sony case, there was not yet any legislation,
such as the Audio Home Recording Act (AHRA) or the DMCA,
specifically regulating new technologies. When faced with issues
involving new technologies, the Court simply applied long established
principles of copyright law.

In Sony, the Court balanced the interests of consumers against the
interests of copyright holders so that all parties benefited from the decision.
Consumers enjoyed the benefits of taping television programs for later
viewing. After Sony, copyright holders, including the movie industry,
profited when consumer spending on videocassettes reached $4.8 billion,
while the domestic box office totaled only $3.8 billion a year. Additionally, many movie theater owners believed that the advent of the
VCR had a positive effect on movie theater attendance. Ultimately, both
consumers and the entertainment industries benefited in the wake of Sony
because the Court let technological innovation flourish. Nevertheless, the
Court narrowed Sony's holding nearly twenty years later when the
emergence of radically new technologies threatened the applicability of
copyright law and the holding of Sony.

62. See id. at 454–56.
63. Id. at 442.
64. Sony Corp., 464 U.S. at 500 (Blackmun, J., dissenting).
67. See Antipiracy Feature Would Harm Booming VCR Sales, Retailers Warn, DISCOUNT
68. See id.
69. See id.
B. The Court’s Most Recent Response to New Technology: Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd

The Court limited the scope of Sony in Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd. by narrowing Sony’s “substantial non-infringing use” defense.70 In Grokster, the defendant company produced and distributed peer-to-peer (P2P) software online, which allowed users to share music files.71 Many of the songs that users transferred to each other were protected by copyright.72 Grokster did not generate revenue from the users themselves, but did profit from the streaming advertisements in its program.73 Again, the Court faced the dilemma of balancing the copyright holders’ interests against the public interest in the face of new technology.74 The Court held that a company that encourages and profits from the direct copyright infringement of third parties can be held contributorily liable for copyright infringement by those third parties.75

Though the Court unanimously held that Grokster could be liable,76 the Justices differed in their reasoning. Justice Ginsburg found, in a concurring opinion, that Grokster differed “markedly” from Sony because there was an insufficient showing of substantial non-infringing uses, suggesting that Grokster could be held liable without needing to address the issue of secondary liability.77 Justice Breyer concurred, finding that “a strong demonstrated need for modifying Sony . . . has not yet been shown.”78 Critics of Grokster’s fractured opinion argue that the Court’s ruling creates ambiguities as to when a defendant could be held liable for inducing copyright infringement.79

However, the Court’s use of narrow language80 suggests that its holding applies to P2P software or substantially similar technology. The Grokster Court focused on the defendants’ intent, claiming that the “inducement rule . . . premises liability on purposeful, culpable expression
and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful purpose." Sony is distinguishable because the defendants did not intentionally induce copyright infringement and the technology was markedly different than the technology at issue in Grokster.82

For example, one can physically trace and restrict VCRs because they are pieces of hardware, unlike Grokster’s P2P software.83 Copyright infringement using a VCR is only possible on one recorder, for one program, on one videocassette at a time.84 Grokster, on the other hand, allowed users to both upload and download files from multiple people simultaneously and quickly.85

Using the theory of secondary liability to hold companies liable for the actions of third parties, the Grokster Court looked at both the nature and the producer of the technology.86 Unlike Grokster, Sony is a large, well-known, multinational producer of electronic goods.87 A company like Sony would have little incentive to act illegally by intentionally promoting copyright infringement because, at the time of the Sony decision, there was a large and profitable market for videocassettes.88 Conversely, the overwhelming source of Grokster’s revenue came from the sale of advertising space viewed by consumers while using Grokster’s software to illegally transfer copyrighted files.89

Due to the uncertain impact on copyright infringement of new and rising technologies like Grokster’s P2P software, the Court needed to distinguish lawful, innovative technology from harmful, infringing technology.90 Viewed from this perspective, the Court’s secondary liability doctrine, which was founded on the theory of intentional inducement of infringement, gave lower courts the flexibility to punish companies creating technology solely to profit from copyright infringement, while still protecting companies’ production of new...

81. Id. at 937.
82. See id. at 933–34.
84. See id.
85. See id.
86. See Grokster, 545 U.S. at 936–37.
88. See Grokster, 545 U.S. at 931.
89. See id. at 925.
90. See id. at 936–37.
technological innovations. 91

C. The Court’s Response to New Technology using the DMCA, and How the DMCA Constrains Courts

The Court’s main focus in both Sony and Grokster was on how the new technology was used by consumers. 92 Embedded in the Court’s analysis of the use of new technology is an intrinsic and overarching question of intention: Is the way that consumers use the new technology undermining further technological innovation by granting companies a monopoly over that technology? 93 With the introduction of the DMCA, courts can no longer balance these interests as effectively and must instead focus on technological means. A court must now ask whether the DRM scheme is being circumvented to pirate content. 94 As Justice Breyer said in his concurring opinion in Grokster:

Judges have no specialized technical ability to answer questions about present or future technological feasibility or commercial viability where technology professionals, engineers, and venture capitalists themselves may radically disagree and where answers may differ depending upon whether one focuses upon the time of product development or the time of distribution. 95

Accordingly, DRM is an example of technology for which “[j]udges have no specialized technical ability.” 96

Copyright holders can use DRM legitimately to prevent access to copyrighted works, but they can also abuse DRM in an anti-competitive way to prevent interoperability. 97 In cases where new technology and copyright infringement collide, courts should focus on whether copyright holders’ rights are being undermined, and not whether a DRM scheme has been circumvented. Unfortunately, the enactment of § 1201 of the DMCA prevents courts from taking into account the evolving nature of technology, as the Supreme Court was able to do in Sony and Grokster. 98 As a consequence, copyright law, which was originally intended to create a limited monopoly designed to promote innovation, 99 is instead used to

91. See id.
93. See Grokster, 545 U.S. 913.
95. Grokster, 545 U.S. at 958 (Breyer, J., concurring).
96. Id.
97. See Lee, supra note 8.
98. See id. at 2.
99. See Grokster, 545 U.S. at 943.
suppress consumer choice and innovation by competing companies. *Lexmark International, Inc. v. Static Control Components, Inc.* and *Chamberlain Group, Inc. v. Skylink Technology* are two recent examples of companies attempting this kind of suppression.\(^{100}\)

**D. Lexmark International, Inc. v. Static Control Components, Inc.**

Instead of battling piracy, opportunistic companies misuse DRM to advance their interests.\(^{101}\) The result has been an increase in “private control over content” through legally protected anti-circumvention technologies.\(^{102}\) Companies can use the DMCA’s anti-circumvention provision to provide an extra-legal layer of protection to their use of DRM.\(^{103}\)

In *Lexmark International, Inc. v. Static Control Components, Inc.*, printer manufacturer Lexmark sought to enjoin Static Control Components (SCC), a manufacturer of low-cost replacement toner cartridges, from producing cartridges for Lexmark printers.\(^{104}\) Lexmark’s toner cartridges contained a microcontroller that performed a “secret handshake” with the printer, preventing the printer from working with non-Lexmark cartridges.\(^{105}\) SCC’s cartridges contained a “SMARTek” chip that replaced the Lexmark chip and allowed the Lexmark printer to work with their toner cartridges.\(^{106}\)

Lexmark claimed that the SMARTek chip violated the anti-circumvention provision of the DMCA.\(^{107}\) Rejecting Lexmark’s argument, the court held that the “handshake” was not an access-control security device.\(^{108}\) The court reasoned that anyone who owned a Lexmark printer could read the authentication code from the printer because it was easily visible.\(^{109}\) Thus, because the authentication was not a security device, SCC could not be held in violation of the DMCA’s anti-circumvention provision.\(^{110}\) The court emphasized that Congress did not create the

---

101. See Lee *supra* note 8, at 15.
103. See id. at 644.
104. See *Lexmark Int’l*, 387 F.3d at 529.
105. Id. at 530.
106. Id.
107. See id. at 531.
108. See id. at 546–47.
109. See id.
110. *Lexmark Int’l*, 387 F.3d at 547.
DMCA’s anti-circumvention provision to impose “liability for the circumvention of technological measures designed to prevent consumers from using consumer goods while leaving the copyrightable content of a work unprotected.”\footnote{Id. at 549.} \footnote{id. at 551 (Merritt, J., concurring).}

The concurring opinion by Judge Merritt went even further in denouncing this application of the DMCA by stating that the court’s “holding should not be limited to the narrow facts [of this case].”\footnote{id.} He explained that “[w]e should make clear that in the future companies like Lexmark cannot use the DMCA in conjunction with copyright law to create monopolies of manufactured goods for themselves.”\footnote{Id. at 547.} However, the mere fact that liability and the threat of litigation exists under the DMCA’s anti-circumvention provision is enough to grant companies the opportunity to use the DMCA in just this way. While Judge Merritt understood the source of the problem, the majority’s holding is too narrow to adequately address it. Had Lexmark hidden the authentication code, they could have claimed that it was a “security device,” and that SCC was circumventing Lexmark’s legitimate use of DRM protections under the DMCA.\footnote{See David Bogoslaw, Lexmark Falls as Profit Picture Fades, BUSINESSWEEK, July 9, 2007, http://www.businessweek.com/investor/content/jul2007/pl2007079_192036.htm.}

Lexmark’s ultimate concern was a loss in profits given the cheaper cartridge alternatives offered by competitors.\footnote{See William Trent, Lexmark and HP’s Business Model is Increasingly Unsustainable, SEEKING ALPHA, May 10, 2006, http://seekingalpha.com/article/10372-lexmark-s-and-hp-s-printer-business-model-is-increasingly-unsustainable-lsk-hpq/.} Printer companies typically under-price their printers because they expect to make up the difference by selling their ink cartridges at a high margin.\footnote{See id.} By offering low-cost ink cartridges, SCC posed a threat to Lexmark’s business model.\footnote{See generally Bogoslaw, supra note 115.} Accordingly, Lexmark used the DMCA’s anti-circumvention provision, not to protect its copyright or to prevent piracy, but rather to maintain its high profit margins by preventing interoperability with competing toner cartridges.\footnote{See Lexmark Int’l, 387 F.3d at 551.}

**E. Chamberlain Group, Inc. v. Skylink Technology**

Although the court ruled in favor of SCC, its narrow holding did not clearly limit the use of the DMCA to prevent inoperability.\footnote{See Lexmark Int’l, 387 F.3d at 551.} Similarly, in
Chamberlain Group, Inc. v. Skylink Technology, the court held there was no liability under the DMCA, but left the DMCA intact and ripe for further abuse. Chamberlain, the manufacturer of garage door openers and transmitters, sued Skylink, a rival manufacturer, for creating a universal transmitter that worked with Chamberlain’s garage door openers. Chamberlain had developed an opener with a copyrighted “rolling code” program that constantly changed the garage transmitter signal. Skylink sold a universal transmitter that could bypass Chamberlain’s rolling code protection and operate Chamberlain’s garage door devices.

To prevent Skylink from selling its universal transmitter, Chamberlain filed a lawsuit against Skylink, claiming the universal transmitter was a circumvention device. The court, however, rejected Chamberlain’s claim, emphasizing that “the DMCA does not create a new property right for copyright owners.” In doing so, the court explained that the DMCA does not “divest the public of the property rights that the Copyright Act has long granted to the public.” Furthermore, the court stressed that “the DMCA emphatically did not ‘fundamentally alter’ the legal landscape governing the reasonable expectations of consumers or competitors.” Thus, the court seems to admonish against such anti-competitive use of the DMCA’s anti-circumvention provision.

However, the court missed its opportunity to analyze the consequences of enforcing DRM schemes that essentially deny interoperability. First, the court found that Chamberlain did not prove that its software copyright had been infringed, a finding that brings into question the applicability of the DMCA to the case altogether. Second, Chamberlain placed no limitations on how its customers could use its products or what type of replacement products they could buy. Accordingly, the court found that “[t]he Copyright Act authorized Chamberlain’s customers to use the copy of Chamberlain’s copyrighted software . . . that they purchased . . . therefore [making them] immune from § 1201(a)(1) circumvention liability.” Though the court used some

120. See Chamberlain Group, 381 F.3d at 1204.
121. See id. at 1183.
122. See id.
123. See id.
124. See id. at 1185.
125. Id. at 1204.
126. Chamberlain Group, 381 F.3d at 1204.
127. Id. at 1194.
128. See id. at 1203–04.
129. See id.
130. See id. at 1204.
sweeping language to condemn misuse of the DMCA, it effectively left the scope of the anti-circumvention provision untouched and its potential for misuse intact. The outcome of this case may have been different had Chamberlain met its evidentiary burden, established that use of its software was unauthorized, and that only Chamberlain openers could be used with Chamberlain transmitters.

F. Consequences of DMCA Protection of DRM

Both Lexmark and Chamberlain represent cases in which the DMCA’s anti-circumvention provision was unsuccessfully invoked by companies to curtail genuine competition. Neither case involved piracy or illegal transfer of digital content over the Internet, or United States obligations under World Intellectual Property Organization treaties. Instead, they both represent attempts by corporations to maintain higher profit margins through legally protected DRM schemes designed to prevent interoperability between similar products. Both courts denounced such use of the DMCA and tacitly acknowledged that the DMCA gave extra-legal protection to copyright holders. Both opinions seem like victories for those who are concerned with the consequence of legally protected DRM schemes. However, these cases essentially left the DMCA fully open to such use. The Lexmark court suggested that if Lexmark had hidden its authentication code, it could have claimed it as a security device that “control[ed] access” to its copyrighted material. Likewise, if Chamberlain had printed “not to be used with non-Chamberlain” devices on its boxes, the court would likely have ruled in its favor.

“Paracopyright” is a term used by commentators to describe the extra layer of protection provided by the DMCA’s anti-circumvention provision for companies that employ DRM schemes. Paracopyright rules protect

131. See Lexmark Int’l, 387 F.3d at 551; see also Chamberlain Group, 381 F.3d at 1204.
132. See generally Lexmark Int’l, 387 F.3d at 549; Chamberlain Group, 381 F.3d at 1194–95.
134. See Lexmark Int’l, 387 F.3d at 549; Chamberlain Group, 381 F.3d at 1198–99.
135. See Lexmark Int’l, 387 F.3d at 547; Chamberlain Group, 381 F.3d at 1204.
136. See Lexmark Int’l, 387 F.3d at 547.
137. See Chamberlain Group, 381 F.3d at 1204 (explaining that Chamberlain did not meet its burden of proof in showing a lack of authorization).
the security technologies that companies create to protect their underlying copyrights.\(^{139}\) These security technologies can then protect the underlying works in ways that traditional copyright law does not. Thus, in addition to the bundle of rights that copyright holders have always enjoyed under traditional copyright statutes, the DMCA expands copyright protections.\(^{140}\) By imposing liability for unauthorized circumvention of protection technologies, the DMCA creates entirely new rights and remedies pertaining to copyright infringement. The anti-circumvention provision of the DMCA represents a significant change in American copyright tradition\(^ {141}\) because it shifts the balance of competing interests away from the public to the copyright holder.\(^ {142}\) As a result, the DMCA has enabled companies—for instance, online music retailers like Apple’s iTunes Music Store—to use DRM technology for illegitimate purposes.

IV. THE DMCA’S LEGAL PROTECTION OF DRM CREATES AN OPENING FOR COMPANIES TO MISUSE DRM IN ANTI-COMPETITIVE WAYS

The increased power wielded by copyright holders because of the Digital Millennium Copyright Act’s (DMCA) protection of Digital Rights Management (DRM) has a significant, unintended consequence. Namely, copyright holders employing DRM protections can use the technology anti-competitively by suppressing interoperability.\(^{143}\) Even though Lexmark and Chamberlain represent instances in which courts held in favor of the defendants,\(^ {144}\) the DMCA continues to be misused to stifle competition. Online music stores, including Apple’s iTunes Music Store (iTMS), sell music encumbered with different forms of DRM protection that have the common effect of restricting music playback to specific portable music players, while claiming the feature is only to prevent piracy.\(^ {145}\) Since iTMS controls an overwhelming portion of online music sales\(^ {146}\) and Apple

---

139. See Balkin, supra note 138, at 18; see also McDonald, supra note 138, at 560–61.
140. See McDonald, supra note 138, at 559–61.
142. See id.
143. See id. at 648.
146. See Nicola F. Sharpe & Olufunmilayo B. Arewa, Is Apple Playing Fair? Navigating
sells the world’s most popular music player, its practice of restricting interoperability has come under increased scrutiny.

The lack of interoperability with non-Apple devices through Apple’s use of FairPlay DRM has led to claims that Apple uses DRM protection as an anti-competitive restraint on consumer choice by preventing interoperability between iTMS-purchased music and non-Apple digital music players. Not surprisingly, Apple is currently facing an antitrust lawsuit concerning this very issue in the form of two consolidated class action lawsuits. Apple is also facing the possibility of new regulations in several European jurisdictions in response to iTMS’ lack of compatibility with other music devices. Apple’s iTMS represents the best example of the anti-competitive nature of DRM’s use in online music stores.

A. The iTunes Music Store

Apple’s iTMS is the undisputed champion of online music retail, having sold over three billion music tracks since its inception in April of 2003. Currently over eighty percent of all music sold online is sold by iTMS. In March 2008, iTMS surpassed Wal-Mart to become the number one music retailer in the United States.

When Apple unveiled iTMS, it sold individual music tracks for ninety-nine cents and most complete albums for $9.99, a price structure it had negotiated with the record labels. In return, Apple was required to

149. See Sharpe & Arewa, supra note 146, at 336.
151. See Crampton, supra note 146.
155. See Laurie J. Flynn, Apple Offers Music Downloads with Unique Pricing, N.Y. TIMES,
sell music with FairPlay DRM. With FairPlay, purchased songs cannot be played on more than five computers and cannot be copied onto compact discs more than seven times. FairPlay DRM also prevents iTMS-purchased songs from playing on all portable music devices, except for Apple’s iPod. Furthermore, DRM-protected music purchased from competing online music stores cannot be played back on either iTunes music software or on Apple’s iPod.

Thus, people who have purchased songs from iTMS are incentivized to purchase an Apple iPod digital music player, rather than one made by another manufacturer, in order to have the option of listening to their music portably in addition to listening on their computer. Once consumers have purchased music from iTMS, there is little incentive to purchase other products or services that may be incompatible with iTMS. As a consequence, consumers can become tied to a line of products and services that may be more expensive and have fewer features than competing portable music players. More importantly, consumers’ freedom to choose alternative products, even inferior ones, is diminished.

Lack of interoperability also affects other online music retailers. For instance, iTMS competitors have a hard time attracting subscribers and downloaders because their DRM-protected music is incompatible with Apple’s iPod music player. Interestingly, Apple CEO Steve Jobs responded to these accusations of anti-competitive behavior by claiming Apple has no choice but to employ the restrictive FairPlay DRM. In a comment posted on the Apple website, Jobs claimed he would wholeheartedly embrace music unencumbered by any DRM protections on iTMS, but the major record companies would not allow it. Apple was and is contractually obligated to sell its music with FairPlay DRM.
protections. Thus, Jobs implies that Apple does not intend to cause a lack of interoperability through Fairplay DRM, but it is an inevitable byproduct of its obligations to record companies.

Jobs went on to suggest that licensing Apple’s FairPlay DRM technology to other companies would not be a feasible alternative. Disclosing Apple’s FairPlay “secrets” to outside companies would “inevitably” lead to Internet leaks of its FairPlay DRM software. In turn, such disclosure would compromise Apple’s contractual commitment to record labels because Apple could no longer quickly respond to breaches in FairPlay DRM security. He argued that Apple could not guarantee FairPlay’s effectiveness once the software is in the hands of third parties—licensing their DRM for third-party use would defeat FairPlay’s ability to protect copyright holders. Essentially, Jobs claimed his hands were tied because record companies demanded the use of FairPlay DRM and because licensing FairPlay would compromise the DRM’s effectiveness. Perhaps Jobs’ argument might seem more credible if Apple had not exhibited the deft ability to effectively control its software “secrets” so many times before.

B. RealNetworks Circumvents FairPlay and Apple Responds

Before Jobs’ call to remove DRM protections from music, RealNetworks (Real), a competitor, unlocked FairPlay’s software “secrets” without Apple’s consent. In July 2004, Real introduced its Harmony Technology, which allowed songs purchased from Real’s Rhapsody online music store to be played on Apple’s iPod. Harmony Technology accomplished this by converting music purchased from its store into a

165. See id.
166. See id.
167. See id.
168. See id.
169. See Jobs, supra note 155.
170. See id.
FairPlay protected music file. Real issued a press release at the time of Harmony's launch that quoted several representatives of major record labels praising the move and stated that Harmony Technology addressed the foremost problem facing the distribution of online digital content: the need for interoperability.

Real even launched a promotional campaign entitled "Freedom of Music Choice," which proclaimed that "[c]onsumers are getting a raw deal with the status quo in digital music, which limits healthy, open competition that drives down prices and encourages innovation." However, the campaign failed to win the support of consumers, as evidenced by the overwhelming amount of negative comments users left on the "Freedom of Music" website. Real's perceived hypocrisy was chief among the complaints left on the website. The DRM that encumbered Real's Rhapsody music files not only prevented compatibility with Apple's devices, the very problem Real had purported to fix with Apple's iTMS music files, but Real's DRM protections were more restrictive than Apple's FairPlay DRM. Additionally, Real's end-user licensing agreement prohibited reverse engineering of its DRM—the same technique that Real used to breach Apple's DRM protections.

Apple responded to Real's implementation of Harmony by saying it was "stunned that [Real had] adopted the tactics and ethics of a hacker to break into the iPod." Unsurprisingly, Apple stated it would examine the possibility of invoking the DMCA against Real. This prompted Real, in an August 2005 Securities and Exchange Commission filing, to disclose to its investors that "[i]f Apple decides to commence litigation against us in order to prevent interoperation with its products, we may be forced to spend money defending their legal challenge, which could harm our

174. See id.
175. See id.
176. See Fred von Lohmann, Hypocrite, Thy Name is Real, ELECTRONIC FRONTIER FOUND., Aug. 18, 2004 http://www.eff.org/deeplinks/2004/08/hypocrite-thy-name-real/.
178. See id.
179. See id.; see also von Lohmann, supra note 176.
180. See The Customer is Always Wrong, supra note 145.
182. See Best, supra note 177.
183. See Graham, supra note 171.
184. See id.
operating results." 185 Real also acknowledged "the risk that Apple will continue to modify its technology to 'break' the interoperability that Harmony provides to consumers" and that if "Apple chooses to continue this course of action, Harmony may no longer work with Apple's products... or we may be forced to incur additional development costs to refine Harmony to make it interoperable again." 186 Though Real believed its product was legal, it admitted that it could not guarantee that it would withstand judicial scrutiny. 187 Thus, Real faced both legal and technological obstacles. In the end, Real abandoned Harmony Technology software due to these obstacles, particularly the threat of litigation. 188 Moreover, Real seemed convinced that Apple's ability to continually update its FairPlay DRM would make Harmony's sustainability difficult. 189 Apple gave credence to Real's fears in a statement it issued warning customers that Harmony-converted songs would no longer work with Apple's iPods. 190 Though Apple's software "secrets" could be circumvented, 191 Apple maintained an advantage because it has the technological ability to update its software, as well as the DMCA to deter its competitors.

Real's fear of litigation may have arisen from firsthand experience with the DMCA. Real was among the first to invoke the statute to protect its use of DRM. 192 When software manufacturer Streambox created the Streambox VCR, a device that gave users the ability to copy Real's Realmedia audio and video files, Real sued claiming a violation of § 1201 of the DMCA. 193 The court imposed a preliminary injunction 194 and Streambox eventually settled, agreeing to remove their software's recording ability and to pay Real damages. 195

---

186. Id.
187. See id.
189. AppleInsider.com, supra note 185.
190. See Graham, supra note 171.
191. See Jobs, supra note 155.
192. See von Lohmann, supra note 176.
194. See id.
195. Monica Soto, Deal Protects RealNetworks-Generated Files, SEATTLE TIMES, Sept. 9, 2000, at B1, available at http://community.seattletimes.nwsource.com/archive/?date=20000909&slug=TTQP1HF7J.
C. The “Real” Reason Music Stores Use DRM

Apple, Real, and even major record label officers admit that the lack of interoperability hurts customers and hurts the music industry itself.\textsuperscript{196} Nevertheless, they all use the DMCA in an anti-competitive manner to protect their business interests.\textsuperscript{197} Apple claimed that it could not license FairPlay because of the risks posed by hackers.\textsuperscript{198} However, illegal programs that circumvent every major DRM scheme, including Apple’s own FairPlay, are already available online.\textsuperscript{199} Moreover, when Apple’s FairPlay did end up in the hands of rival Real, both companies implicitly acknowledged that Apple’s ability to provide constant software updates made Real’s Harmony program unfeasible.\textsuperscript{200} Jobs’ argument that licensing FairPlay DRM to third parties would inevitably lead to software leaks is disingenuous. FairPlay has already been leaked with little damage to Apple who has shown a rapid ability to respond to leaks.\textsuperscript{201}

Real’s actions are even more hypocritical. While the company touted a desire to free “consumers from the limitation of being locked into a specific portable device,”\textsuperscript{202} it seemed to want to do so only if that device was an Apple iPod.\textsuperscript{203}

Apart from Jobs’ argument against licensing FairPlay DRM to third parties, concerns about piracy are strikingly absent from the DMCA lawsuits.\textsuperscript{204} Apple and Real are using the technological might of their DRM protections and the legal might of the DMCA to lock out their competitors, but not to thwart piracy.\textsuperscript{205} When a piece of legislation, originally intended to combat piracy, is used by rival companies to leverage control over their respective markets, it raises the question of whether that piece of legislation is really serving its purpose. The most obvious answer is that the legislation—as it stands—does not accomplish what it was intended to accomplish.


\textsuperscript{197} See Lee, supra note 8.

\textsuperscript{198} See Jobs, supra note 155.

\textsuperscript{199} See Lee, supra note 8.

\textsuperscript{200} See Jobs, supra note 155.

\textsuperscript{201} See Jobs, supra note 155.

\textsuperscript{202} \textit{Real Press Release}, supra note 173.

\textsuperscript{203} See generally von Lohmann, supra note 176.

\textsuperscript{204} See id.

\textsuperscript{205} See Graham, supra note 171.
V. DRM HAS LITTLE PRACTICAL EFFECT ON PREVENTING PIRACY
BECAUSE IT PUNISHES LEGITIMATE CONSUMERS

The 1998 Digital Millennium Copyright Act’s (DMCA) use of Digital Rights Management (DRM) protections simply does not do what it was intended to do: fight piracy. Moreover, DRM technology does nothing to prevent widespread illegal file-swapping over the Internet, which is one of the main sources of music piracy.\(^{206}\) Despite the music industry’s efforts to shut down illegal peer-to-peer (P2P) networks, new methods of piracy continue to emerge.\(^ {207}\) DRM protections cannot prevent this piracy.\(^ {208}\) Instead, DRM protections inflict damage on public values and upset the delicate balance between the public interest and the interests of the copyright holders.\(^ {209}\)

A. The New Generation of Internet Piracy: BitTorrent

Perhaps the most infamous P2P file-sharing software was Napster.\(^ {210}\) Napster emerged in 1999 and at the peak of its popularity had twenty-six million users.\(^ {211}\) Various music companies jointly sued Napster for contributory copyright infringement, and Napster eventually settled the case.\(^ {212}\) After Napster, other file-sharing networks emerged, such as KaZaA, LimeWire, and iMesh.\(^ {213}\) Eventually, under the threat of litigation, these P2P networks were restructured as legal pay-for-download services or were simply shut down.\(^ {214}\) Though many popular P2P networks no longer exist—at least as illegal file-swapping sites—piracy is thriving now more than ever.\(^ {215}\) New ways of transferring digital content over the Internet have replaced the older generation of P2P technology.\(^ {216}\) Released in 2001, BitTorrent is the most popular of these new


\(^{207}\) See Welte, supra note 159.

\(^{208}\) See Jobs, supra note 155.

\(^{209}\) von Lohmann, supra note 141, at 636.

\(^{210}\) See Patrick Turner, Digital Video Copyright Protection with File-Based Content, 16 MEDIA L. & POL’Y 165, 173 (2007).

\(^{211}\) See id.

\(^{212}\) See id.

\(^{213}\) See Brian Garrity, From Piracy to Profit?, BILLBOARD, Oct. 7, 2006, available at 2006 WLNR 17817937 (detailing ongoing litigation issues with services such as LimeWire, iMesh and KaZaA).


\(^{215}\) See Borland, File Swapping, supra note 206.

\(^{216}\) See id.
communication protocols. BitTorrent is faster and more efficient at distributing content than previous P2P technologies. It works by dividing digital files into small pieces and spreading them between different downloaders. Unlike previous P2P methods that slowed the rate of transfer as total traffic increased, the speed of transfer between BitTorrent users increases as more people transfer files.

BitTorrent represents between fifty to seventy-five percent of all P2P activity on the Internet. By some estimates, BitTorrent constitutes between forty and fifty percent of total Internet traffic. Although any type of digital content can be transferred using BitTorrent, music files are the most popular and the most downloaded files. As new pirating technologies have appeared, the amount of illegal file-sharing has dramatically increased.

B. Despite Increases in Piracy, DRM Continues to Target the Wrong People

Despite the abundance of transfers taking place through illegal file-sharing networks, the music industry’s use of DRM protections targets consumers who pay for legal downloads, thereby punishing innocent parties for the actions of illegal file sharers. The number of illegal P2P users has tripled in the last four years, increasing to nine million. Despite the Recording Industry Association of America’s (RIAA) 26,000-plus lawsuits against individual file-sharers, the number of households

218. See Nuttall, supra note 217.
220. See Nuttall, supra note 217.
221. See Kirk, supra note 217.
222. See Nuttall, supra note 217.
223. See Kirk, supra note 217.
226. See Welte, supra note 224 (citing findings by BigChampagne, a firm that monitors P2P use).
that downloaded illegal P2P programs increased eight percent in 2006 alone.\footnote{228}  Illegally downloaded tracks in 2006 equaled five billion in the United States, nearly doubling the number from the previous year.\footnote{229}

In contrast, the number of legal downloads was only five hundred million last year.\footnote{230} Even though music companies have expended tremendous time and resources combating piracy caused by P2P file-sharing, their efforts are yielding no lasting results.\footnote{231} Instead, their efforts have only served to make illegal downloads more appealing.\footnote{232} Why should consumers pay for legal music downloads with restrictions when downloading unencumbered music is free and easy?

Some executives in the entertainment industry have acknowledged that DRM protections do not prevent piracy, but such protections are necessary to “keep honest people honest” by reminding them not to pirate content.\footnote{233} However, the results of a recent experiment by rock band Radiohead questions this sentiment.\footnote{234} In October 2007, Radiohead made their latest album available only on the Internet.\footnote{235} Consumers could go to their website and could pay any amount—including zero—to download the album.\footnote{236} The majority of consumers paid retail price for the album,\footnote{237} and the release week sales of the album exceeded the band’s previous release week sales.\footnote{238} Interestingly, the number of pirated downloads of Radiohead’s album through BitTorrent exceeded 500,000 during the album’s first six days of release.\footnote{239} Thus, even though the music was free, distribution of the music on illegal P2P networks still occurred, as

\footnote{228} See Gross, supra note 10.
\footnote{229} See id.; Music Industry Wins Key Victory in Illegal U.S. Download Trial, AGENE FRANCE-PRESSE, Oct. 5, 2007, http://afp.google.com/article/ALeqM5gLAoKFpytnYIj3gaB4YbdeS-ya7iw; see also Stan. J. Liebowitz, File Sharing: Creative Destruction or Just Plain Destruction, 49 J.L. & ECON. 1, 7–8 (2006) (recognizing that earlier statistics from Webnoize, a company that tracked P2P usage, are no longer considered reliable; today, NPD P2P data is more widely accepted).
\footnote{230} See Gross, supra note 10.
\footnote{231} See TheWallStreetJournalOnline.com, supra note 225.
\footnote{232} See Gross, supra note 10.
\footnote{235} See id.
\footnote{236} See id.
\footnote{237} See id.
\footnote{239} See id.
thousands chose to pirate it.\textsuperscript{240}

Consequently, Radiohead’s experiment illustrates the obvious fact that honest people do not need a reminder to keep them honest. While some people will act honestly, and by extension legally, many will not. Thus, DRM-laden songs only serve to punish the honest by restricting their legitimately purchased music. If the music industry wishes to promote honesty, it should punish pirates, not legitimate music purchasers.

\textbf{C. The Pirate Bay}

Not only has piracy increased, but the most notorious piracy promoters are beyond the traditional reach of United States copyright law because they are based in foreign nations. There are various music files available across the Internet, and unlike older P2P software, BitTorrent does not provide a list of those files. Instead, users must find the “torrent” files on their own. A torrent tracker is a website that indexes the torrent files and centrally coordinates transfers between peers.\textsuperscript{241} The Pirate Bay, based in Sweden, is the world’s most popular torrent tracker\textsuperscript{242} and receives an estimated 12,000 requests for content every second.\textsuperscript{243}

The Pirate Bay represents another obstacle in fighting piracy because it lies outside of U.S. jurisdiction. At the Motion Picture Association of America’s (MPAA) insistence, Swedish authorities raided the Pirate Bay’s operations in 2006 and shut it down, but the site became operational again three days later.\textsuperscript{244} The incident actually elicited sympathy for the website’s operators in Sweden,\textsuperscript{245} a country that views copyright infringement less critically than does the United States.\textsuperscript{246} Not only has The Pirate Bay eluded the entertainment industry’s legal challenges, the website has actually expanded its operations by reviving previously shut down torrent trackers.\textsuperscript{247} Moreover, it is developing new P2P software that will make digital transfers untraceable.

\begin{footnotesize}
\begin{enumerate}
\item[240.] See id.
\item[244.] See David Sarno, The Internet Sure Loves Its Outlaws, L.A. TIMES, Apr. 29, 2007, at E8.
\item[245.] See id.
\item[246.] See Glover, supra note 243.
\end{enumerate}
\end{footnotesize}
Piracy is a global challenge for the music and movie industries, and the new producers of P2P technology are both relentless and elusive. Given that illegal downloading is so widespread, the use of DRM will have no effect on piracy as a whole because legal downloads comprise an insignificant percentage of all downloads.

D. DRM Provides No Protection Against Piracy

On a very practical level, DRM provides no real protection against piracy because the restrictions are, oftentimes, very easy to circumvent. For example, no special software or knowledge of computer science is necessary to bypass Apple’s FairPlay. A user can simply burn FairPlay-laden songs on a compact disc (CD) and import the songs from the CD back to the iTunes library, thus eliminating the DRM.\footnote{248 See Roman Loyola, \textit{Remove the FairPlay DRM from Your iTunes Songs}, MACLIFE.COM, June 18, 2007, http://www.maclife.com/article/remove_the_fairplay_drm_from_your_itunes_songs.} Moreover, Apple’s iTunes Music Store (iTMS) exclusive tracks are found on P2P minutes after appearing on iTMS, further demonstrating the ineffectiveness of FairPlay’s DRM protection.\footnote{249 See Fred von Lohmann, \textit{FairPlay: Another Anticompetitive Use of DRM}, ELECTRONIC FRONTIER FOUND., May 25, 2004, http://www.eff.org/deeplinks/2004/05/fairplay-another-anticompetitive-use-drm.}

Even if DRM was completely impervious to circumvention, Internet piracy would not be curbed because DRM-free digital music already exists in the form of a CD.\footnote{250 See Ken Fisher, \textit{Universal to Track DRM-Free Music Online Via Watermarking}, ARS TECHNICA, Aug. 15, 2007, http://arstechnica.com/news.ars/post/20070815-universal-to-track-drm-free-music-online-via-watermarking.html.} In fact, CDs are the source of most of the shared music online because they can easily be ripped to a computer, encoded, and transferred to others through a P2P program.\footnote{251 See id.} It only takes one digital DRM-free track to leak on a P2P network and then proliferate into hundreds or even thousands of copies through peer transfer.\footnote{252 See id.}

VI. CONCLUSION

Digital Rights Management (DRM) does not prevent piracy or provide the music industry with any benefit. DRM punishes people who have downloaded their music legally by placing restrictions on the way they use their music. This incentivizes unlawful downloading through various illegal peer-to-peer (P2P) systems. Section 1201 of the Digital
Millennium Copyright Act (DMCA) complicates matters by protecting DRM schemes and preventing interoperability by implicitly creating a legal safeguard for closed technology platforms. When analyzing cases involving DRM protection schemes, courts must look to see if a DRM scheme has been circumvented instead of focusing on how DRM has been misused. Nevertheless, § 1201’s narrow focus on circumvention creates room for companies to misuse DRM by claiming piracy prevention and copyright infringement as a pretext.

Apple’s iTunes Music Store (iTMS) and iPod are the most evident examples of DRM’s misuse. Apple acknowledges DRM is not effective in preventing piracy and even claims to support DRM-free music, but Apple’s conduct towards RealNetworks belies its rhetoric. Apple’s large share of both the online music sales market and the portable music device market leaves the music industry little flexibility in how it distributes music online. Apple will not allow variable pricing structures proposed by music labels, and music companies are beholden to Apple’s sales terms because Apple controls an overwhelming share of legal online music downloads. So far, other online music retailers and portable music device players have not posed a credible threat to Apple’s market dominance. Thus, if the music industry wants to break free from Apple’s tight hold of online music sales and control pricing, it must offer music unencumbered by DRM protections.

However, the music industry should not fear music being distributed online without DRM protections. An early report indicates that major music label EMI is already selling DRM-free music at a much higher rate than music with DRM protections. Moreover, popular bands like Radiohead and online music stores like eMusic have successfully and

253. See Jobs, supra note 155.
254. See supra Part II.C.
256. See Universal May Not Re-Up, supra note 255; Ho, supra note 255.
257. See supra Part IV.A.
259. See Innovation in Rainbows, supra note 238, at 4.
profitably offered DRM-free music. Amazingly, eMusic has become the second largest online music seller behind iTMS, without the benefit of major music label support to boost its sales. 261 Furthermore, evidence suggests those who purchase content from eMusic do not share that content on illegal file sharing networks. 262 Thus, selling music unencumbered by DRM can be both viable and profitable.

The DMCA’s prevention of interoperability through legal protection of DRM safeguards Apple’s market dominance. Music piracy has flourished as legal music purchasers are punished. Offering DRM-free music will benefit both consumers and the music industry. Consumers will have the freedom to play their music without restrictions. Furthermore, the music industry will have more control over music pricing and distribution. If the music industry intends to survive the compact disc’s imminent demise, it must embrace the next evolution of music content delivery: digital music downloads unencumbered by DRM protections.

Ali Matin *

261. See id.

* J.D. Candidate, May 2009, Loyola Law School, Los Angeles; B.A., University of California, Irvine. I would like to thank my family for their tremendous love and support. Special thanks to the editors and staff of the Loyola of Los Angeles Entertainment Law Review for their hard work and skillful editing. I would also like to extend my sincere gratitude to Professor John Tehranian for his valuable feedback and insight.